HERRON TODD WHITE

Month in Review

February 2023

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 February edition of Month in Review

The start of each year tends to bring an air of excitement and optimism. However, for 2023, the level of uncertainty is being felt across most markets. In late 2023 we're likely to see our property markets ultimately transition to a welcome state of stability. The RBA's most recent announcement has only deepened current cost of living pressures, and we hope to see relief towards the end of the year once the predicted rate rises have softened.

While interest rate rises have already been implemented to bring inflation back into the Reserve Bank's target range, the majority of 2022's increases are yet to comprehensively influence the number. In contrast, the property market has been very reactive, so it's a better lead indicator of the medium-to-long-term economic direction in response to RBA decisions.

There's little doubt that interest rate increases were the primary reason real estate prices softened in 2022. As a rule of thumb, borrowing capacity drops by around five per cent for every 50-basis point increase in the cash rate. So, purchasers had to lower their buying budgets last year, and sellers needed to accept reduced prices if they wanted to transact.

After their Christmas break, the RBA board returned and announced another 0.25 per cent rate rise just this month, and their comments suggest we should all be prepared for more to come. This will continue to put downward pressure on property market activity.

In the residential sector monthly home values were falling by around 1.2 per cent per month to the end of October 2022. The most recent statistics suggest this is now close to 1.0 per cent – so price drops are slowing. In addition, there are anecdotal reports among industry professionals of increased buyer activity in blue chip locations. These suburbs are historically the first to improve as activity ramps up.

Looking at commercial investment and our valuers are reporting that the nation's robust industrial sector is responding to interest rate rises too. David Walsh, commercial director at Herron Todd White Brisbane, notes that yields have compressed by around 50 to 100 basis points in his service area because of cash rate movements.

And our rural valuers are observing similar outcomes. While demand for commodities remains strong, buyers and business owners are making allowances for increased interest rates in their property acquisition and operating cost decisions.

All of these outcomes describe a property market and economy in transition, with consumers and businesses adapting to higher interest rates. I suspect the effects that have already showed up in our property markets will be reflected in broader economic data over the months to come. This should encourage the RBA to find its interest rate ceiling far sooner than many expect.

There are other fundamentals in play too, of course, and these should bolster property price prospects. It's been reported that Australia is on track for net migration of more than 300,000 people this year, which is around 25 per cent higher than Treasury forecasts. The national rental vacancy rate is also running at just over one per cent, and unemployment sits at a staggeringly low 3.5 per cent.

So, my outlook is this – 2023 is likely to deliver economic outcomes that the Reserve Bank board will find agreeable. When interest rates are paused, market fundamentals should see property prices and sales activity normalise quickly back to longterm averages.

A transition to stability like this is just what the Australian economy and its property markets need.

Please enjoy this issue of Month In Review

Gary Brinkworth
CEO

Commercial

February 2023

National Industrial Overview

It would be overly pessimistic to say that the industrial market will see dramatic changes in 2023, however the market will no doubt experience a softening in comparison to the previous two years.

2022 was another good year for industrial property across the country. The sector was one of the strongest performing assets across all classes, with yields compressing to record lows throughout 2021 and into 2022. However, the low interest rate environment to which we had all become accustomed began to turn in May when the RBA kicked off its aggressive contractionary monetary policies off the back of rising inflationary pressures. It was these rapid rate hikes over the next nine months coupled with macro influences that ultimately resulted in a wait and see approach and standoff between vendors and purchasers in the latter part of the year. Towards the end of 2022, values started to correct due to the uncertainty surrounding interest rates and global political tensions.

It would be overly pessimistic to say that the industrial market will see dramatic changes in 2023, however the market will no doubt experience a softening in comparison to the previous two years. All indications suggest 2023 is going to be a challenging year with interest rates biting across all property sectors. Residential sale volumes are slowing, and commercial values are softening as vendors and purchasers grapple with differing expectations. In addition to this, construction costs are continuing to have a brutal impact on construction projects. As I write this, the Australian Bureau of Statistics (ABS) has just released its Consumer Price Index (CPI) data which reveals annual inflation of 7.8 per cent. This is the highest point since 1990 and highlights a number of headwinds the market will need to deal with.

On the back of record transactional values nationally in 2021, volumes in 2022 reduced to a more normal level resembling those we saw prior to COVID-19 and yields began to show early signs of stabilising. Before the aggressive monetary policy from the RBA, prime yields in the institutional space were sitting around 3.75% to 4.50% and yields in the middle markets were in the vicinity of 4.25% to 5.25%. Discussions with leading agents in the Brisbane industrial market, for example, have however revealed that yields have compressed circa 50 to 100 basis points across all markets since interest rates began to rise. Demand in the institutional space has also begun to deteriorate with industrial funds, REITs and property syndicates retreating somewhat due to the difficulty of cash flow forecasting and predicting accurate target returns for investors. Notwithstanding this, assets located within prime industrial locations have demonstrated strong leasing results and continue to be well received by the market.

Demand however is still strong for industrial assets with the owner-occupier market being an outstanding performer in the sub-$10 million market. Now that industrial funds, REITs and property syndicates have retreated, opportunities for owner-occupiers have arisen to purchase either vacant assets or buildings with imminent lease expiries. There is still however a shortage of vacant assets due to the strong leasing conditions and investment market in the past 24 months, with many assets acquired having since been leased. Demand for vacant assets has therefore remained strong which is somewhat counterintuitive with the rising cost of debt, yet the evidence demonstrates that owner-occupiers are still very active within a declining market.

David Walsh Industrial Director

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Acquisitions of freestanding industrial buildings in established industrial locations have demonstrated strong building rates in recent months.

Acquisitions of freestanding industrial buildings in established industrial locations have demonstrated strong building rates in recent months. This raises the argument of affordability which applies to both owner-occupiers and tenants and is likely to be an important theme in 2023 with rising cost of debt and inflationary pressures. The premiums owner-occupiers have and will likely need to pay for vacant assets, coupled with high interest rates, will put pressure on debt repayments and present serviceability challenges for some businesses. For investors, it will be about identifying properties that offer value-add opportunities, primarily via income growth. Whilst we are currently in a high inflationary environment, lease structures indexed to CPI will provide solid income growth in the short term and those with a short lease term certain / WALE will provide reversion upside at lease renewal due to the strong evidence of rental growth in the past 12 months. Tenant demand is very strong with limited supply and this will continue to put upward pressure on rents. In both instances, it is evident that the cost of occupation is rising across the board.

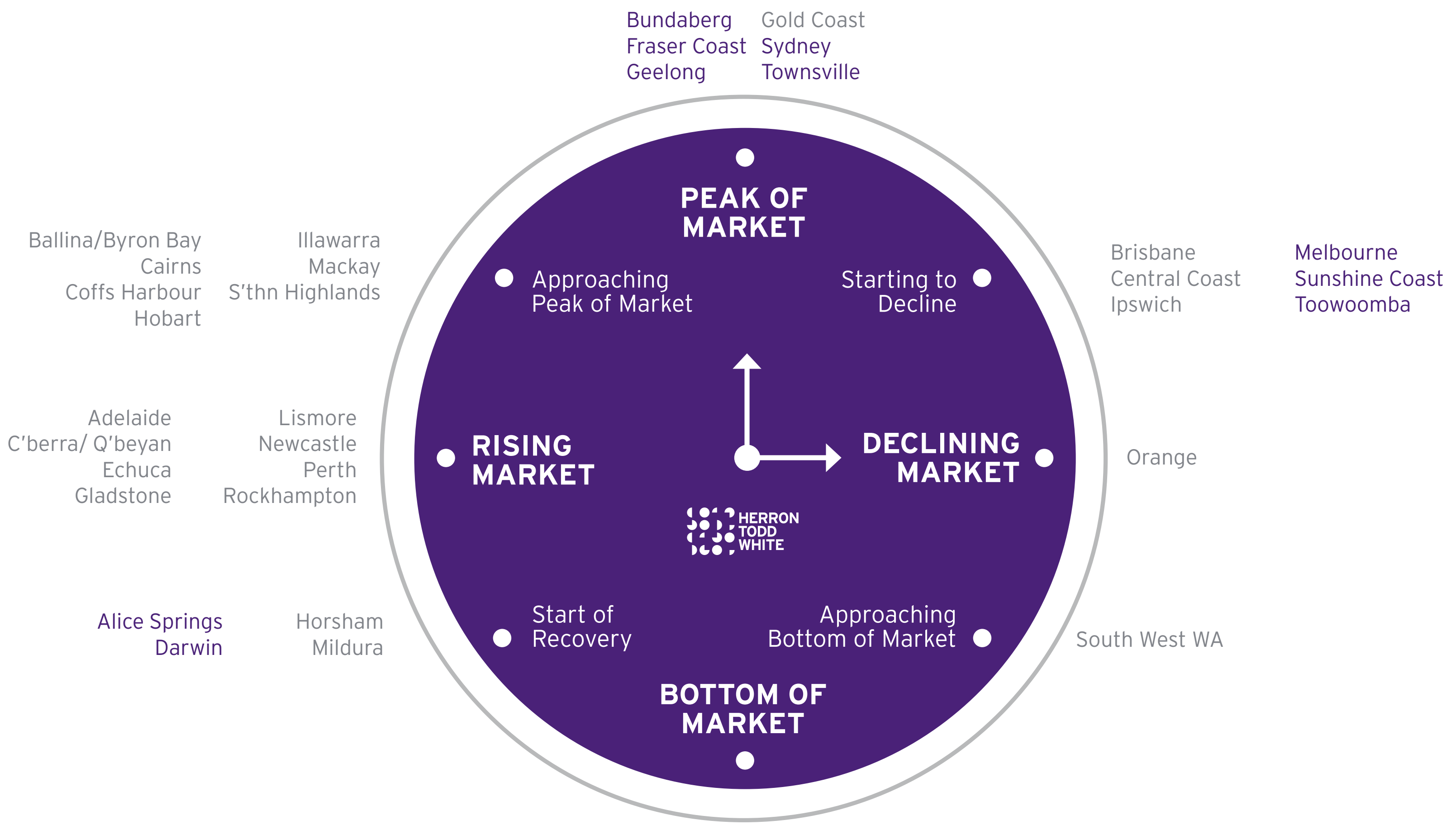
While adhering to the broader commentary both within Australia and internationally, 2023 will be a year to be cautious. Hopefully inflation will be brought under control and the macro events impacting the country will ease. It is likely that the industrial market will remain at current value levels assuming there are limited interest rate increases, although with the recent inflation figures released, it would seem all but certain that we will see another rise.

Until stability returns to the broader market environment, we are of the view that transactional activity (excluding the institutional space) will remain lower than normal. It is likely we will start to see the trading of assets within the institutional space as the various groups look to balance their funds. It is also anticipated that 2023 will see significant new industrial development, with Brisbane and Melbourne leading the way, however it is unlikely this will alleviate the supply shortage meaning that we'll continue to see increasing rents in 2023.

David Walsh
Industrial Director

National Property Clock: *Industrial*

Entries coloured purple indicate positional change from last month.



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New South Wales - Industrial 2023

Sydney

The industrial market was one of the strongest performing asset classes in 2022. We saw capital value growth and rental rate increases all owing to consistently strong demand. This increase in demand can be attributed to the post-COVID recovery, low interest rate environment and lack of supply. There were no signs in 2022 that the market was slowing from what we observed, but looking ahead to 2023 there are some potential headwinds.

The market is still largely underpinned by demand outstripping supply due to a lack of stock, particularly for Torrens title property and land, however the rapid and continuing increase in interest rates last year and the prediction that this will continue in 2023 is likely to see the industrial market slow.

It is too early in the year to tell the full extent of the slowing but we have noticed that there is a lack of sales in late 2022 and early 2023. Feedback from agents too is that there are few transactions.

Rents remained largely stagnant throughout the pandemic, particularly for secondary stock. More recently, agents have reported an uplift in industrial rental values and demand, potentially derived from reduced purchasing power as a result of interest rate rises. We consider inflationary pressure to also be a factor in increasing rental rates with some agents achieving rental rates higher than asking prices. Our outlook for 2023 is further growth in rental rates and we forecast this trend to continue over the next few years. Location is considered to be a prime factor.

It is still early days but we are gradually seeing yields increase and may see more investors returning to the industrial market capitalising on the better returns.

Generally speaking, the majority of conversations with property owners and buyers during 2022 indicated strong business sentiment. We predict that this is set to change in 2023 as businesses become more cautious. Cost cutting appears to be on the agenda.

Along with rental growth, there are still some positives for 2023. A slowing market can present opportunities. Buyers looking for a property could look to buy if it meets their requirements. Supply is unlikely to change but the market is likely to see some slowing this year, therefore conditions for buyers might improve.

Angeline Mann
Commercial Director

Our outlook for 2023 is further growth in rental rates and we forecast this trend to continue over the next few years. Location is considered to be a prime factor.

Coffs Harbour

The forecast for the industrial market sector throughout 2023 is for strong activity.

The current market features limited property available for sale against extremely strong demand.

This has led to escalating value levels with sale prices well above previously established levels.

There is strong demand from both investors (for well-leased property) and the owner-occupier market.

The construction phase of the Pacific Highway bypass has commenced bringing strong demand for industrial hardstand and warehouse accommodation.

Analysis of recent industrial sales in Coffs Harbour indicates land values for well-exposed sites with good access at $550 to $650 per square metre.

Industrial strata bays have seen consistent growth, with values for modern concrete tilt panel bays selling at the beginning of 2022 at circa $3,000 per square metre now being advertised and sold between $3500 and $4000 per square metre.

The Woolgoolga industrial estate has experienced strong capital growth with land value levels in excess of $325 per square metre.

As land supply diminishes, dated buildings or undercapitalised sites are being acquired for redevelopment.

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There is strong demand from both investors (for well-leased property) and the owner-occupier market.

Due to the shortage of available land, the ongoing strength of the industrial market throughout 2023 appears assured.

The South Grafton industrial estate, which has long been oversupplied and dormant, has also experienced increased sales activity and there has also been a gradual increase in value levels.

Based on the rising capital value rates featuring firm yields and increasing construction costs, the forecast is for a rising rental market.

The Coffs Harbour Airport industrial development has a significant area of completed lots. The development company is offering leasehold land tenure, but to date, there has been limited market interest.

Ken Potter
Director

Newcastle

The common phrase around town as it relates to the industrial market is "there is so little stock around!". From the end of 2022 going into early 2023, there is nothing to suggest that this won't be a key issue in the short term. As vacancy rates stay low and with limited stock available, there has been a steady increase in rentals across the industrial market. At the same time, we are seeing yields continuing to tighten with some of the smaller units averaging 5% and, in some cases, lower. What we are seeing is a market geared more heavily towards owner-occupiers now and this is being fuelled by the continuing growth in boutique-style mini-warehouses sub 50 square metres, and 50 to 100 square metres. All the major precincts in the area have recently completed or are close to completing complexes of this nature. These units are attractive to inner city residents as storage or as potential workspaces given the work from home trend commonplace now, or tradespeople looking for smaller storage options without the additional rental overhead.

There has been a slowing of larger scale industrial site purchases, with limited sales in the last quarter of 2022 and few options on the market currently. This slowing can be attributed to the current economic situation and a more wait and see sentiment from potential investors. Industrial property continues to perform above expectations at a state and national level and the general feeling is that the Newcastle market, whilst arguably starting to come off the peak, will continue in the same way at least in the first part of 2023.

Ed Thwaites
Director

Wollongong

The industrial market is well placed to confront the challenges the broader property market is set to face throughout the year primarily due to the sound fundamentals of this segment. Constraints on supply and ongoing demand are expected to see this segment withstand any downward pressure being placed on values.

This asset class has some serious momentum, with substantial investment already committed within the Port of Port Kembla and BlueScope set to have significant flow on effects for the region's industrial sector.

We may see a wider gap in prices achieved between comparative investment sales and owner-occupier vacant possession sales as yield requirements from investors will come under pressure due to rising interest rates. The ongoing upward pressure being placed on rents will comfort some of the more recent investors in this market as tenants compete heavily for whatever rental stock is available.

In summary, we expect to see some softening and perhaps 2023 will finally be the year the industrial market hits its peak, however any softening is likely to be subtle. For there to be serious pressure on values, this market will need to see significant new supply and this is not going to happen for quite some time.

Scott Russell
Director

Victoria - Industrial 2023

Melbourne

After the COVID-19 storm of the past two years, the Australian community can look forward to hopefully a positive and strong 2023. However, the so called economic recovery everyone was expecting has been somewhat tempered by inflationary pressures which has pushed forward sustained interest rate hikes and lowered the outlook for growth across the board. So, what does this mean for the Melbourne industrial market?

This current environment of rising interest rates and inflated construction costs has led to a slow in sales volumes, whilst much of the currently available industrial warehouse space is still under construction with very limited existing stock available. This in turn has led to leasing deals being negotiated six to 18 months in advance for certain properties. The undersupply in the Melbourne industrial market will not be resolved until more developable land becomes available for sale. Undersupply in the Australian industrial market has previously been manageable with relatively quick construction compared to other commercial assets such as office and retail properties, meaning imbalances are typically corrected in a short time frame. However over the past two years, the strength of demand has led to a big undersupply, meaning investors and other purchasers have been and will continue to pay a premium in 2023. In saying that, the market will welcome a record year for development completions in 2023, meaning we could potentially see that imbalance corrected, solving the undersupply and in turn lowering levels of demand, meaning there is scope for potential softening in capital values in the market.

We can expect to see more surging rental growth throughout 2023 which has provided an offset for the outward yield shifts since interest rates began increasing and has been the reason capital values have stayed so steady. Investment capital looking to acquire industrial assets will continue to remain strong but with higher yield expectations due to the perceived higher risks in the current market setting. A softening of yields will require further increases in rentals achieved in order to match capital values, which for the moment is looking likely throughout early 2023. It has been evidenced in the market over the past two years that many owner-occupiers sold their industrial properties on lease back arrangements to free up capital, but as we look forward this could be set to reverse. As mentioned earlier, rents are growing rapidly and with competition high, landlords have a number of tenants offering tenancy. Big international and ASX listed tenants are typically favoured in this situation, which has left smaller businesses at risk of being without a property and is certainly something to keep an eye on in 2023.

Whilst the industrial market in Melbourne is ranked one of the best in the world, it is important to note that there are certainly some assets investors should look to avoid. Those assets generally sit within the secondary industrial sector. They may include assets with access issues and poor ingress or egress, poor clearance, properties with high office to warehouse ratios in markets which generally have no requirement for such a ratio and development sites with potentially costly asbestos removal requirements prior to any major redevelopment process.

Nick Michael
Director

The market will welcome a record year for development completions in 2023, meaning we could potentially see that imbalance corrected, solving the undersupply and in turn lowering levels of demand, meaning there is scope for potential softening in capital values in the market.

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Queensland - Industrial 2023

Brisbane

Retrospectively, the industrial sector was the strongest performing across all asset classes in the Brisbane market with yields compressing to record lows throughout 2021 and into 2022. Although the sector went from strength to strength in 2021, last year became a standoff between vendors and purchasers and many market participants took a wait and see approach in the latter half of the year with the uncertainty surrounding interest rates and global political tensions. With the cost of debt increasing due to the RBA's aggressive contractionary monetary policy and rising inflationary pressures, the Brisbane market has demonstrated reduced transactional activity and early signs of value corrections.

It would be overly pessimistic to say that Brisbane is in for dramatic changes in 2023, however the market will no doubt experience a softening in comparison to the previous two years. On the back of record transactional values in 2021 across Brisbane, volumes in 2022 reduced to the more normal levels of prior to COVID-19 and yields began to show early signs of stabilising. Before the aggressive monetary policy from the RBA, prime yields in the institutional space were sitting around 4.00% to 4.50% and yields in the middle markets were in the vicinity of 4.50% to 5.25%, however discussions with leading agents in the Brisbane industrial market reveal that yields have compressed circa 50 to 100 basis points across all markets since interest rates began to rise. Demand in the Brisbane institutional space has also begun to deteriorate with industrial funds, REITs and property syndicates retreating somewhat due to the difficulty of cash flow forecasting and predicting accurate target returns for investors. Notwithstanding, assets located in prime industrial locations such as the TradeCoast have demonstrated strong leasing results and continue to be well received by the market.

Demand is still strong for industrial assets with the owner-occupier market being an outstanding performer in recent months.

Demand is still strong for industrial assets with the owner-occupier market being an outstanding performer in recent months. We have seen demand for vacant assets at its strongest in tightly held established industrial locations in the greater Brisbane area. These precincts include the likes of Mansfield, Stafford, the southern corridor and the Redcliffe Peninsular. Furthermore, demand has been at its strongest for buildings in the sub-2000 square metre, freestanding market. Many new developments have been brought to the market in the past 12 months which offer comparable buildings, such as the Crestmead Logistics Estate, Caboolture Industrial Estate, Brendale and numerous smaller scale projects throughout Brisbane. The Heathwood Hub is also attracting solid demand. Market evidence has indicated that owner-occupiers are now willing to pay in the vicinity of $3000 per square metre for smaller, brand-new, freestanding industrial buildings which illustrates the insatiable demand for assets of this nature. It is expected that in 2023, owner-occupiers will still be active in attempting to secure a well-located, prime premises amongst a competitive pool of purchasers.

These record acquisition rates can be closely correlated to the growth in the industrial land market over the past 24 months. Brisbane is currently experiencing a significant shortage of land. Development site absorption was at its highest throughout 2021 due to the perception of the completed product and the achievable values amidst a booming market. The Wacol Metroplex Estates, Crestmead Logistics Estate and Bundamba Citiswich Estate are notable estates from the past couple of years which have either fully or near fully sold out.

With construction costs rising and the shortage of developable industrial land at present, the feasibility of development comes into question. There has been strong evidence of rental growth in the past year due to these rising construction costs. For development feasibilities to show a positive return, many vendors have increased their asking rental price to try to cover the significant increases in development costs.

In turn, tenants have had to increase their willingness to pay, especially in prime industrial locations throughout Brisbane. A strong example of this is throughout the TradeCoast with many recent leases of circa 1000 to 1500 square metre buildings achieving rates north of $200 per square metre, largely driven by the underlying land value and cost of development.

The Brisbane industrial market is yet to show signs of significant value corrections for prime industrial assets, however the reduced transactional activity is demonstrating the effects of increased costs of debt. Volume levels are likely to be supressed up until a time when interest rates stabilise, however owner-occupiers are likely to remain active amidst a shortage of vacant assets.

David Walsh
Director

Sunshine Coast

At the close of 2022, industrial remained one of if not the best performing commercial asset class on the Sunshine Coast. 2022 saw a big shift in the economic environment with eight consecutive interest rate increases taking the official cash rate to 3.10 per cent at the year's end. The tail end of 2022 was characterised by a limited number of sales of significant industrial investment assets whilst owner-occupiers remained active and were the dominant buyer profile in the sub $1 million market.

We anticipate that 2023 will commence in a similar fashion as investors recalibrate their appetites for yields and owner-occupiers adapt to higher borrowing costs. These factors are likely to result in an overall softening of values although an overwhelming lack of supply, particularly in available industrial land, is likely to uphold the resilience of this sector. As industrial properties have been highly sought after by investors and owner-occupiers alike, this has resulted in a lack of available leasing space for prospective tenants. Rental demand remains strong as the Sunshine Coast continues to grow with a considerable rise in rental rates a clear by-product of the tightly held supply levels. This increase in rental levels is likely to plateau with some evidence of this in late 2022, likely as a consequence of increasing cost to business through macro-economic impacts.

General uncertainty around the greater economy makes crystal ball gazing more difficult at present. While demand has been very strong from owner-occupiers, the increase in interest rates will reduce overall borrowing capacity from this market. Investors also are looking for higher returns to that noted generally in late 2021 and early 2022 given the increase in cost of funds. These factors are likely to reduce the overall level of sales in this asset class and a reduction in demand typically results in a reduction in values, however as we have previously stated, there is very limited available industrial land on the Sunshine Coast and this is likely to soften any falls in values.

Jaydon McDowell
Associate Director

We anticipate that 2023 will commence in a similar fashion as investors recalibrate their appetites for yields and owner-occupiers adapt to higher borrowing costs.

Cairns

The market has been increasing steadily over the past two years, however in the months leading to Christmas, appears to have increased substantially. Properties currently under contract are higher than ever seen before with industrial property selling in the range of $2000 to $4000 per square metre depending on attributes.

The current value levels being achieved are largely impacted by the limited availability of industrial land and increased building costs. We anticipate these factors will keep value levels strong for the coming year, however there is some speculation regarding the impact of rising interest rates and cash flow for smaller operators with the workflow generated by the COVID stimulus coming to an end for most operators and trades.

Agents have advised there is still strong buyer activity and pent-up demand in the sub $2 million and particularly the sub $1 million industrial space being driven by owner-occupiers. We anticipate the market slowing throughout 2023 though remaining reasonably stable price-wise.

The sub $2 million industrial market is dominated by owner-occupiers who have limited regard to a yield when purchasing. There is limited leasing activity due to a lack of stock and rentals are at record levels, though holding. Pure investment stock is limited with the market strong, however properties in the sub $2 million space typically achieve higher value levels if sold with vacant possession to owner-occupiers. Yields are still typically in the 6% to 8% range.

Land value levels have increased substantially over the past 12 months due to a near total lack of vacant land stock and it is assumed this will correlate to higher unimproved land values (and associated land tax) moving forward. This along with increased insurance premiums may negatively impact net incomes.

The market is very heated and we consider it to be either at or near the peak.

Shane Quinn
Director

Rockhampton

The Rockhampton region's industrial market performed strongly in 2022 and the prediction for 2023 is for this to continue. The region's central location close to a diverse range of industries including mining, resources, agriculture, construction, logistics and bulky goods retail has created a stable platform for steady growth and opportunities. This has been accelerated in the past few years due to limited developed land available across key industrial precincts as well as a large number of major infrastructure projects underway or in the pipeline which are generating unprecedented labour opportunities, population growth and demand for property.

The most recent industrial land subdivision, Lily Place Industrial Park in the growth corridor of Parkhurst, was completed in 2021 and provides 12 lots ranging in size from one to 3.5 hectares, all with the zoning for high impact industry. Agents report a good level of interest with sales in the range of $120 to $150 per square metre and limited sites remaining. The Gracemere Industrial Park, approximately 10 kilometers west of Rockhampton City, has a range of low, medium and high impact industry lots on the market with potential to gain momentum if a few catalyst businesses relocate out of the longstanding and traditional industrial precincts of North Rockhampton. Bulky goods retail, construction services and agricultural supply service markets remain strong in locations with good exposure.

Owner-occupiers have been active in the market to strategically position and build their operations within a growing economy and strong consumer demand. The appeal for owner-occupied property is likely to continue, in particular vacant land, as operational levels continue to rise and owners are investing in longer term opportunities for their businesses.

It is likely that investors will be more critical in 2023, with demand to hold strong for high quality, low maintenance assets with good lease covenants and long-term leases in place. We expect industrial yields to level out slightly on the back of accelerated tightening in 2022 as well as ongoing impacts from macro-economic influences. Market leasing conditions are predicted to remain firm and potentially tighten further in 2023 as tenant demand continues for high quality industrial buildings across the region.

Joanna O'Neill
Assistant Valuer

Gladstone

The Gladstone economy has traditionally been quite cyclical in nature and largely dependent on activity within the resources industry. In more recent years, we have seen slow growth off a low base when the market was at its lowest in 2018 post the LNG construction boom. The industrial sector showed noteworthy improvements in 2021 and 2022, with agents reporting significant changes to the level of interest as well as issues of limited supply of industrial buildings. It is likely that improvements will continue in 2023, with further growth opportunities for the economy on the horizon and lack of supply coming into the market in the short term.

It is likely that investors will remain active, with demand to continue for high quality assets with good lease covenants and long-term leases in place. Similar to the wider central Queensland region, we expect industrial yields to level out slightly on the back of accelerated tightening in 2022 as well as ongoing impacts from macro-economic influences. Market leasing conditions are predicted to remain firm and potentially tighten further in 2023 as tenant demand continues for high quality industrial buildings across the region..

Graham Gross
Valuer

Wide Bay

2022 saw tightening supply of new industrial land and lowering rental vacancies across the region on the back of increased migration and the strong rise in residential construction during 2021 and 2022. Agents reported a lack of supply holding back more leasing from the transport and construction occupiers in the sub 1000 square metre segment.

Longer term supply for industrial development has now become more topical in the Wide Bay markets as the region's englobo land stock is now limited, particularly land that can be developed relatively quickly. There have been purchases of large

It is likely that investors will remain active, with demand to continue for high quality assets with good lease covenants and long-term leases in place.

COMMERCIAL - INDUSTRIAL

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industrial lots from buyers seeking to establish new premises for the long term in Bundaberg and the Fraser Coast. Off farm industrial development from the agricultural sector remained low during 2022.

While the local residential construction sector remains active from the improved migration to the region, the industrial sector is likely to continue in 2023 how it left 2022 – not enough land or light industrial tenancies - encouraging construction for owner-occupiers. Macro-economic factors will play a significant part in the industrial market's activity in 2023, which is very difficult to predict with certainty.

Ben Harnell
Property Valuer

Mackay

We expect higher industrial rents and property values to consolidate at current levels throughout 2023. The outlook for the regional economy, which is largely centred around coal mining, appears positive. Higher interest rates should limit any further firming of investment yields.

A substantial industrial workshop at 7 Commercial Drive, Paget sold in late 2022 with a new 10-year lease at a net rent of $660,000. The sale price was substantially higher than its earlier 2017 sale price of $4.85 million in vacant possession. This sale and resale is indicative of growth since the worst of the coal mining slump.

Greg Williams
Valuer

Townsville

Townsville's industrial market continues its positive trajectory of the past three years with a large portion of the volume being in the sub $2 million price bracket underpinned by owner-occupiers and small-scale investors.

All things being equal, Townsville's industrial market sector is well placed for continued outperformance of the commercial retail sector by proportionate volume.

With the continued activity in the mining and resources sector, we anticipate continuous growth in the support services industry although we also see potential in the engineering and manufacturing space. Established areas such as Shaw, Bohle and Mount St John are seeing continued focus although recent large-scale land development in the Cleveland Bay Industrial Park reveals strong local, state and national commitment towards the road transport, logistics and warehousing sectors.

Whilst industrial activity has been strong, it is likely that construction costs, material supply chain issues and potential for extended delivery horizons may delay or actually inhibit new construction during 2023. In conjunction with this are the ongoing concerns surrounding inflation and potential for continuing rising of interest rates, having the potential to retard market expansion and soften demand for industrial properties during 2023.

Whilst demand for regional industrial property has been high in the past 18 months, rental rates have been relatively stable which has placed downward pressure on yields. Demand for industrial property is expected to remain reasonably high throughout 2023, potentially buoying capital values and preserving yield profiles at levels typically firmer than the long-term average.

All things being equal, Townsville's industrial market sector is well placed for continued outperformance of the commercial retail sector by proportionate volume. We would anticipate reasonable demand and activity in the first half of 2023 with an expectation that the market will likely register its peak in the face of easing business confidence, resource constraints, inflationary pressures and ongoing interest rate concerns for owner-occupiers and investors.

Jason Searston
Director

Toowoomba

Toowoomba's industrial market was influenced by several factors over the past 12 to 18 months, including growth in the region's manufacturing and agricultural sectors, growth in e-commerce and relocation of business into regional areas. Strong economic conditions have resulted in continued demand for secure investment properties in 2022 with cashed up investors still active in the market resulting in record firm yields. The recent interest rate increases are expected to diminish investor demand with a softening of investment yields likely in the first half of 2023.

Major investment sales during 2022 include:

56 Duhig Street, Harristown   Source: commercialrealestate.com.au

COMMERCIAL - INDUSTRIAL

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- **56 Duhig Street, Harristown:** Sale price of $2.55 million. A semi-modern industrial facility with a lettable area of approximately 1115 square metres. Fully leased with a new five-year lease. Net yield of 7.01%.
- **21-27 Carrington Road, Torrington:** Sale price of $10.75 million. A 4.9 hectare site improved with an older industrial complex with a lettable area of approximately 5930 square metres. High quality tenant with an unexpired lease term of 2.66 years. Sold to an investment fund with a net yield of 7.97%.
- **55-57 Carrington Road, Torrington:** Sale price of $3 million. Modern machinery dealership with a lettable area of approximately 826 square metres. Unexpired lease term of 4.37 years. Net yield of 7.07%.

The owner-occupier market is also strong with a limited supply of vacant industrial land combined with increased construction costs during 2022 resulting in a modest increase in values over the past year for vacant industrial properties. This trend is expected to continue throughout 2023.

Leasing demand is moderate with business operators tending to buy rather than lease. Rental rates vary due to factors such as: primary or secondary industrial location; exposure and access; size of tenancy; quality of building; quality and ratio of office space; inclusion of overhead gantry cranes; size and quality of hardstand; and ancillary site improvements such as vehicle wash bays and drive through truck access. Generally smaller buildings with good office and showroom components will achieve a higher rate per square metre than larger warehouse buildings and those designed to specific tenant requirements will often achieve premium rates.

Our expectation is that affordability issues due to increasing interest rates combined with issues associated with access to funding are likely to see leasing demand stabilise over the next twelve months.

Ian Douglas
Director

Toowoomba's industrial market was influenced by several factors over the past 12 to 18 months, including growth in the region's manufacturing and agricultural sectors, growth in e-commerce and relocation of business into regional areas.

South Australia - Industrial 2023

Adelaide

The industrial market in metropolitan Adelaide has seen fierce competition over the past 18 months. The demand for industrial land and accommodation has caused a shortage in both, with agents reporting that for high-quality assets, they did not even need to market the property to secure tenants or buyers. The interest rate rises, which began in May 2022, continued each month and have resulted in a broad softening of yields across all asset classes as investors and owner-occupiers re-assess their purchasing decisions.

Given the most recent data from the Australian Bureau of Statistics for December 2022 shows that inflation hit 7.8 per cent, further interest rate raises by the Reserve Bank of Australia seem inevitable as they attempt to reduce inflation to within the target range of circa three per cent. These inflation figures and further interest rate hikes will likely reduce the amount of money available to invest in the property market.

The historically low industrial vacancy rates look set to remain for the foreseeable future as the high construction costs have mooted many industrial construction projects across Adelaide. Despite the significant additional supply currently in the pipeline, we do not expect this to satisfy the current demand level. We expect an overall increase in industrial net face rents as this supply shortage continues, albeit at a slower pace than we have recently experienced. The feedback we have received from leasing agents indicates a softening in enquiry, but this is unsurprising given how high the market activity has been in the past two years. We expect the softening of industrial yields to continue as well, as increased borrowing costs and inflationary pressures will dampen interest from investors as they become more cautious about their purchasing.

The historically low industrial vacancy rates look set to remain for the foreseeable future as the high construction costs have mooted many industrial construction projects across Adelaide.

In conclusion, industrial net face rents will likely continue to increase slowly and industrial yields will soften and result in a holding or some reduction in industrial values across metro Adelaide. The assets likely to be impacted the most are structures with less appealing attributes, low clearance excess office accommodation or buildings that require high capital works. These properties can seem unaffected by such negative characteristics in hot markets and are often the first to lose their appeal. Similarly likely to be impacted are properties that do not offer attractive lease covenants or do not provide vacant possession. These properties fall outside the two main buyer groups: investors and owner-occupiers. Again, in a heated market with limited supply, these types of properties will often transact without significant discount but are hit harder as buyers become more discerning.

Chris Winter
Commercial Director

COMMERCIAL - RETAIL

HERRON TODD WHITE COMMERCIAL

Western Australia - Industrial 2023

Perth

The industrial property market in Western Australia enters the 2023 calendar year arguably at the peak of the sector's property cycle. The big question is: how sustainable is the existing performance?

Leasing demand for industrial premises continued to strengthen throughout the course of 2022, especially for newly built, high specification facilities with such properties in limited supply. Face net rental rates (i.e. before any incentives) for such premises approaching $140 per square metre per annum of GLA were touted towards the latter half of the year. The local industrial market hasn't experienced rental rates at these lofty heights since circa 2012.

Whilst new construction activity had been prevalent in recently created industrial land estates such as Tonkin Highway Industrial Estate in Bayswater and Roe Highway Logistics Park in Kenwick, the volume of construction was constrained by a finite supply of land in these and other core industrial precincts.

With limited new land to be released in the Perth metropolitan region this year, we expect industrial land values to continue to exhibit positive market movement. There has been noticeable demand for larger tracts of land from both owner-occupiers and developers (including those from the eastern states) with a number of large (over two hectares) sites transacting in mid to late 2022 in areas such as Hazelmere and Maddington.

Similarly, given the lack of suitable stock in the core industrial estates, we're likely to witness a rise in the number of new projects in peripheral, previously shunned locations such as Neerabup.

Demand for older style stock demonstrated signs of life again in 2022 with a steady take-up of space that had previously sat vacant for a prolonged period and we expect this trend to continue.

Nonetheless, tenants are likely to enter into design and construct agreements, often at inflated rental rates having been negotiated on a formulaic basis as a percentage of total construction cost (i.e. economic rents) as opposed to market fundamentals.

The clear lack of supply in the market, both in respect of development-ready land and contemporary built-form facilities, is likely to hold the key to the sustainability of the industrial market performance in 2023.

We envisage activity in the owner-occupier market to remain steady in 2023 given the limited stock of large scale and quality premises available which has been compounded by construction industry challenges.

Construction material supply chain disruptions and labour shortages have contributed to a pronounced escalation in build costs (up to 50 per cent in some instances) and often delays in project timelines. Whilst market rental rates initially lagged, they rapidly gathered momentum towards the end of 2022.

The rise of e-commerce after the disruption to normal business operations caused by the COVID-19 pandemic has put the spotlight firmly on large-scale warehousing, transport and logistics facilities. These facilities are likely to become more prevalent in Western Australia in order to meet customer delivery expectations and accord with advances in technology.

Demand for securely-leased, newly-constructed built-form industrial property was strong during 2022, led by eastern states based investors. Prospective buyers remain focused on the length of agreed lease terms, prospects for rental growth and depreciation benefits. Where all or most of these criteria were met, even

We envisage activity in the owner-occupier market to remain steady in 2023 given the limited stock of large scale and quality premises available which has been compounded by construction industry challenges.

sub 5% yields were demonstrated in select instances.

Despite the succession of cash rate increases by the Reserve Bank of Australia since May 2022, any impact on capitalisation rates for industrial leased investment acquisitions is yet to be fully determined due to a lack of transactions since say July 2022. As always, there is a lag factor whilst the market fully digests the implications of interest rate rises on funding structures and income distributions.

Discussions with a number of industry participants suggest a disparity between yield expectations of buyers and sellers is likely to emerge in the coming months which may keep a lid on the number of transactions in the short term.

Nevertheless, at present the Western Australian industrial property market, against a background of a robust mining and resources sector, finds itself on a strong upwards trajectory. As market participants re-emerge from the holiday season, our team will keep a close eye on activity to gauge to what extent (if any) the impact of rising interest rates and other macro-economic headwinds will have on the local industrial market in 2023.

Greg Lamborn
Director

Northern Territory - Industrial 2023

Darwin

The dawn of 2023 sees the industrial property market having an important part to play in the NT Government's plan to transform the Territory into a $40 billion economy by 2030.

Unfortunately, many of the major projects slated as part of that growth have run into difficulties which will delay their contributions.

The latest of these is the Sun Cable project, the world's largest proposed solar energy infrastructure network which would have provided energy from Tennant Creek to Singapore. The company has entered voluntary liquidation after one of its shareholders vetoed a $60 million future funding proposal. It is hoped that an alternative funding model will allow this project to continue, however there will inevitably be further delays.

Prior to this, the proposal to construct a new ship lift facility at East Arm had an estimated cost blowout to $515 million. This project will face delays due to the lead contractor Clough entering voluntary administration in 2022 before commencement of construction.

And earlier in 2022, project Sea Dragon, a large-scale prawn farm with proposed sites across the Top End and Kimberley, ceased development when a review found it would not generate an adequate financial return. More recent reviews indicate that the project could possibly proceed in some form, but again this delay means that the benefit of the project to the wider economy, including property markets, will be postponed.

On a more positive note, other projects are pushing ahead. The Middle Arm Sustainable Development Precinct will supply land for strategic industries such as the LNG gas plants and the new Core Lithium mine at Finniss River as well as other mining and renewable energy projects. The federal government has already committed $1.5 billion to the project to create a shipping channel, mooring basin and product jetties including a 50,000 tonne module offtake facility on Darwin Harbour.

Defence projects continue to be an important employer and creator of demand for industrial accommodation. The US government's $270 million fuel storage facility at East Arm will be capable of storing 300 million litres of fuel and this project is well underway.

Darwin's industrial property markets have still not recovered from the completion of the construction phase of Inpex in 2015, at which point demand for industrial accommodation largely dissipated. It is only when one or more of these new major projects really gains some traction can we expect to see an improvement in market conditions. Whether that it is in 2023 or some time beyond remains to be seen.

Terry Roth
Director

The dawn of 2023 sees the industrial property market having an important part to play in the NT Government's plan to transform the Territory into a $40 billion economy by 2030.

HERRON TODD WHITE RESIDENTIAL

Residential

February 2023

National Residential Overview

The residential property market in 2023 is expected to be characterised by a continued reduction in transaction activity and downward pressure on prices for at least the first half of the year. The confidence that existed in 2022 due to high household saving ratios has been eroded by increasing interest rates and inflation. Some market segments have shown resilience so far, but it is expected that most will succumb to these combined pressures.

The single biggest influence on the residential property market is likely to be interest rates. As we start the new year, the cash rate in January is at 3.10 per cent which is the highest it has been for 10 years. Eight consecutive increases in 2022 combined to deliver the largest annual increase in the cash rate since 1989. What happens next will have a significant influence on the residential property market in 2023.

The RBA has a target inflation rate of two to three per cent (on average over time) and the Consumer Price Index of 7.8 per cent for Quarter 4, 2022 was well outside this range (and the highest inflation rate since 1987). Although there is reason to believe that inflation is at a peak, we will have to wait for the Quarter 1 CPI data to confirm this and it seems likely that the RBA will increase the cash rate in March.

The reason this is so significant to the residential property market is that in broad terms, an owner-occupier residential mortgage rate will be 1.5 per cent higher than the cash rate and APRA requires banks to include an additional three per cent serviceability buffer when assessing new loans. Property owners who may be struggling to meet higher mortgage repayments will only be able to refinance or purchase a new property if they can demonstrate that they can service mortgage repayments at about 7.75 per cent. An additional influence to watch is the large number of low-interest fixed-rate home loans set to expire in the first half of the year. If the borrower encounters a serviceability challenge when they refinance, this may cause more residential properties to come onto the market at a time of reduced demand.

Once inflation and consequently interest rates peak, greater certainty and consumer confidence should bring greater stability to the residential property market in the second half of the year.

Having identified some of the factors that will exert a significant downward pressure nationally on the residential property market, it is important to note that there are some mitigating factors. Many households were able to build reserves during COVID and the employment market is still strong. Although workers are returning to cities, the option to work remotely is here to stay for many office workers. Some fringe and regional markets are showing resilience as they are still attractive to buyers from metropolitan areas who find available properties relatively affordable. In locations where there is a restricted supply, this can partially offset a decline in demand.

Overall, the signs of slowing activity and decreasing prices in the residential property market and of a slowing in construction cost escalation are indicators that cash rate increases are having some success in bringing inflation down. Once inflation and consequently interest rates peak, greater certainty and consumer confidence should bring greater stability to the residential property market in the second half of the year.

Kevin Brogan
National Director,
Group Risk and Compliance

Kevin Brogan National Director, Group Risk and Compliance

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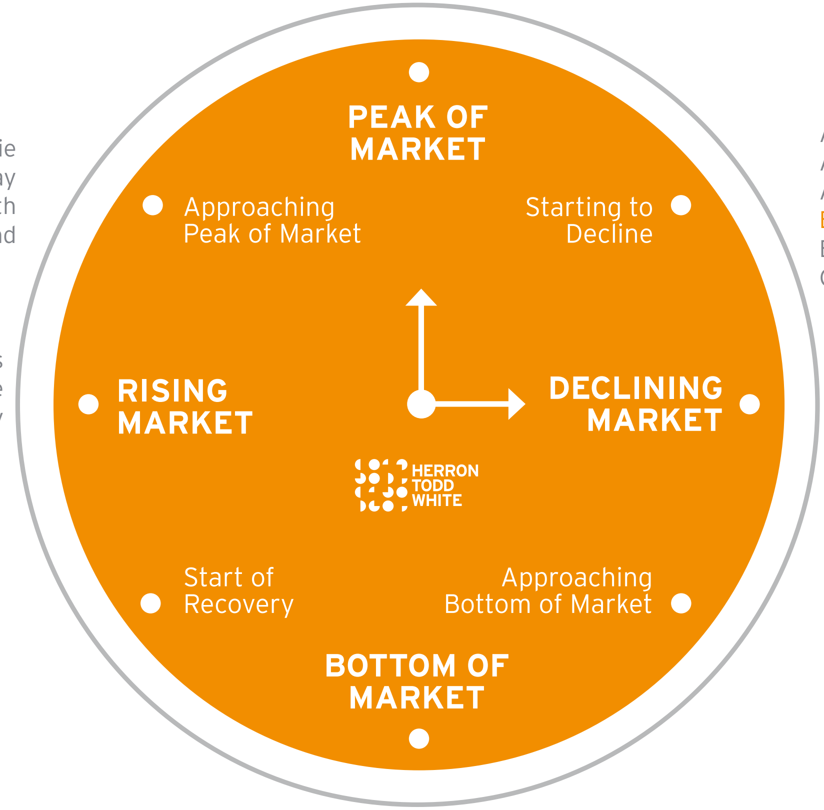
National Property Clock: *Houses*

Entries coloured orange indicate positional change from last month.

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

Bundaberg
Cairns
Fraser Coast
Geraldton
Gladstone
Kalgoorlie
Mackay
Perth
Port Hedland

Adelaide
Adelaide Hills
Albury
Barossa Valley
Burnie/Devonport
Central Coast
Coffs Harbour
Gold Coast
Launceston
Melbourne
Sunshine Coast
Wodonga



Emerald
Esperance
Karratha
Rockhampton
Sthn Tablelands
Townsville
Whitsunday

Ballina/Byron Bay
Brisbane
Geelong
Hobart
Illawarra
Ipswich
Lismore
Sthn Highlands
Sydney

National Property Clock: *Units*

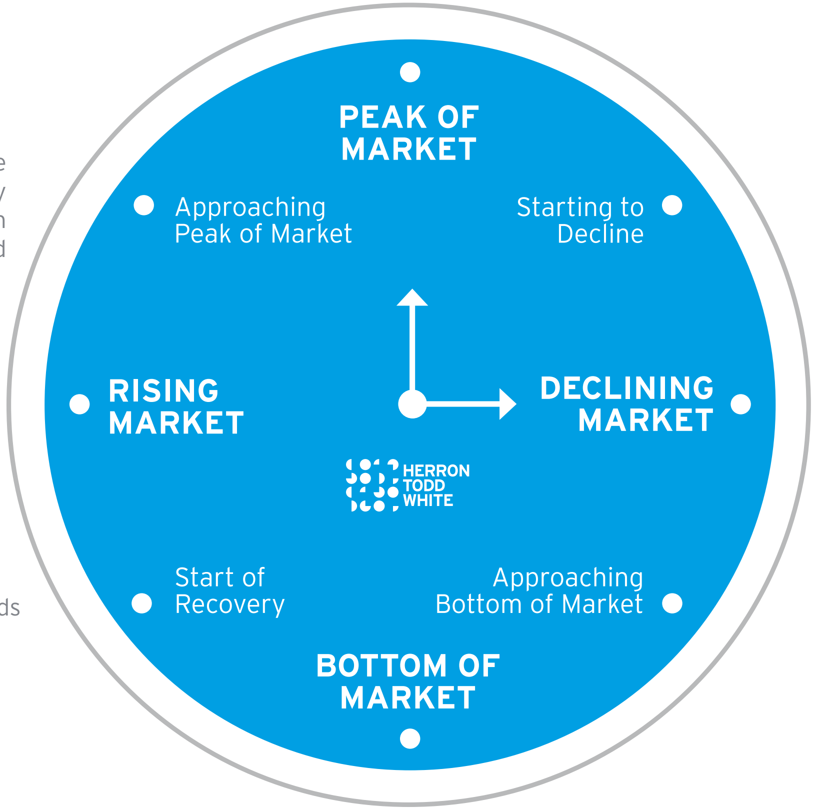
Entries coloured blue indicate positional change from last month.

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

Broome
Bundaberg
Fraser Coast
Gladstone
Kalgoorlie
Mackay
Perth
Port Hedland

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

Cairns
Darwin
Dubbo
Emerald
Esperance
Geraldton
Karratha
Mt Gambier
Rockhampton
Townsville
Whitsunday



Ballina/Byron Bay
Canberra
Geelong
Hobart
Illawarra
Lismore
Sthn Highlands
Sydney

Sthn Tablelands

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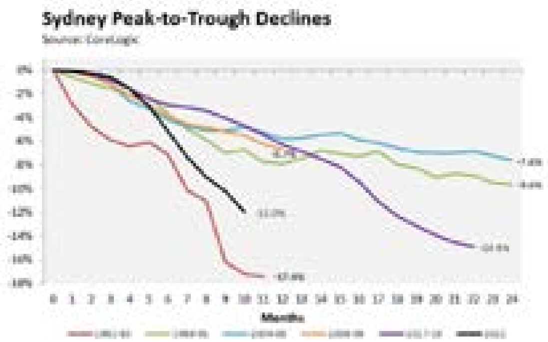
New South Wales - Residential 2023

Sydney

What a difference a year (and eight consecutive interest rate rises) makes as we look to the year ahead for the Sydney property market. This time last year we were coming off a year of significant price growth, while this year we are coming off the fastest period of sustained decline in the past 40 years.

With the Sydney median price declining by about 12 per cent in 2022, many economists are predicting a further fall of between five and eight per cent depending on the extent of any further interest rate increases. Recent inflation rate data in the US and Australia indicates signs of inflation beginning to peak and there is an increased likelihood that we will reach the top of the interest rate cycle in the first half of 2023. Should this be the case it is possible we could see the bottom of the market around the third quarter of the year.



Source: www.macrobusiness.com.au

With improving rental yields over the past 12 months due to falling prices and increasing rents, it is expected that investors will be more prominent in the market this year. First home buyers are also likely to be more active on the back of the New South Wales government's recently implemented First Home Buyer Choice scheme. The scheme gives first home buyers the choice of paying an annual land tax on properties valued up to $1.5 million instead of an upfront stamp duty payment which is generally seen as a significant impediment for first home buyers saving for a new home.

The sense is that market participants are just looking to wait out the interest rate rises so they can invest with some certainty about what it will ultimately cost them.

The state opposition also has a policy to increase the stamp duty fee threshold for new home buyers to $800,000 and a concessional stamp duty rate for properties up to $1 million, should the opposition be successful at the state election in March.

The above, along with federal and state shared equity schemes commencing, will likely mean the lower end of the market will be the most active in 2023, although there is expected to be an increase in overall sales listings after a subdued 2022 spring market.

Whilst the outlook for 2023 is not overly buoyant, it is not all doom and gloom. Immigration rates are expected to continue to rise with more international students returning this year. These factors along with the previously mentioned infrastructure projects and development means there should be a decent level of underlying demand.

The sense is that market participants are just looking to wait out the interest rate rises so they can invest with some certainty about what it will ultimately cost them. We don't really expect much to change throughout 2023, perhaps some more positive market movement and sentiment towards the end of Quarter 3, but at this stage it is difficult to make too many bold predictions.

North West Sydney and Blue Mountains

The north-west sector of the Sydney property market includes some of the traditionally more affordable suburbs and local government areas of Sydney. These areas saw strong capital growth throughout the COVID boom period and property was snapped up by investors and owner-occupiers alike. 2022 saw the heat well and truly come out of this market on the back of consecutive interest rates rises, rising inflation and a seemingly perfect storm of economic factors both local and international.

So what does 2023 hold for the property market in north-western metropolitan Sydney? From a broad sense, it is likely that market conditions will mirror those of 2022. Given the uncertainty around interest rates and how much further they may rise, general market activity remains down and there doesn't appear to be anything that will change this in the immediate short term. There doesn't appear to be an obvious spark on the horizon to change market sentiment.

The wider property market has fallen by approximately 12 per cent since the peak which may encourage some market participants looking to take advantage of the fall in value levels. Counter to this is that the rise in interest rates has more than offset the fall in value, so whilst property prices have fallen, the cost of money has increased. Further clouding the issue is that most of the major lenders' chief economists are predicting a further decline of five to eight per cent throughout the first half of 2023. This is resulting in prospective buyers sitting on their hands. Everyone loves to try to pick the bottom of the market to buy; coupled with this is uncertainty around where their loan repayments may end up over the course of this year.

If buyers are able to absorb the extra cost of borrowing money, they may be in a strong position to take advantage of the declining value levels. Western Sydney would still appear to be a good long term bet due to the planned infrastructure already commenced or in the pipeline. The Western Sydney International Airport is full steam ahead with 2026 still the anticipated completion date. Road and rail infrastructure is part of the airport development which will make Western Sydney more accessible and desirable as a place to live.

Larger price drops have been experienced in some of the higher density and more populated locations. Some of the larger planned estates in Western Sydney such as Jordan Springs, Marsden Park and Box Hill by their nature have more supply and in periods of weakened demand have the potential to see tougher market conditions than surrounding areas. This may also create opportunity for those looking to invest. A word of caution though - areas such as these may take longer to come out of the slump in the housing market.

For a safer bet, perhaps head to the outskirts of western or north-western Sydney. Areas such as the Blue Mountains, Hawkesbury and outskirts of The Hills have to a degree had value drops cushioned by much less supply, so whilst these areas have seen some level of price reduction it has generally been at a much lower rate than some of the more densely populated and developed areas.

We also note that the council area of Penrith has largely run out of vacant land stock. For well over a decade now there has been a steady supply of vacant land rolled out in wider Penrith in the form of planned housing estates. There is still the odd parcel of land floating around and there will be some more further down the track but for the early part of 2023, there are not a lot of options to buy a vacant land parcel and build your dream home. This may see increased demand in the first half of 2023 for completed homes built to a good standard.

South West Sydney

Until we see the peak of interest rate increases, we predict the first half of 2023 will be a continuation of patchy conditions with secondary locations such as Claymore, Eagle Vale, Eschol Park and St Andrews experiencing longer selling times and increasing vendor discounts. Good quality family-orientated neighborhoods such as Harrington Park, Abbotsbury, Edmondson Park and Denham Court should continue to fetch considerable prices due to affordability, proximity to services and the appealing family lifestyle they provide.

However, it will be interesting to see if there is any post-Christmas hangover in the first quarter of 2023. Whilst the south-west performed relatively well compared to our more expensive Sydney region neighbors during the back half of 2022, the lead up to Christmas may have masked the performance of the market with the true impact of continued mortgage stress and increased cost of living to potentially rear itself in the first quarter of 2023.

Strongest 12 month growth in values

#	Suburb	Region	Annual change	Median value
1.	St Johns Park	Sydney - South West	8.4%	[illegible]
2.	Bonnyrigg Heights	Sydney - South West	6.7%	[illegible]
3.	Bonnyrigg	Sydney - South West	[illegible]	[illegible]
4.	Leppington	Sydney - South West	[illegible]	[illegible]
5.	Edensor Park	Sydney - South West	[illegible]	[illegible]
6.	Austral	Sydney - South West	[illegible]	[illegible]
7.	Wakeley	Sydney - South West	[illegible]	[illegible]
8.	Silverdale	Sydney - Outer West and Blue Mountains	[illegible]	[illegible]
9.	[illegible]	Sydney - South West	[illegible]	[illegible]
10.	[illegible]	Sydney - South West	[illegible]	[illegible]

Nine of the top 10 performing Sydney suburbs for houses in 2022 were in south-west Sydney Source: CoreLogic

We predict the growth witnessed in the vacant land market in the past two years will come to a

If buyers are able to absorb the extra cost of borrowing money, they may be in a strong position to take advantage of the declining value levels. Western Sydney would still appear to be a good long term bet due to the planned infrastructure already commenced or in the pipeline.

grinding halt because of the overall softening of the market and increase in building costs. Buyer due diligence is paramount in 2023 to ensure you are not spending more than your land and construction are worth as a completed product. We consider there will be a shift with developers either lowering land prices, offering more rebates or incentives to entice buyers or selling more house and land turn-key packages to navigate around the increased construction costs which are deterring some buyers.

The rural lifestyle market will continue to perform well as a result of a lack of supply and displaced residents from the south-west growth areas seeking to buy back into a rural setting, however caution and due diligence must be front and centre for any buyer looking to purchase a rural lifestyle site to ensure they are not caught out. There is talk of sales that have occurred as a result of cashed up buyers happy to pay overs to secure a property in a tightly held area. No market is immune to the current climate being witnessed across Sydney and the rural lifestyle market is one we will be watching closely.

Finally, our bold prediction for the back half of the year for the south-west market (the emphasis on prediction is important as we have learnt from the past 24 months that anything is possible) is that interest rates will have reached their peak by July, the market will continue to soften into the third quarter, buyers' revised borrowing capacity will level out and the new norm will see some confidence restored to the market with a small uplift in prices in the last quarter of 2023, which will carry into 2024.

Parramatta/Ryde

The Parramatta CBD area and its surrounding suburbs look set to continue a downward value trend in 2023, particularly within the unit market. As seen over the past six months, close to one in five properties in apartment-heavy neighbourhoods are selling at a loss. The Parramatta CBD is one of the locations leading the way with a 19.1 per cent loss for properties sold in the June 2022 quarter.

The current oversupply and mortgage serviceability have been the main factors contributing to the loss in value. Further rate rises are predicted and a large percentage of homeowners coming off fixed rates at two per cent will be going into loans with rates in excess of five per cent which may see a number of mortgage stress properties hitting the market.

A possible positive to come out of this decline in the Parramatta CBD is that the decrease in values and the introduction of the first home land tax scheme may trigger an influx of young buyers seeking to enter the property market at an affordable price point without having to outlay the initial stamp duty payment and managing a lower end mortgage.

Suburbs within and around Ryde and into the Lower North Shore such as Ryde, Gladesville and Lane Cove were subject to the wider market trends in 2022, which saw a price correction on the back of a rapid increase in interest rates. We noted that the dwellings subject to the greatest falls in 2022 were homes in less sought after locations such as on busy main roads and dwellings which required major renovations. Due to the increase in building costs and limited availability of trades, prospective buyers turned to properties which had already undergone renovations and were in a more liveable condition.

Stock levels over 2022 were down by approximately 30 per cent compared to stock levels in 2021. These above the ground factors resulted in dwellings that had recently undergone renovations being the most resilient in the weakening market conditions.

The unit market within these suburbs saw minor falls of approximately five to ten per cent depending on stock levels. With rentals continuing to increase and overseas migration starting to ramp up, 2023 may be a year in which we see the unit market start to strengthen. In many cases, renters might be better off purchasing the unit they are currently renting rather than leasing. The price gap between apartments and houses that developed in and widened during the pandemic is predicted to narrow in 2023.

North Shore

The year ahead on the North Shore is predicted to be a continuation of the later part of 2022, generally softening, with certain sectors of the market performing better than others. Obviously interest rates will have the greatest influence on the general market throughout the year and although these are predicted to peak mid-year, the market will take time to recover and gain any significantly improved market sentiment.

Also following on from 2022, newly constructed properties are expected to be one of the strongest sectors of the market on the North Shore.

Also following on from 2022, newly constructed properties are expected to be one of the strongest sectors of the market on the North Shore. Uncertainties surrounding construction cost escalations and building supply issues are expected to normalise midway through the year. Although this may occur, we expect purchasers

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to continue to be attracted to recently completed products, reducing any uncertainties and risk which may occur should they undertake the project themselves. As the market weakened in the second half of 2022 we saw very strong sale prices of newly completed homes, highlighted by the recent sale of a new home in St Ives for $7 million. This sale is evidence of the strength in this sector of the market which is expected to continue throughout 2023.

St Ives Sale Source: realestate.com.au

On the flip side of this strongly performing sector, homes requiring major renovations are expected to remain relatively weak in 2023. As discussed above, building costs and supply issues are deterring the normally willing purchaser from undertaking a renovation project. The previous marketing headline of renovator's delight appears to have gone into hibernation for the time being, indicative of the current market parameters we are facing. Should construction costs normalise throughout the year, we may see this sector improve in the latter half of 2023, with some potential bargains possibly available for those with some appetite for risk.

The unit market has underperformed over the past two years on the North Shore, although 2023 could finally be the year we see some strength in this sector of the market. The recent dramatic growth in rental prices will be instrumental in how the unit market performs. Although borrowing costs have been greatly impacted by rising interest rates, rental increases have helped to negate these. We would expect investors to be attracted back to the unit market with increasing yields and improving market factors such as the return of international students and continued infrastructure around high density developments. We also predict current tenants may decide that the cost of purchasing a unit may make more economic sense, rather than continuing to rent at record high prices.

Depending on how the North Shore market performs in the first half of 2023, we expect to see potential purchasers trying to predict the bottom of the market in all sectors. There will be some opportunities out there for those who correctly make this prediction, putting themselves in a strong position for when the market does turn back in a positive direction.

The prestige market on the North Shore bucked the trend throughout 2022 by having another strong year. We predict a far more stabilised prestige market in the year ahead, although high quality properties in prime locations will remain relatively strong. As is normal with top end properties on the North Shore, interest rate movements have significantly less impact on the market, so this isn't expected to be an issue for the top end of the market. The main driver this year is more likely to be stock levels which are predicted to remain tight at least throughout the first half of 2023 and especially for high quality properties.

Although it is too early in the year for any evidence of sale trends, we did see December 2022 produce some strong results, which may set the platform for the year ahead. Mosman produced an auction record in December with a Balmoral home selling for $16.3 million under the hammer, the highest price ever achieved under auction conditions in the suburb. Although the residence is basic and likely to be rebuilt, the position of this property within very close proximity to Balmoral Beach is extremely sought after and very rarely comes to the market. This sale is an example of the top end of the market showing its buoyancy as we head into 2023.

Northern Beaches

A significant increase in interest rates, increased living costs and borrowing capacities being re-evaluated throughout 2022 saw a decline in property values and exceptional pressure being placed on household budgets.

According to Core Logic, the Northern Beaches led the downturn in property prices. The region's house values rose 38.7 per cent from the first lockdown to January 2022, then fell 20.1 per cent to a median $2,202,810. Narrabeen was one of Australia's worst-hit property markets with its median house price diving by 26.8 per cent in the year to November 2022 to $2,592,772.

Whilst it is unlikely the market has bottomed on the back of these interest rate hikes, we are hopeful the worst of this downturn is over and are anticipating milder losses throughout 2023 that may begin to stabilise towards the back end of the year.

As always, economic and monetary policy will heavily dictate the strength of the housing sector but the Northern Beaches market has returned to a place of normality after an unprecedented spike in demand that should bring stability and less volatility to the market as a whole. There is anecdotal concern for a smaller sector of the market that will see their fixed term home loans expire in 2023 and 2024 increasing supply levels, but also expectations of buyers and sellers who were reluctant to enter the market last year returning with greater confidence.

Anticipate blue-chip suburban areas including Freshwater, Mona Vale and Curl Curl with high liability metrics to outperform the market more broadly. Stage 1 of the new Frenchs Forest precinct was formally gazetted in June 2022 and we anticipate construction to commence this year in what will be the largest new housing release of the decade. The proposal involves predominately medium-rise housing in the form of townhouse and unit complexes. These housing types have been severely under-represented in the local area and will appeal to first home buyers and investors.

Southern Sydney

The southern regions of Sydney generally saw property prices weaken throughout the second half of 2022 which was in clear contrast to the end of 2021 when prices were close to their peak. At the time of writing, Sydney houses were down 13.2 per cent and units 9.2 per cent year on year (source: CoreLogic RP Data).

It appears that the trend by the Reserve Bank of increasing interest rates will continue at least for the first half of the year. This is very likely to result in further downward pressure on the property market and is likely to have negative results on marketing periods and sale prices. Other macro factors that will have some impact include unemployment levels, immigration, housing supply levels and other general factors such as the media and market sentiment.

Speaking with a couple of experienced local sales agents in the Sutherland Shire (Sutherland to Cronulla region), they are expecting an increased amount of listings during February and this will be a good test to see how prices hold up against current demand levels.

2021 and 2022 saw some record breaking prestige property sales in this region however activity has been slowing within this segment so it will be interesting to see how this plays out across 2023. There was a recent prestige sale at 73 Vista Street, Sans Souci (below) in December 2022 for $13 million. This sale was close to land value with only basic improvements and waterfront facilities.

This sale indicates that there is still demand at these premium price levels, particularly given that a new house build on this site would likely place it in the $20 million range (subject to various elements and market conditions), which is at the very top end of the price range for this region based on sales evidence to date (the highest sale being at Burraneer for $20 million).

73 Vista Street, Sans Souci Source: realestate.com.au

The middle segment of the market being approximately $1.5 to $4 million will also be interesting to watch as this is typically households that are highly leveraged with larger mortgages and therefore likely to be more sensitive to interest rate changes.

Generally speaking the market will most likely see some level of further decline throughout 2023 however each location and property type will perform differently.

Good quality properties are expected to hold up better than others with some fundamentals including: good locations close to services and amenities within appealing streets; properties or land with development potential (duplexes and townhouses); properties with renovation or extension upside; and properties with granny flats or dual-living layouts.

Working from home is expected to continue however as people transition to spending some time in the office there will be a shift back to utilising public transport and this will place more value on convenient locations within walking distance to transport.

CoreLogic RP Data Daily Home Value Index: Monthly Values*

31 December 2022

CITY	ALL DWELLINGS			HOUSES			UNITS		
	Index Value	% Change YoY	% Change MoM	Month End Value	% Change YoY	% Change MoM	Month End Value	% Change YoY	% Change MoM
Sydney	180.4	-12.1%	-1.4%	190.5	-13.2%	-1.5%	166.1	-9.2%	-1.1%

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Inner West

The inner west region of Sydney experienced weakened sale prices from May to the end of December 2022. The market segment which experienced the highest price falls were dwelling houses in the $1 million to $3 million range. It appears this trend will continue in the first half of 2023.

The Reserve Bank of Australia (RBA) is expected to continue to increase interest rates throughout mid to late 2023. As such, 2023 will likely continue to experience weakened sale prices and a further contraction of the overall residential property market. This may be subject to change should the economy slow down quicker than expected and the RBA is forced to decrease interest rates. This scenario would increase demand for property and ultimately lead to increases in property values.

Property types worth watching in 2023 are investment grade properties in the sub $1.5 million value range which includes city fringe apartments (within the inner west) in areas such as Camperdown, Newtown, Glebe and Forest Lodge. It is expected that the value for these properties will be less affected by the general market contraction given the current conditions in the inner west rental market.

Rental prices in the inner west are currently at historically high levels, with substantial increases in rents noted in a relatively short period of time. Should this trend continue in 2023, investors are expected to return to the market in order to take advantage of these historically high yields. As such this market segment has the potential to increase in value throughout 2023, although question marks will surround whether the current rental price levels are sustainable due to affordability concerns.

In contrast to the above, houses in the $1.5 million to $4 million range which achieved substantial capital growth levels throughout 2020 and 2021 are expected to see the largest falls in value throughout 2023. A weakening in this market segment was observed in the second half of 2022 and this is expected to continue as interest rates continue to rise. Suburbs such as Marrickville, Newtown, Petersham, Haberfield and Dulwich Hill are all expected to be perform poorly throughout 2023, mainly attributable to the record level of capital growth experienced during 2020 and 2021.

Inner Sydney

With their city holding the accolade of the nation's highest median house price, it is no wonder that Sydneysiders are sensitive to interest rate movements. As a result, the performance of the city's property market will be tied closely to the RBA's decisions in 2023. Based on current economic predictions, rates are likely to peak around the middle of the year, with the flow on effects of this being felt in the form of price softening well into the second half of the year.

At the time of writing the national market has declined 8.4 per cent since peaking in May 2022 (RP Data), making this the largest decline on record and occurring within a nine-month time frame. Statistics released at the end of 2022 show Sydney to have fared slightly worse with an average circa 11 per cent decline (AFR) as at November 2022, however it is important to keep this in perspective, as some markets in Sydney rose by 20 per cent or more throughout 2021.

As a result, market activity is subdued across most of the inner suburbs, however some good opportunities are still available. Firstly, good quality investment units have dropped by up to 10 per cent in some areas as investors feel the rising interest rates beginning to pinch. On the flip side, rental returns have improved strongly due to increased migration to Sydney after COVID. Units such as 513/105 Campbell Street, Surry Hills, a 50 square metre loft style warehouse unit is currently listed for auction with a guide of $575,000, with similar units in the building renting recently for $550 to $600 per week.

513/105 Campbell Street, Surry Hills Source: CoreLogic

Furthermore, many family homes which jumped in price throughout 2021 due to the increased

Property types worth watching in 2023 are investment grade properties in the sub $1.5 million value range which includes city fringe apartments (within the inner west) in areas such as Camperdown, Newtown, Glebe and Forest Lodge.

borrowing power facilitated by record low interest rates have begun to record declines, signaling an opportunity to buy into well-established areas such as Surry Hills and Redfern, which both recorded a 25 per cent decline in the median house price in 2022.

Strongest 12 month decline in values

#	Suburb	Region	Annual change	Median value
1.	Narrabeen	Sydney - Northern Beaches	-25.8%	[illegible]
2.	Surry Hills	Sydney - City and Inner South	-25.4%	[illegible]
3.	Redfern	Sydney - City and Inner South	-25.3%	[illegible]
4.	Birchgrove	Sydney - Inner West	-24.4%	[illegible]
5.	Rosebery	Sydney - City and Inner South	-23.6%	[illegible]
6.	Camperdown	Sydney - City and Inner South	-22.9%	[illegible]
7.	Waverley	Sydney - Eastern Suburbs	-22.7%	[illegible]
8.	Newtown	Sydney - City and Inner South	-22.6%	[illegible]
9.	Darlington	Sydney - City and Inner South	-22.5%	[illegible]
10.	Chippendale	Sydney - City and Inner South	-22.5%	[illegible]

Seven of the top ten worst performing Sydney suburbs for houses in 2022 were in inner Sydney
Source: CoreLogic

Uncertainty around the economy and therefore interest rates is generating hesitation amongst buyers and sellers within the inner Sydney property market as the year gets underway and whilst timing the market is a strategy that can pay off, property should always be a long term play treated with caution. However 2023 will likely represent a year of good buying for those fortunate enough to be in a position to pick up quality assets at prices which appear very reasonable compared to the past few years.

Eastern Suburbs

The eastern suburbs saw some of the largest uplifts in values from mid-2020 through until early 2022, so it was always likely that when the market turned, this region would see some large falls. Whilst suburbs in the neighbouring inner Sydney and inner west regions have seen some of the largest declines in 2022, the east has also had some suburbs which have had significant corrections to their median price.

Houses have generally seen the largest declines in the past 12 months, after previously seeing the largest increases post the initial COVID lockdown. It has generally been the middle to upper part of the market ($2 million to $5 million) where we have seen the largest declines, whilst declines in the prestige market, particularly above $10 million, have not been as significant. This is clearly an indication of which markets are more sensitive to increasing interest rates, which has been the dominant factor in this market correction.

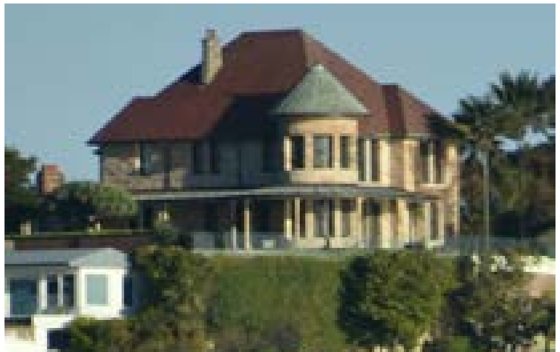
Waverley houses saw a 22.7 per cent decline in median value, placing it in seventh position for the strongest decline in Sydney according to CoreLogic, although being a smaller suburb with a smaller number of annual sales, the Waverley median price can fluctuate more than larger suburbs with more transactions.

As previously noted, we are expecting interest rates to most likely peak in the first half of 2023 and the bottom of the market to occur in the third quarter of the year as a greater degree of certainty returns to the market. There are no standout suburbs within the east for significant growth opportunities in 2023, however we do expect the $2 million to $5 million price range to likely be the better performer in the second half of the year. Properties with a recent build or renovation are still likely to perform the strongest, although moderating construction prices will provide some good opportunities for renovator's delights this year.

Units in the eastern suburbs have not been spared the softening market either, with six of the top ten Sydney suburbs with the strongest declines in median values being within the region, including Centennial Park which showed the largest decline of 23.1 per cent across 2022 according to CoreLogic. With a median unit value of $842,900, Centennial Park appears to provide good value given its position between the Sydney CBD and University of New South Wales on the South East Light Rail.

With falling prices and strong growth in rents over the past 12 months, investors are likely to be more active in the market in 2023 and Centennial Park is well positioned to attract tenants as overseas students continue to return and more workers return to the CBD.

In the prestige space, the record Australian house sale in Point Piper just before Christmas put the icing on the cake of what was still a relatively strong year in 2022 for the trophy home market in the eastern suburbs. The property reportedly sold for $130 million, eclipsing the previous suburb (and national) house record of $100 million which occurred in 2018.



Uig Lodge, Point Piper
Source: Sydney Morning Herald

That pointy end of the market is still likely to see some strong results in 2023, although there will be

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more choice for trophy home buyers. There are 31 properties listed for sale on realestate.com.au as at mid-January with an asking price of $15 million plus, double the amount at the same time last year. It should also be noted that this doesn't factor in properties that will be sold off-market which is a large percentage of properties in this sector of the market.

Properties in the $5 million to $10 million range are still considered to be sensitive to interest rate movements and are likely to weaken further throughout the first half of 2023, with potential for some minor growth at the back end of the year.

Shaun Thomas
Director

Byron

After a roller-coaster of a ride in 2021 and 2022, many buyers and sellers could be forgiven for greeting the new year with a fair degree of trepidation.

No sooner had we come to grips with an unprecedented residential property boom in 2021, then we were greeted with a sudden reversal in fortunes in 2022 brought on by the now well-documented cost of living pressures and the invasion of Ukraine.

So where do we go from here in 2023? As is the case in most years, Byron Bay and the surrounding shire's property market takes its cues and trends in a large part from the east coast capital city markets of Brisbane, Sydney and Melbourne. In years gone by, these markets have provided a rich vein of buyers eager to purchase a holiday home or future retirement home. Many local buyers and sellers are also active in the Byron market and trade up and down in their preferred price ranges and when the big money from out of town slows down, the local buyers should be better able to sniff out a property for themselves. So may it be in 2023.

We have just ticked over into the Chinese year of the rabbit, but maybe 2023 will turn out to be the year of the buyer in the Byron Shire.

Interest rates are still the bogeyman hiding under the bed and it would appear that most economists are predicting interest rates will remain in an upward trend until the second half of 2023. The upward pressure on interest rates will impact the amount most of us can afford to pay for real estate and the resulting downward pressure on property values will bring the notoriously difficult home affordability of the Byron Shire back to something a lot more affordable for many. Come our July Month in Review issue where we see what a lazy $700,000 will buy, it will be interesting to compare 2022 to 2023. Last year there were six properties listed below $700,000 across the shire's main towns and villages. I foresee that in July 2023, there will be considerably better pickings for Byron Shire buyers in this price range.

In 2022, the Byron Shire property market declined to the tune of 15 to 20 per cent from the highs of 2021 and if the predictions about inflation and interest rates hold true, it is likely that there is still some room for the market to decline further, albeit at a less scary pace.

If you haven't already, it may be time to go out and buy one of those oversized coffee mugs that says "Keep Calm and Carry On".

Mark Lackey
Property Valuer

Coffs Harbour

So, it is the crystal ball time of year when we are asked to give our thoughts on what to expect in the property market in 2023. Having looked deeply into my crystal ball only to realise it has weathered over the years (much like the writer) and its readings are a bit grey rather than crystal, nevertheless the general feeling of the year ahead is optimism in the market although cautious as we go.

The Christmas holiday period has been one of the slowest I have seen in some years, however to be fair probably not too far from the pre-COVID market if we can remember what that was like. Local agents are reporting increasing buyer activity and are generally hopeful of an improvement in sale numbers for the start of the year, although still reporting sensitivity to pricing and no urgency to purchase; basically, reading between the lines, it is a buyer's market.

I feel it will be a good time for investors to come back into the market. Although interest rates have risen, there is more negotiation in asking prices and the rental market will continue to rise, producing better returns. A major infrastructure project, the Coffs Harbour bypass, is now well underway in a

Last year there were six properties listed below $700,000 across the shire's main towns and villages. I foresee that in July 2023, there will be considerably better pickings for Byron Shire buyers in this price range.

reported five year build and will almost certainly keep pressure on the rental market. Although a percentage of the incoming workers may purchase property, the majority will be looking for rental accommodation which will only add to the current undersupply.

History shows that any major infrastructure project brings economic growth to the area which should counteract (to a degree) the negative impact of rising inflation and interest rates. Affordability will be a key issue for investors and home occupiers and until we have some certainty about interest rates, the market will remain cautious in the short to medium term.

Grant Oxenford
Director

Tamworth

Welcome to a new year! Just like the new year's eve fireworks, the property market for the Tamworth region certainly ended with a bang, but the tinsel has been packed away, new Year's resolutions sworn and it's back to work. This year, we're expecting things to be a little different to the previous few years. Let me elaborate.

The property market for New England and the north-west is expected to slow this year. That is to say that the strong growth of the previous two years is not expected to gain pace this year and that most market segments will stabilise. This is largely due to the influence of the Reserve Bank and the rising interest rates, increased cost of living and credit from lending institutions tightening. Whereas in previous years potential vendors have enjoyed strong demand from well qualified buyers, this year we expect less demand from motivated and well-funded interested parties.

One area of the Tamworth market to be wary of is the vacant land market. We're already seeing vacant land property return to the market after being purchased last year.

All this considered, the music has not stopped. There are still plenty of opportunities for property throughout the district. A prediction is that selling periods for residential property within the middle ranges will normalise to six to ten weeks. This will give potential buyers some negotiating power back, which has been largely absent in recent times. The areas of North Tamworth and Calala are expected to provide the best opportunities for residential property within the $600,000 to $800,000 price range.

Entry level within the Tamworth area is expected to remain the most competitive. This market segment is the most active, being selling prices of dwellings from $225,000 to $400,000 and within the areas of South Tamworth, West Tamworth and Oxley Vale. Selling periods are predicted to remain short.

One area of the Tamworth market to be wary of is the vacant land market. We're already seeing vacant land property return to the market after being purchased last year. If looking at newly released vacant land allotments within staged developments, consider the time needed for registration as it may take up to 12 months. The delays associated with land registration, potential variations of building contract prices and availability of preferred trades is having an impact on would-be buyers.

Overall, we predict that 2023 will unfold as a more stable property market. Annualised growth will not feature heavily this calendar year. The Tamworth property market is somewhat protected by the comparative affordability when looking at other regional markets, so it is unlikely that property values will decrease in the next 12 months. What we are expecting to see is a decrease in qualified purchaser demand, resulting in slightly extended selling periods. Demand for small acreage within close proximity to town is expected to remain high, as is demand for traditional red brick homes in East Tamworth and new or modern built high standard dwellings on larger residential allotments.

Nick Humphries
Property Valuer

Newcastle

The market has seen some weakening over the past three to six months with the trend set to continue as interest rates and inflation affect the cost of living and the ability to afford current asking prices. As interest rates and inflation stablise later in the year, more certainty will be back into the market which should cause some stabilisation in the property market.

As with any weakening in the market, the higher value suburbs will be affected more greatly than lower value suburbs in monetary terms. Mid-range suburbs with the prospect of adding value are the suburbs to watch as the weakening market affects the ability and desire to renovate or extend, however when the market stabilises, the opportunity to add value will improve.

The Hunter region around the Cessnock, Singleton and Maitland LGAs has a lower value base and

The higher value suburbs are the highest risk in a weakening market due to the likelihood of falling property prices.

generally remains affordable even in a peaking market or a weakening market shortly after a peak. Newcastle and Lake Macquarie LGAs have seen substantial growth over the past two years with the median house price still increasing compared to the same time in 2022.

The higher value suburbs are the highest risk in a weakening market due to the likelihood of falling property prices. Although a property purchase should be for the medium or longer term and therefore travelling through several property cycles, some caution should always be shown when purchasing shortly after a peaking market when there are signs of a weakening market and the potential for falling values.

The local regions have seen substantial growth over the past two years and despite the property cycle entering a weakening phase, the region does not appear to have been affected like the larger cities regarding a potential property value decline. As we progress through the year, a number of factors will come into play and determine which way the next property cycle will go..

Darren Sims
Property Valuer

Wollongong

With the residential property market declining throughout the second half of last year and this trend predicted to continue until such time that interest rates stabilise, the year ahead will be an interesting time for the Illawarra and Wollongong property markets. With the market continuing to slow, we are expecting to see further decreasing values and extended selling periods across all property types in the region, in particular, for properties that are poorly presented or are priced too high due to the vendor having unrealistic expectations.

One area of the market that will be of particular interest over the course of the year will be the Wollongong CBD unit and apartment market which is mostly dominated by investors. Given the current economic climate, there will no doubt be some investors unable to afford to keep their investment property who will be forced to sell. This along with the large number of complexes completed late last year or nearing completion this year will potentially create an oversupply of inner-city units, further driving down their values.

Some properties purchased at or near the peak of the market (late 2021 and early 2022) have already been re-listed for sale (there are currently examples of this in Bulli and Albion Park). It will be interesting to see how much the market has fallen when these properties eventually sell and how many more distressed and mortgagee sales occur throughout the year.

Joshua Devitt
Associate Director

Central Coast

We're moving into 2023 off the back of a slow property market to close out 2022, which can be mostly attributed to consecutive interest rate rises, cost of living pressures through rising inflation and both buyers and sellers being wary of the economic forecast.

All signs indicate that we can expect this to continue during 2023. Since the shift in the market, we're seeing many properties taking longer to sell. Some buyers are seeing this as an opportunity to take advantage of lower prices. Some vendors are holding their ground on price points, while we are seeing many others discounting their listing prices to achieve a sale.

There will also be many fixed loan terms that expire in 2023. This will result in homeowners having to reassess their own financial positions with the possibility that more supply could further suppress market activity. This could be a result of various factors: inability to meet mortgage repayments; looking to downsize for a smaller loan; or disposing of investment properties to free up equity.

Of course, the sale of these properties will be contingent on the potential purchaser's equity and borrowing power, as the higher interest rates continue to limit how much a purchaser can borrow.

On the southern end of the Central Coast, there are some suburbs which are comparatively more affordable and will provide opportunities for willing buyers to enter the market. The Peninsula, encompassing suburbs such as Woy Woy, Umina Beach, Ettalong Beach and Booker Bay, experienced very strong growth during the pandemic. A higher supply of units and strata-titled properties remain affordable. This end of the Central Coast is a well-established area with limited land available to increase supply. As demand outstripped supply, this had a contributing factor to the exponential growth rates recorded, however as we enter a market that is coming off its peak, the correction may be more severe compared to some surrounding suburbs in the region that recorded lesser growth rates in the rising market period.

A recent example of one property recording a negative growth rate was the sale at 17 Farleigh Avenue, Umina Beach. The property was purchased in February 2021 for $940,000 at a time when the market was heated. Positive growth rates continued in the local area until late 2021 into early 2022 and after subsequent interest rates increases, the property was sold in October 2022 for $935,000. This isolated example demonstrates that the market is in a state of correction with the depth and severity of the decline in 2023 not yet known.

17 Farleigh Avenue, Umina Beach Source: CoreLogic RPData

Looking closer to Gosford, Narara is another area which offers more affordable options while being close to amenities and public transport. While it also achieved strong growth during the pandemic and reached a peak median price of $900,000 in July 2022, it has since fallen back marginally. The median house price for a dwelling is currently $875,250 as at December 2022 (source: realestate.com.au).

When we turn to the northern suburbs of the Central Coast, there are appealing opportunities to get into the market. Increased interest rates normally creates lower median house prices and higher rents, leaving the door open for investor activity to increase in 2023. The much-preferred dual income properties have been gaining popularity over the past decade. Typically, these properties comprise an older style original dwelling at the street front with a newer, modern style secondary dwelling located in the rear yard, although builders over recent years have been offering dual-income products that include a primary residence with a semi-attached under the same roofline secondary residence. In essence the dual income property markets display a varied product range with differing yields to reflect. Yields at the northern end of the Central Coast have generally ranged from 3.5 to 5.5 per cent, however if the mechanics of the local property market continue with declining median values and increased rental prices, yields are expected to increase. As a savvy investor, this market should be closely monitored over the course of 2023.

Another suburb that is performing well and should be listed in your black book is Toukley. Surrounded by Tuggerah Lake and relatively close to local beaches, according to CoreLogic RPData statistics, Toukley's median house price of $818,750 (October 2022) is remarkably up 13.72 per cent over the past 12 months. The local market is showing resilience, however this may be due to lagging market conditions, geographical characteristics and differing housing products within the suburb.

For 2023, I think a wait and see approach should be adopted.

With nearby suburbs of Hamlyn Terrace and Warnervale earmarked for further land releases, vacant land supply is set to increase with population expected to rise in the area. With this comes infrastructure. A new school has recently opened in Warnervale which may be attractive to young families.

We believe that there is still a lot of optimism about the Central Coast property market moving into 2023. It is expected that interest rates will plateau at some point in 2023 which may be the catalyst for a market recovery with stabilised conditions to follow.

Todd Beckman
Associate Director

Shoalhaven

How the residential property market will perform in 2023 is on everyone's minds at the moment. Will the Shoalhaven market continue to soften and decline or will we see it stabilise and steady? Such factors as the prospect of possible rising interest rates, high inflation, pressures on the cost of living and global influences will play key roles in how the market will perform in 2023. The Shoalhaven residential property market seems to be more susceptible and volatile to declining and softening market conditions than other regions. Let's take a look at how we think the Shoalhaven residential property market will perform in 2023.

We believe that there is still a lot of optimism about the Central Coast property market moving into 2023. It is expected that interest rates will plateau at some point in 2023 which may be the catalyst for a market recovery with stabilised conditions to follow.

Many economists are predicting more interest rate rises to occur in 2023, most notably in the first half of the year. Rate rises by the Reserve Bank will continue to soften and put downward pressure on market values and market conditions. We predict more days on the market for some properties, fewer potential purchasers, lower selling prices and some possible forced sales. The Shoalhaven region seems more susceptible to a softening market than larger regions such as Wollongong and the Illawarra. This could be in part due to its further distance from Sydney and the fact that properties in most of the coastal towns such as Vincentia, Huskisson, Callala Bay and Callala Beach are purchased as holiday houses which seem to be the first sold by vendors once hard times hit. Generally, booming market conditions in the Shoalhaven region seem to exaggerate values, most notably along the coastal towns, however it is also evident that a declining market also seems to significantly adversely affect market values.

We predict values will decline in 2023 as the market continues to soften. The more the year progresses, the more values will decline. Unfortunately, in 2023 we are predicting some forced mortgagee sales to occur, most notably at the upper end of the market which seems to be hit the hardest in a softening and declining market in the region. Overall, it could be a turbulent year ahead for the Shoalhaven residential property market so our predictions now will be interesting to review once we near the end of 2023.

Joshua Devitt
Associate Director

Southern Highlands

The housing market in the Southern Highlands of New South Wales is set to continue to weaken in 2023, with a decrease in demand and an increase in supply leading to lower prices and lower overall transactions.

In turn, we will likely see some evidence of tree-changers returning to bigger metro areas as the year progresses.

Properties in the suburban areas of Bowral, Moss Vale and Mittagong, which achieved premium prices for more generic-style project homes, are expected to be affected the most, however it is likely that all property types will continue to see a decline in value.

The main factors contributing to this weakening market include the potential for continued rate rises by the RBA as well as a decrease in immigration to the area as we see life continue to revert from complete work from home flexibility towards a more hybrid arrangement. In turn, we will likely see some evidence of tree-changers returning to bigger metro areas as the year progresses.

Despite the overall decline in the market, there are still areas that offer excellent buying opportunities. Suburbs such as Robertson and Moss Vale have comparatively lower prices and may attract buyers looking for more affordable options. We also note that as the market continues to decline, asset selection is paramount in order to reduce overall value declines. Blue chip suburbs such as Burradoo, Burrawang, Exeter and Central Bowral will likely fare well, specifically properties within close proximity to the town centres of good quality construction.

As for interesting developments in the market, there has been an increase in sustainable and eco-friendly properties and architecture in the Southern Highlands, catering to a growing demand for environmentally conscious living as a younger professional demographic becomes a significant player in the local market. This trend may continue to gain popularity in 2023 and could see premium prices being achieved for this style of property.

Overall, the Southern Highlands housing market in 2023 is expected to be challenging for sellers, with a decline in demand and an increase in supply leading to lower prices and slower sales, however for buyers, there are still opportunities to be found in more affordable areas and unique property types which would generally appeal to a more limited section of the market.

Kurt Bismire
Associate Director

Mount Gambier

Over the past couple of years we have seen the Mount Gambier market perform very strongly with increased prices and demand. Recent reports indicate that Mount Gambier is currently bucking the trend with good demand and growth in values compared to other regional centres that have reported softening markets.

Like any market, the Mount Gambier market is driven by supply and demand. We do expect to see signs of a softening in the market and buyer sentiment easing this year, however with the market still affordable to a wide variety of demographics and prices below larger nearby regional cities, we expect Mount Gambier to be somewhat less impacted by values softening than other nearby regional centres.

All types of properties are still performing strongly in the market and we expect strong prices to continue for properties located in the sought-after lakes location and central areas close to the CBD. Coastal and rural residential properties should also continue to perform well in 2023 with limited stock available.

A price point which we will continue to watch is the over $500,000 range. In previous years, properties in this price range were thinly traded however in the past 12 months we have seen a large increase of stock in this price bracket. In the past 12 months, approximately 85 properties have sold for $500,000 plus. This is almost double the amount sold in 2020/2021. A variety of property types is traded in this range such as modern and character style dwellings. The higher volume of sales occurring should continue.

We consider the market will perform well again this year with continued interest from local and out of town buyers, however not to the performance of the past two years.

Lauren Kain
Valuer

Albury

We begin 2023 with a different momentum than the beginning of the previous two years, perhaps with what is just the pre COVID-19 norm. Whilst sales volumes appear to have plummeted over the past three to six months, it is important to remember that the previous two years were unprecedented for our region, as they were for most areas of Australia.

Looking at the year ahead for the Albury-Wodonga region, we are faced with uncertainty as buyers continue to be cautious with further interest rate rises predicted in the bid to stem inflation. Our region continues to experience a slowing in buyer enquiries, with longer sale times but with strong sale figures continuing. We expect this plateauing to continue throughout much of 2023 with values holding as interest rates level out, providing buyers with more knowledge in their future decision making in the property market.

Albury Wodong Source: visitalburywodonga.com

We anticipate that some of our markets that performed particularly well over the past two years may begin to show signs of decline; these markets are often influenced by out of town buyers who may choose to return to their capital cities. We have already seen signs of this in Myrtleford with towns such as Bright and Mount Beauty having the potential to follow. Shepparton has experienced some major growth over the past couple of years; this is expected to plateau at best this year or even see a small decline depending on how interest rates rise this year. The Shepparton region is experiencing increased volatility with large fluctuations in sale prices already becoming apparent. The full effects of recent flooding around Shepparton are yet to be seen.

We predict another busy year for the construction industry as it continues to work through the backlog of building contracts from the past two years. Pricing is predicted to stabilise with lower enquiry numbers helping to relieve the pressure on the industry and material supply. Land is still in relatively short supply across our region with more releases due this year. We do anticipate some reselling of vacant land as those who bought at the beginning or height of the peak now face the reality of much higher building prices and therefore may decide to sell for the same or even a slightly lower price, depending on the area.

In summary, we expect to see a plateauing market in our general region with pockets of slight decline in areas of previous boom for the first part of 2023. We may start to see signs of decline in other areas as the year progresses and we head into a buyer's market, with more properties hitting the market as a result of affordability for those who bought at the top of their borrowing capacity as interest rates and cost of living expenses continue to rise.

Vanessa West
Property Valuer

Victoria - Residential 2023

Melbourne

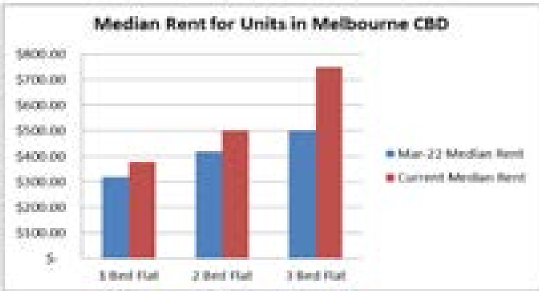
The year of 2022 witnessed a year of emotions within global and local markets and saw the end of a long lasting, strong bull market. Australia's residential property market hit a record decline of 8.40 per cent on 7 January 2023 after peaking in May 2022 (CoreLogic Daily Home Value Index). Last year marked the greatest period of decline recorded in Australian history for national home values, worse than the 2008-09 global financial crisis and 1982-83 market crash.

There are many factors at play in the market including inflationary concerns. Recent and likely further interest hikes have resulted in downward pressure on properties across Melbourne. The tightening of monetary policy by the RBA has resulted in reduced borrowing capacity for individuals. It remains difficult to predict how property markets will perform in the short to medium term, although market fundamentals suggest an increasing likelihood of a downward correction in values. Immigration, new infrastructure and new developments in the CBD are all factors that could positively affect property values in the long term.

Whilst unemployment remains low and wage growth continues rising, there is an unlikely chance conditions will not settle and flip to a neutral tone throughout 2023. However, one thing we must acknowledge is that markets are unpredictable and controlled by human emotion, meaning we should remain unbiased and objective in our future market predictions.

Melbourne Inner City

Despite the recent interest rate hikes, 2023 will undoubtedly offer many exciting opportunities for investors. As the post-pandemic era begins, the reopening of borders has brought back international students and young professionals, the way work and teaching is done has almost returned to pre-pandemic levels, university lecturers are once again moving from online courses to face-to-face classes and companies are encouraging their employees to return from home offices to physical CBD offices. These changes have driven rents in the CBD to their recent peak in December 2022, breaking the pandemic-era depression. The average rent for a three-bedroom flat has risen the most since last March, from $500 per week to $750 per week (up 50 per cent), compared to one- and two-bedroom flats.



Source: Domain 2023

A one-bedroom flat at 1406/243 Franklin Street, Melbourne is for rent at $400 per week
Source: realestate.com.au

Rental values have risen rapidly and continue to show an upward trend in the CBD market at the beginning of this year, bullish for further rent increases in 2023 due to the higher level of housing demand.

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

A two- bedroom flat at 1048/139 Lonsdale Street, Melbourne is for rent at $500 per week Source: realestate.com.au

Rental values have risen rapidly and continue to show an upward trend in the CBD market at the beginning of this year, bullish for further rent increases in 2023 due to the higher level of housing demand. Developments nearing completion such as West Side Place and Aspire will increase supply within the CBD. Developers are investing heavily in the CBD and inner city suburbs, with the City

A three-bedroom flat at 23/30-34 La Trobe Street, Melbourne is for rent at $750 per week Source: realestate.com.au

of Melbourne receiving more than 600 planning applications worth a total of about $800 million, 85 per cent of these for new developments (CBD News, 2023). In contrast to the hot rental market, rising mortgage rates combined with an oversupply of housing in CBD markets will dampen the buyer's market and ultimately lead to a decline in property values. In summary, the buyer's market in the CBD is expected to stagnate in 2023.

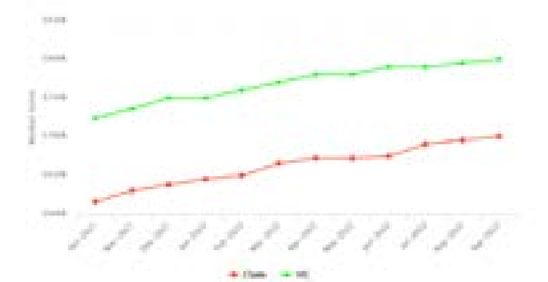
The return of international students and the immigration surge predicted for 2023 will boost housing demand which will also result in an increase in rental properties.

The return of international students and the immigration surge predicted for 2023 will boost housing demand which will also result in an increase in rental properties. Strong market activity is expected to bring the market back to pre-pandemic levels. Overall, 2023 is shaping up to be a year with great prospects for Melbourne CBD as the buzz is coming back.

South East

In general, the median sale prices of houses in the south-eastern suburbs have been dampened by rising interest rates and the impact of the influx of population into the city. However, demand is still there as the outer south-eastern suburbs such as Clyde, Clyde North, Officer and Pakenham continue to be among the most attractive areas for many first-homebuyers and young families due to their affordability and government incentives.

As at September 2022, the median sale price of houses in Clyde was $700,000, an increase of 13.62 per cent compared to the same time last year, but between September and December last year, remained at $699,900 (realestate.com.au, 2023). Conditions in the housing market are expected to remain soft in the coming months and a nearly level or slightly downward trend in house price in Clyde and other south-eastern suburbs is expected in 2023.



Market Trends for Clyde Property Value Source: realestate.com.au

HERRON TODD WHITE RESIDENTIAL

However, Cranbourne is a comparatively more optimistic-looking area in the outer south-east due to its affordability and family appeal. It is a desirable suburb for immigrants from India, England and New Zealand. To accommodate the large number of brand-new homes in the area, green and community spaces have recently been created and families can enjoy a convenient lifestyle thanks to the many shopping centres, schools and entertainment options nearby. Most importantly, demand for growth areas remains high, while the median prices are still relatively low. For example, 5 Dunmore Court sold in January 2023 for $678,000. The four-bedroom, two-bathroom dwelling incorporates a small study area, lounge, built-in double garage with an additional carport, as well as an outdoor entertainment space with a BBQ area and bar. The price is quite affordable and below the Melbourne median for a young family with its space and features.

5 Dunmore Court, Cranbourne sold for $678,000 Source: RP Data

East

Melbourne's eastern suburbs are expected to continue to hold value and perform well throughout 2023 as they did in 2022.

Rental yields will remain sharp within the inner eastern suburbs as investment properties are quickly snapped up at healthy prices. It is of note that investors purchasing within the inner east are likely to have wealth and knowledge behind them as they look to expand their portfolios with highly priced properties, realising the opportunity with rising rental yields.

Despite the rise in construction costs and time lags, residential developments ranging from two to three townhouses will continue to rise within the suburbs of Box Hill, Blackburn and Mitcham as they provide attractive rental yields.

It is expected that we will continue to see an influx of international students returning to Melbourne during 2023 which may contribute positively to the rental housing market from an investor's perspective. Additionally, the developing suburb of Box Hill will remain a close watch as it continues to attract investors as the local council works toward building a mini city. Large apartment complexes are quickly rising to keep up with housing demand, with many schools, universities, shopping centres and hospitals in a close band surrounding the suburb.

As it is widely known that the market has declined and housing values have reduced, many will see this as a buying opportunity to enter the market at a discounted price in order to capitalise on capital growth. Therefore, steady house prices are expected throughout 2023 after the rising interest rate cycle finishes.

Inner and Outer North.

There is an increase of new estates being developed in Melbourne's north, especially in suburbs such as Mickleham, Kalkallo, Donnybrook and Beveridge, which are attracting first home buyers, newcomers to the country, young families and investors looking for capital appreciation in the forthcoming years. These estates are providing family-friendly facilities such as small shopping centres, parks, walking tracks and playgrounds, all available and accessible to residents, which create a positive community environment.

It is evident that properties in Melbourne's outer north are more affordable and are appealing to first homebuyers and recently arrived immigrants. In the fourth quarter of 2022, houses in Mickleham cost $600,000 on average compared to $980,000 in metropolitan Melbourne (Reiv.com.au).

Source: Reiv.com.au, 2022

Since the new year, prices have been on a continued decline in Melbourne's north. The

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

25 Langford Road, Donnybrook Source: realestate.com.au

property at 25 Langford Road in Donnybrook sold for $575,000 on 13 January 2023.

This is a really affordable family home below the Melbourne median, with four bedrooms and two bathrooms, located approximately 48 kilometres from Melbourne's CBD.

Western Suburbs

Continuance of a flat patch in the property market is predicted throughout the first half of 2023 due to the uncertainty about interest rates and the direction they will head restricting the amount of money people are able or willing to borrow, combined with the increased cost of living slowing property prices. With yet another rate rise predicted in the first quarter of 2023, property prices seem likely to plateau or trend backwards in the immediate future, with hope of a positive bounce back in the second half of 2023.

The western suburbs of Melbourne will continue to prove strong as COVID becomes a thing of the past due to a return to an increase in overseas migration to the western suburbs along with the affordability of the area and the abundance of job opportunities. All these factors continue to show that the western suburbs have strong fundamentals to see growth through a challenging period, however construction of new homes should be treated with caution with the rise in building costs due to the increase in the price of materials as well as extended build times, with a possibility of a slight decrease in quality which stems from a lack of quality skilled labour.

Geelong

For at least the first half of the year, the Geelong region will see property prices plateau to a point where stabilisation and corrections will occur. Furthermore, the amount of migration from Melbourne and surrounding suburbs to the coast appears to have reduced, which has decreased the demand for residential property within the area.

Established areas within the Geelong region appear to be the suburbs worth watching in 2023 as normal market conditions are expected within the area. Properties available within established suburbs such as Belmont, Highton, Newtown and Grovedale appear to be valuable purchases that yield strong rental results.

Construction materials and timelines increased throughout 2022 and there is a general expectation that prices and timelines will remain similar this year. Given this, there is an expectation that builds that require work will take a longer period to sell compared to completed dwellings.

An oversupply in the developing suburbs of Armstrong Creek, Charlemont and Mount Duneed may be noted throughout the year. With market demand declining in these suburbs, there is now an expectation that price points will decline to a point where the market is corrected, whilst we may also see extended selling periods.

Perron King
Director

Mildura

The residential property market in the Mildura region eased back to normal activity levels in late 2022 and we expect this trend to continue throughout 2023. While there is no evidence yet of any significant reduction in values, agents are reporting less enquiry per listing and selling periods are once again back to a more usual 25 to 60 days. The fear of missing out appears to have subsided and been replaced with a healthier rational buyer mentality.

Vendors have started adjusting their price expectations with agents reporting that sellers are now more inclined to accept a fair offer rather than hold out for a higher price which may not be there.

Rental demand is still strong and expected to remain so and this may keep some momentum from investors. Rental growth has occurred at a similar pace to the gain in house and unit values, which has kept gross yields in the range of 4.25 to 4.75 per cent, especially in the sub-$500,000 price bracket. We expect that there will always be investors wanting some residential property in

It is always difficult to predict how the upper end of the local market will perform, given there tends to be a relatively small pool of available properties and buyers at any one time at the over $1.5 million price point.

their portfolios who will help keep this segment ticking over.

There has been a lot of residential subdivision activity underway in the past two years and we expect that a relatively high number of serviced lots will become available for sale in 2023. Land values have appreciated considerably in the past three years and many people who signed up to buy these lots off the plan in 2021 and early 2022 are currently sitting on some solid capital gains. It may prove tempting for some of these buyers to sell their vacant lots rather than incur the higher cost of building, especially if their reduced borrowing capacity restricts what they can afford to do.

For this reason, it seems likely that land values have peaked for the time being.

It is always difficult to predict how the upper end of the local market will perform, given there tends to be a relatively small pool of available properties and buyers at any one time at the over $1.5 million price point. History suggests that there are usually a reasonable number of buyers waiting to buy properties with either good river frontage or high standard improvements and this group tends to be less reliant on borrowed funds. For this reason, we expect this segment to hold up reasonably well.

The recent Murray and Darling River floods provided a spectacle and created inconvenience for a small group of riverfront homeowners however did not create any widespread inundation of properties. While some out-of-town buyers may now be more fearful of flood damage, the majority of the higher end riverfront properties stayed dry during our recent flood event. We don't expect to see any shift away from buying houses that have good river views or access.

Graeme Whyte
Director

Warrnambool

A state of relative calm and sensibility has swept into the market displacing the frantic energy of the preceding 12 to 24 months. Property which is well presented and appropriately priced continues to sell readily across all segments.

Property in need of repair or renovation has proven to be more stubborn to move as the impact of labour and materials supply constraints continue. Rentals remain solid and the lag of new supply entering the market is pronounced.

It's for these reasons that we foresee the market continuing steadily. Of course there is a certain level of wait and see in our vision for the Warrnambool market as macroeconomic, environmental and geopolitical factors have never before been as impactful on our historically insulated market.

If any area of the market requires a more cautious approach from potential purchasers, it has to be vacant residential land. Recent listings are showing wildly varying listed prices and ranges, even within the same street at times. While vendor motivation and expectations can often also be wildly varying, purchasers would be best served to follow the market evidence to avoid being the fish that bites on the lot with near identical attributes for ten per cent more than next door.

Jordan Mowbray
Valuer

Queensland - Residential 2023

Brisbane

There's an adage that says when the US economy sneezes, Australia catches a cold.

Many years ago, Brisbane property had a similar relationship with real estate markets in Sydney and Melbourne. Because they make up a mighty proportion of all national transactions, the data generated in those two capitals had a flow on effect to ours. People would see their numbers and make the mental leap that our housing would follow suit in terms of price changes and sales volumes.

But our city has really come into its own in the past two-to-three decades. We've grown well beyond the "big country town" image of the past and have evolved into a modern, bustling metropolis with world-class lifestyle options and opportunities.

If you'd like some global corroboration, just drop a line to the International Olympic Committee.

This month, we are discussing our outlook for Brisbane's property market in 2023, but let's first look back at 2022.

The past 12 months have been disappointing for property owners and sellers. The CoreLogic home value index to 31st January 2023 indicates a median price fall of 4.7 per cent for the year. Of course, the same measure to the end of January 2022 reflected a 29.2 per cent gain, so we can't complain too much.

That said, values have fallen and the culprit was interest rate rises in response to a sizeable uptick in inflation. Purchasers' borrowing capacities were dramatically curtailed, so buyers had to decrease their budgets and sellers needed to lower their expectations just to get deals done.

Looking toward to the second half of 2023, and our more positive predictions will be contingent on a few events coming to pass.

Interestingly, affordability issues helped some markets outperform others. The unit market, in particular, fared well. Many buyers (especially first timers) who had set their sights on a detached home in established, inner-city addresses switched to an apartment instead. In addition, runaway rental growth and tightening vacancy rates also saw a reasonable portion of tenants choose to leave the rental market and buy an affordable apartment as an alternative to leasing. The result was plenty of demand for attached housing in 2022.

But the overall shift in buyer sentiment throughout last year has impacted capital values – particularly of 'secondary' property where the price discounts have been most pronounced.

With all this as a backdrop, how are things looking as we progress into 2023 for property more generally?

As first up big-picture observation, I'd say it will continue to be a quite challenging year for property owners looking to sell or refinance. Interest rate rises seem certain to continue given inflation remains stubbornly high. The fallout is negative consumer sentiment. While employment remains strong and employees feel secure in their jobs, the cost of living is causing many to make tough decisions around their household budgets.

The other element that's of concern in the reported one in five home loans set to flip from fixed to variable interest. These unfortunate souls will see their interest commitments rise 2.5 to three per cent overnight. That's a mighty chunk of change when you've got a $500,000 loan.

So, our initial take is that the first six months of the year will have its trials.

Looking toward to the second half of 2023, and our more positive predictions will be contingent on a few events coming to pass.

First and foremost, interest rates need to reach a ceiling – and the sooner the better for property owners. A stop to the rate rises will give borrowers the confidence to move forward with their purchasing plans. Of course, this will apply to markets right across Australia, not just here in southeast Queensland.

Homing in on our region and, on balance, Brisbane seems well placed to ride out the year in comparison to Sydney and Melbourne. Our net internal migration numbers are running at historic highs. Many property owners in Victoria and New South Wales are looking to make the shift up to Queensland and most will settle in and around Brisbane.

Helping in their decision is infrastructure investment, especially leading up to the 2032 Olympic Games.

Some of the major projects being closely monitored by stakeholders include:

- **Cross River rail** connecting the inner suburbs between the CBD and Dutton Park,
- **The Kangaroo Point Pedestrian bridge** connecting Kangaroo Point to the CBD,
- **Woolloongabba where a new stadium** and supporting amenities will make the suburb an even more attractive option for residents,
- **The Queens Wharf casino** and leisure development in the CBD, which also includes a pedestrian bridge connection to the Southbank lifestyle hub.

So, this will all fuel demand for Brisbane property... but what about supply?

Over the past year listing numbers have been reasonably tight. Many owners with plans to sell decided to hold off because of general economic uncertainty, and prices in blue-chip suburbs have remained relatively firm as a result.

Then there's construction. The building boom of 2021 has given way to many owners delaying or cancelling their construction plans. Materials and labour costs have risen far too high and fast, so builders are discovering their forward pipeline of work has shortened.

This lack of long-term construction activity will feed into our already tight rental market in 2023 as well. There's little doubt that an increasing number of residents seeking shelter will meet a severe lack of rental supply. This year you can expect to see even tighter vacancy rates, and more rising rents.

Of course, this high-demand/low-supply scenario is underpinning house values. Hence why we think Brisbane will do reasonably well on balance.

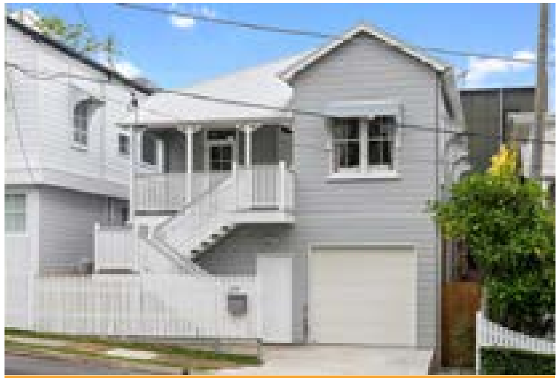
Now, let's dig down into submarkets and see what the year might bring.

The areas to watch are going to be those with great property fundamentals, such as convenient access to the CBD, services and infrastructure, as well as excellent lifestyle appeal.

West End, South Brisbane, Woollongabba, Stones Corner and Kangaroo Point are all within proximity of the city and should benefit most from new and upgraded infrastructure. In the same vein, look for property to the north around Kelvin Grove and Newmarket, and the inner west around Paddington and Auchenflower.

The property type to watch out for is definitely detached housing at entry level price points. Try not to compromise on unchangeable elements - so avoid main road locations or being next to service stations or busy retail.

An example of a property with great fundamentals would be this sale 23A Martha Street, Paddington which achieved $1.5 million in January. It's a solid four-bedroom, two-bathroom, two-car home that would have broad appeal to both homeowners and renters.



23A Martha Street, Paddington Source: realestate.com.au

Also, seek a home that may need minor, non-structural renovation - especially if it's stuff that can be easily tackled by a small contractor. Big builders are still busy and charge a heap for some projects. If you can do the painting and general upgrades yourself, or with the help of a contractors or two, then you'll reap the benefits.

There's plenty of opportunity in attached housing in these desirable locations as well. Units close to town, and townhouses if a little further out, can be a great choice if your budget is tight. The entry-level market will continue to perform strongly in our opinion. Investors are yet to flood back into this market, so owner occupiers can still find good quality stock - particular those first-time buyers wanting to enjoy the city lifestyle.

An example would be this unit at 7/32 Ryan Street, West End which sold for $582,000 in January. A renovated, two-bed, one-bath, one-car unit in a traditional six-pack building located close to the river, parklands, and all the cool facilities West End has to offer.

7/32 Ryan Street, West End Source: realestate.com.au

Then there are the markets we think should be treated with caution.

Obviously, property in secondary positions carries the most risk of price softening.

There are other factors to be cautious of too. Outer-lying suburbs with an overabundance of generic housing should always undergo comprehensive due diligence before purchase.

Buyers should also beware of properties impacted by flooding. Recent years have seen an inordinate level of flood activity in Brisbane. Homes that were inundated are still discounted by buyers. Even in blue-chip locations, make sure potential flood issues are well known and understood.

2023 should end up being a year when everyone catches their breath and the market steadies before proceeding in an orderly fashion. If a few of the positives do line up, we may well look back on this year as a time when great opportunities were snapped up by savvy buyers.

David Notley
Director

Gold Coast

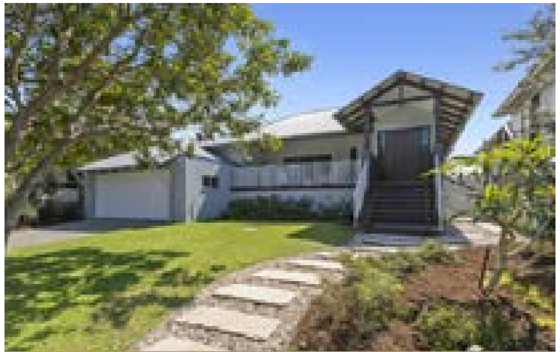
What's that phrase again? What goes up, must come down? Considering the rapid rise in interest rates in 2022, cost of living pressures and with economists forecasting further interest rate rises this year, it's no wonder property buyers are being very cautious now, as there may be more tough times ahead.

Last year the major banks predicted quite a significant fall in house values across most major cities in 2023. The performance of the residential property market in 2023 will likely be heavily dependent upon how many more interest rate rises there are and whether external and global events will further threaten our economy. We will definitely see tighter lending conditions this year and as a result, buyers will have less borrowing power and in turn will have less to spend on property. Many borrowers are also coming off fixed rate loans and will need to adjust to the new rate environment. History tells us that tighter lending conditions is often a strong indicator of a cooling market. Given what has transpired in the past six to twelve months, overall we are expecting a much more subdued market in 2023 compared to last year. But is there any cause for optimism? Well, you will need to read on to find out! Our valuer team provides the market outlook for 2023 and notes the localities, property types and price points worth keeping a close eye on.

Southern Gold Coast and Far North New South Wales

The Tweed Shire experienced phenomenal growth throughout 2021, with an influx of people from Sydney, Melbourne and Brisbane migrating to the region when lockdowns were a thing. The Tweed Shire shares its southern boundary with the Byron Shire and at the time, people were being priced out of that market and moving to the more affordable Tweed Shire as an alternative option. When 2022 arrived, the hike in interest rates came earlier than expected. We have since learnt to live with COVID and we are now hearing of people who recently migrated to the region returning to the big cities. For some, it didn't live up to their expectations; they missed their families and friends or their job opportunities dwindled, despite the working from home phenomenon. Agents have reported that buyers from Sydney, Melbourne and Brisbane are still active in the area, but in far fewer numbers and that has been evident at recent open home inspections. Some agents have even commented that the number of enquiries from city buyers has completely dwindled.

In the suburbs of Kingscliff and Casuarina where prices skyrocketed in recent years, sales of freestanding homes have been mostly made up of non-local purchasers. Lately these areas are seeing some of the biggest falls in value in the region, particularly for property priced above $1.5 million. An example of this is 18 Beech Lane, Casuarina, which was purchased in November 2021 for $2.65 million and re-sold in late 2022 for $2.35 million, representing a loss of $300,000 (down approximately 12 per cent).



18 Beech Lane, Casuarina Source: RPData CoreLogic

18 Beech Lane, Casuarina Source: RPData CoreLogic

18 Beech Lane, Casuarina recently sold for $2.35 million after previously transacting in late 2021 for $2.65 million (source: RPData CoreLogic).

The Tweed Shire did suffer significant flooding in February and March 2022 and initially this did not seem to deter buyers in flood affected areas as long as there was no damage (or very minimal damage). However from September 2022, we noticed an increased volume of these houses on the market, which subsequently created a bit of an oversupply of stock. In many cases, properties in these areas are now sitting stagnant on the market with very limited buyer interest. We expect to see a further price correction here, as vendors will need to be very competitive to get a sale result.

With the movement of interest rates throughout 2022, the strong likelihood of further rate rises in 2023 and high inflation, we can only see property values in the Tweed region heading in one direction. Will prices fall back to pre-pandemic levels? Being active participants within the property industry, we've learnt over the years that you can never truly predict what will happen, however at the moment, it's hard to see house prices climbing in any market segment across the Tweed this year.

A market which appears to be holding up better than most is the detached housing sector in Tweed Heads West and Bilambil Heights where dwellings are priced under $1 million. The scarcity of stock is certainly evident in this market. We expect further gentrification within these suburbs in the coming years with new major infrastructure currently planned or in development in the local area.

Moving north over the border now and we are expecting the property market between Palm Beach and Coolangatta to be a little more stable than in the Tweed. Current sales activity is being predominantly driven by owner-occupier demand across the majority of market segments. Properties to keep an eye on that may provide

The scarcity of stock is certainly evident in this market.

good long-term capital growth opportunities are units within the beachside pockets of Kirra and Coolangatta, where stock supply remains at fairly low levels, particularly for property priced under $1 million. Local agents active in these areas are still reporting fairly reasonable enquiries for all types of units in this price range and from a broad range of buyers too, from first homeowners through to empty nesters.

3/15 Dutton Street, Coolangatta Source: realestate.com.au

3/15 Dutton Street, Coolangatta Source: realestate.com.au

3/15 Dutton Street, Coolangatta, a new, modern style, ground floor apartment providing two bedrooms is reportedly under offer. The property was listed on the market with a price guide of $880,000 to $920,000

201/13-15 Haig Street, Coolangatta Source: realestate.com.au

201/13-15 Haig Street, Coolangatta Source: realestate.com.au

201/13-15 Haig Street, Coolangatta, a modern style, two bedroom apartment is reportedly for sale with an asking price of offers over $840,000. The property previously sold in December 2021 for $849,000. The prior transaction was the original developer sale in October 2020 for $610,000

Central Gold Coast

As we noted earlier, the performance of the residential property market in 2023 will be fairly dependent upon how many more interest rate rises we have in the year. There seems to be a consensus that interest rates will continue to rise, especially in the early part of 2023, which will put the brakes on market activity.

During the second half of 2022, the market slowed considerably, and it became more apparent that property prices were weakening across most market segments. Even in Burleigh, where there has been a very heated property market in recent years, value levels have slipped backwards by say five to ten per cent since the peak in early to mid-2022. The latest sales evidence also suggests that there has been an even sharper value decline for property in Elanora and Varsity Lakes. Both of these suburbs are known to offer a good array of affordable housing options.

The suburbs that may continue to have some momentum in 2023 are likely to be the very popular coastal lifestyle suburbs such as Mermaid Beach, Miami, Burleigh Heads, Burleigh Waters and Palm Beach where you find loads of prestige quality housing options. There is quite a substantial amount of infrastructure either under construction or proposed for development in and around these suburbs. Major infrastructure spending will be a key driver for these areas over the next few years. Construction of Stage 3 of the Gold Coast light-rail system is about to commence in the upcoming months which will connect Broadbeach to Burleigh Heads. The expected completion date of this major project is mid-2025.

Lately, the prestige sector on the central Gold Coast has been holding up well since the rapid rise in interest rates. Whilst demand has slightly cooled, supply of high-quality properties remains limited. Agents are commenting that rate rises haven't scared off all the buyers but there are slightly less interstate buyers in the mix and that has resulted in a greater presence of local buyer activity, particularly at open homes. During the days where the market was most buoyant, locals were to some degree being priced out of the market by interstate purchasers. Cashed up local buyers now see themselves as having a better opportunity to buy not being in a highly competitive market.

We expect new or recently renovated properties will continue to be highly sought-after but with fewer buyers willing to pay premiums to secure them. Some recent reports coming from the building industry indicate that the heightened concern in relation to supply line issues, price increases of materials and unavailability of trades is now starting to ease. Building costs though remain comparatively expensive and as a result, some prestige home buyers are avoiding the renovator properties altogether to avoid potential issues (and stress).

88 Dolphin Avenue, Mermaid Beach Source: realestate.com.au

88 Dolphin Avenue, Mermaid Beach, a near new residence, reportedly sold in December 2022 for $2.465 million. The property comprises a well presented, modern style, circa 2019 built, three level dwelling providing four bedrooms and three bathrooms with double carport and plunge pool, which has been constructed on a 445 square metre lot approximately 450 metres from the beach. The property was placed on the market in July 2022 with the vendor reportedly initially seeking buyer interest above $2.8 million.

14 Keppel Court, Mermaid Waters Source: RPData CoreLogic

14 Keppel Court, Mermaid Waters reportedly sold off market in late 2022 for $2.88 million. The single storey residence which provides five bedrooms, two bathrooms, double carport and swimming pool has been fully renovated to a high standard. The property previously sold in September 2021 for $1.225 million in largely original condition.

In regard to the performance of the detached housing market property sitting between $1 million and $2 million, the general feedback we have received of late has been fairly mixed. It really depends on the location and levels of available stock within the particular suburb. Listed properties in this price range are definitely spending more time on the market with buyers becoming more discerning. At the lower end of the market, property prices appear to be much more stable with strata units and duplex units priced under $1 million still attracting reasonable buyer interest.

Across the board, the rental market remains very strong with very limited stock available. Some recent reports however have pointed out that rental values in some suburbs have begun to stabilise after a strong run. Due to there still being a tight rental market, we expect the sub $700,000 property market segment will remain active as the squeeze from high rents will motivate more existing tenants to shift into a mortgage rather than pay high rent. Buyers in this price range are still willing to pay small premiums for vacant possession units on settlement at the moment, as having the opportunity to move straight in is very important. This is being substantiated throughout the central suburbs of the Gold Coast and particularly in Southport, Labrador, Parkwood and Arundel.

Northern Gold Coast

Market activity at the northern end of the coast has been fairly stable but has lost momentum over the past couple of months and property prices have noticeably fallen since the market peak, by as much as ten per cent in some cases.

The demand for higher end residential properties, say above $2 million, has noticeably cooled and it is expected that much longer selling periods will be required. Some local agents are reporting that they are occasionally finding it very challenging managing vendors' expectations for these higher priced properties.

From our view it seems as though the northern suburbs between Biggera Waters and Paradise Point have seen a major rise in overall appeal since 2021. This could simply be due to affordability, with properties at the southern end of the Gold Coast becoming too expensive for many. Perhaps the recent spike in migration to the coast has also led locals to realise the potential the northern end offers. If a property is well presented and appropriately priced, it's still not uncommon for the agent to report multiple offer situations early in the marketing campaign.

The recent refurbishment of the Harbour Town Shopping Centre Food Mall and the good array of reputable schools in the general area provide great appeal and for boat owners and enthusiasts, the access to the Broadwater, one of the Gold Coast's greatest natural assets, is unrivalled.

Other market segments worth following this year are properties at the more affordable end of the spectrum. More recently, two-bedroom units in low to medium-rise complexes along Marine Parade in Labrador and Biggera Waters have become a little more appropriately priced, which could be a result of an increased level of stock hitting the market. Asking prices for these units typically range from $470,000 to $650,000, depending on whether the property provides one or two bathrooms, along with other factors such as the number of car spaces, condition and views.

For buyers looking for entry level housing which offers reasonable value for money, freestanding dwellings in Biggera Waters, Runaway Bay, Hollywell and Coombabah have become slightly more affordable coming into 2023. We have noticed some great buying opportunities for three or four-bedroom, original style dwellings on under 600 square metre lots priced well under $800,000. These properties have been very popular with owner-occupiers but they also offer attractive rental returns for investors.

Perhaps the recent spike in migration to the coast has also led locals to realise the potential the northern end offers.

An apartment at Silvershore On The Broadwater   Source: RPData CoreLogic

A two-bedroom, two-bathroom ground floor apartment at Silvershore On The Broadwater, 430 Marine Parade sold in late 2022 for $625,000

Jacaranda Avenue, Hollywell   Source: realestate.com.au

An older style, single storey, three-bedroom, one-bathroom dwelling in Jacaranda Avenue, Hollywell is currently advertised for sale with an asking price of offers over $750,000.

A corner of the market that should be treated with some degree of caution in 2023 is the apartment market at Hope Island. If you take a short trip down Sickle Avenue, you will see that there has been much construction of modern style residential apartment buildings. No. 1 Grant, the second building of the project was recently finished and it has been reported that 100 per cent of the stock settled in 2022. Construction of Towers 3 and 4 has commenced with their sales and marketing team still reporting strong interest and an early run of pre-sales. The Anchorage Apartments project located nearby has reported to us that all stock within the recently finished Tower 4 has now 100 per cent settled, with Tower 5 nearing completion also being 100 per cent sold or under contract. Given the recent rapid growth in the number of new units in this area, there is the possibility of a future oversupply issue. Unit owners who may look to sell in late 2023 or 2024 may find themselves in a very competitive re-sale market if we continue to experience downward trending market conditions.

New Apartment Buildings at Hope Island Source: homely.com.au

In the suburbs that lie between Helensvale and Beenleigh along the M1 corridor, it is evident that the days of achieving peak sale prices are gone. For homes on the market today, the selling process has slowed and it is becoming increasingly harder and more competitive to sell. The market, say between $450,000 and $700,000, which is an appealing price bracket for first homebuyers, is still quite strong as high rents are encouraging tenants to take a leap of faith and buy. We recently spoke with an agent who had sold five townhouses in one weekend, all around the $500,000 mark, and all in the Pimpama area. Rents for these types of properties in this price range have typically increased by as much as $150 per week in the past year.

From the latest sale transactions within the area, residential property priced above $700,000 has softened in the past few months. Local agents are further reporting a seemingly larger increase in the number of sale contracts not proceeding with buyers failing to obtain finance being a common issue.

The market for $1.5 million plus properties is fairly limited in the M1 northern corridor area, however there are some estates such as Coomera Waters and Calypso Bay which generally offer a good selection of modern style housing in this price range. This end of the market should be treated with some caution in 2023, particularly in the Calypso Bay waterfront estate at Jacobs Well where buyer interest has stagnated. There appears to be a growing number of listed properties with most priced well above the $1.5 million mark.

It is interesting to note that there are significant infrastructure projects planned in the north, including a new public hospital at Coomera, new Brisbane-bound train stations at Pimpama and Helensvale North, significantly improved interchanges on the M1 and road construction about to commence on the proposed M2 Coomera Connector motorway.

Having witnessed strong changes within the Gold Coast property market over the past two years, it is not easy to make firm predictions about the year ahead and despite the many positive drawcards for our region, we are anticipating further falls in property values, thanks to higher interest rates and high inflation levels.

Sam Gray
Associate Director

Sunshine Coast

Well, what a ride it has been over the past three years. The global pandemic and the subsequent property boom were extraordinary to say the least and how things have quickly changed.
We know the economy is being challenged by several economic headwinds notably inflationary pressures, escalation in building costs and the monthly increases in interest rates, which has seen interest rates more than double over a relatively short timeframe. On the back of these headwinds we have seen urgency falling away and the property market returning to more normal market conditions.

The big concern on the horizon is the amount of refinance activity that will be occurring this year with homeowners who took advantage of the extremely low fixed interest rate rolling over into a significantly higher interest rate when their fixed terms expire. The big question is whether or not

The big concern on the horizon is the amount of refinance activity that will be occurring this year with homeowners who took advantage of the extremely low fixed interest rate rolling over into a significantly higher interest rate when their fixed terms expire.

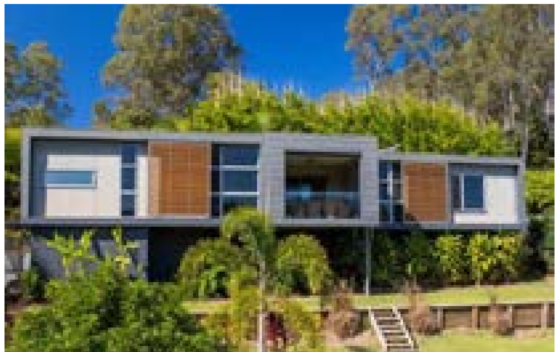
homeowners will be able to afford the new rates with all the other cost of living pressures.

The market has become more segmented but there is little doubt we have seen a decline in values through most sectors. The decline is very much dependant on what the property is and where it is situated with noted falls of somewhere between five and 15 per cent. Some examples are:

19 Mace Drive, Buderim - previously sold in December 2021 for $1.325 million and is under contract for $1.26 million.

19 Mace Drive, Buderim Source: realestate.com.au

42 Whispering Gum Avenue, Eumundi - previously sold in August 2022 for $2.105 million and listed for sale at $1.8 million.



42 Whispering Gum Avenue, Eumundi Source: realestate.com.au

52 Lara Drive, Buderim - previously sold in October 2021 for $1.7 million and re-sold in October 2022 for $1.525 million.

52 Lara Drive, Buderim Source: realestate.com.au

However there are still properties and locations that buck the trend. A Noosa Heads property at 47 Mossman Court was purchased in August 2020 for $10.91 million and sold in December 2022 for $23.25 million.

47 Mossman Court, Noosa Heads Source: realestate.com.au

109/8 Starling Street, Buderim is a three-bedroom, two-bathroom townhouse purchased in December 2020 for $379,000 which resold in December 2021 for $595,000 and now has recently been placed under contract for $580,000. This is about a three per cent drop over the past year however still up about 50 per cent since 2020. So, although the market may be starting to show some early signs of softening, those who have been in the market for some time are still significantly better off. It is buyers who have recently purchased and are under pressure to sell who will feel the pain of selling in a relatively short timeframe.

109/8 Starling Street, Buderim Source: realestate.com.au

The property market is no different to any market with supply and demand forces having a big impact on property values. So, if homeowners aren't able to survive the economic headwinds and have to sell and we see supply levels increase significantly, then the slowing in the market and declines in values may continue. Conversely should supply levels remain relatively stable, we may see that the rate or size of declines is limited.

The interesting thing about the current situation is that typically any significant softening in values is normally accompanied by rising unemployment. At the moment we are at near full employment, so it is all a little bit confusing. The underlying market drivers are still in play with a lead indicator being the rental market continuing to be tight.

Stewart Greensill
Director

Cairns

The residential property market in Cairns and far north Queensland is expected to continue its positive run into 2023. The market finished 2022 in a strong position with significant value growth and high sales activity. The general consensus is for values to continue to rise throughout 2023, albeit at a lower rate of growth. Overall sale numbers are expected to be lower due to the strong run throughout 2022 which has generally resulted in less available stock across most markets.

Early feedback is positive with local agents reporting strong enquiry during January for most property types. Fundamentals remain sound with continued high population growth in far north Queensland. The Cairns region remains a highly sought after lifestyle destination popular with buyers moving from southern states and the Northern Territory. The market is perceived as being relatively affordable compared to capital city markets and mortgage serviceability is not as significant an issue as it is in inflated markets in southern capitals.

An early January transaction in the northern beaches locality of Smithfield supports the positive trend. A new build in the Smithfield Village estate went under contract for $651,000 on 12 January 2023. It was previously under contract for $630,000 on 15 November 2022, showing a 3.3 per cent rise in a two month period.

The Cairns northern beaches with a focus on Trinity Beach up to Buchans Point (20 to 30 kilometres north of the Cairns City centre) are some of the localities to watch. These localities had a very strong run particularly in the latter part of 2022 and generally outperformed Cairns City suburban localities. Pricefinder reports that the northern beaches postcode 4879 achieved median price growth of 8.6 per cent from January to October 2022 compared with median price growth of 6.7 per cent for the same period in the Cairns suburbs postcode of 4870 (refer to **Table 1** below).

Table 1

Median Sale Price (six month moving average)			
Postcode	**As at January 2022**	**As at October 2022**	**% Movement**
4879 (Trinity Beach to Buchans Point)	$625,000	$679,000	8.6%
4870 (Cairns Suburbs)	$552,000	$589,000	6.7%

Source: Pricefinder (Single Unit Dwelling Over $200,000)

The performance of the northern beaches market is also highlighted in the $1 million plus bracket. For the period January 2020 through to November 2022, a total of 144 house sales transacted. What is surprising is the relatively small percentage of sales that transacted in 2020.

A total of 14 sales or ten per cent of the total sale number transacted in 2020 with 130 sales or 90 per cent transacting during the 2021/2022 period (refer to **Figure 2**). This is contrasted with a total of 107 sales for the same 2020/2022 period in the Cairns suburbs postcode of 4870, which is populated with a far higher number of total dwellings.

The northern beaches market could therefore be described as a hot market. While this is generally positive for the Cairns region, it should also be treated with caution. A change in fundamentals such as a move away from lifestyle destinations, continued rising building costs and unforeseen natural disasters such as a tropical cyclone may threaten the growth of this market.

Danny Glassson
Director

Figure 2 Source: Pricefinder

RESIDENTIAL

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Gladstone

Welcome to 2023 and what will hopefully be another buoyant year for the Gladstone property market. Time for me to bring out my crystal ball for another go at predicting the year ahead! For the last few months, I've had a bit of a gut feel that we are approaching a peak in our market. This is despite evidence to the contrary – value levels have continued to rise and despite most agents reporting softening enquiry levels, sales volumes remain constant with no sign of a drop off. Perhaps that gut feel is more just a sign that the market dynamic is changing. We are likely coming to a peak in values and the market appears to be stabilising at this level.

We are no longer seeing all the power rest with the vendors of a property. The number of days on the market is starting to stretch out and there is more room for negotiation on a price rather than a vendor expecting to achieve asking price or above.

Vacancy rates remain low. The rate for the 4680 postcode in December was two per cent according to SQM Research which still indicates a tight rental market and rentals still continue to increase albeit at a slower rate than in the past.

The main driver of Gladstone's market continues to be its affordability, despite established housing rising close to 40 per cent since the bottom of the market in 2018. If you compare the same product you can get in Gladstone with our neighbouring regional cities of Rockhampton or Bundaberg, the Gladstone product is still far lower in price.

The fundamentals of our market remain strong and so despite the stabilisation that appears to be occurring, we still predict capital growth for the region over the course of 2023 however it is more likely it will be slow and steady growth instead of the sharp increases we have seen in the past two years.

Regan Aprile
Director

Bundaberg

2022 ended quite strongly in the Bundaberg region and this trend looks set to continue in 2023. Consecutive interest rate rises coupled with inflation have had a cooling effect on the local market and we are starting to see a slowing in sales volumes and an increase in the length of selling periods for residential properties. However, varieties of buyers (i.e. first home buyers, upgraders, retirees and local and interstate investors) remain active in the residential market and values continue to hold steady.

Areas that continue to have strong growth include the coastal townships of Bargara and Innes Park which continue to have strong demand. Land sales in Bargara are reaching record values with blocks selling in the $300,000 price bracket in the new estates. Innes Park Headlands Estate is also a popular location.

The rental market remains tight with rental vacancy rates below one per cent and increases in rental prices due to strong rental demand.

Areas of concern continue to be high cost of living pressures and predicted future interest rate rises, which may threaten the growth of the market. Unpredictable global events can also have a dampening effect on the market.

Overall, Bundaberg has a strong and buoyant economy and the year ahead appears to be a period of continued growth for the residential market, albeit at lower sales volumes compared to 2022.

Megan Matteschek
Property Valuer

Mackay

Welcome to 2023! We hope all our avid readers had a great Christmas and new year and are ready for another big year. In this edition, we pull out the old crystal ball again and give our predictions for the year ahead. Last year, the Mackay residential market performed strongly across all sectors with good solid price growth. The rental market continued to be tight with vacancies below one per cent for the entire year and rental values increased on the back of this demand. However, in saying that, the increases seen in the Mackay market were modest compared to other coastal centres and the capital cities. Our market has experienced good modest growth over a number of years without really getting ahead of itself. At present, we are still only just reaching previous peak levels of the market seen between 2007 and 2012.

So what do we think? Let's start with how the Mackay economy is faring. All economic fundamentals for the Mackay market and in particular our key drivers are in good shape. The resource sector continues to flourish on the back of high metallurgical coal prices; large infrastructure projects continue such as the Walkerston bypass with construction underway; employment opportunities abound in the resource sector and

All economic fundamentals for the Mackay market and in particular our key drivers are in good shape.

associated service industries and population is growing on the back of these employment opportunities. These favorable economic conditions have been present in the Mackay region now for a number of years, building a very good platform for the region.

The only red flags out of last year were the high cost of living pressures and rising interest rates across the year, with economists predicting further rises early in 2023. These rises in interest rates did not have a significant effect on the market throughout 2022. Negative media sentiment, especially about falling values in the capital cities, also can have a flow on effect to consumer confidence.

So what does all this mean for 2023? We think the Mackay economy and residential market is in a good positive position. We think the market will continue to be solid, albeit at slightly reduced sales volumes and values will maintain, with maybe some slight growth in some market segments. While this goes against the trend seen in the capital cities, we believe that our fundamentals are sound which will hold us in good stead right through 2023.

Mick Denlay
Director

Whitsunday

All indicators show that the Whitsundays will continue to flourish in 2023! The wet season upon us now doesn't appear to have dampened our residential market.

There appears to be limited houses for sale at this time and for the first time ever there are units under construction due to the affordability. This means that first home buyers and investors are able to enter the market for under $500,000! Most of these units are already being sold off the plan!

My crystal ball for 2023 is that the market here in the Whitsundays will continue due to the affordability.

We have had some fantastic results in land sales from $1 million up to $3 million in 2022. These sales had been missing in the Whitsundays. I cannot wait to see the designs and houses that will be constructed on these lots!

Building companies are still looking for trades; it is however an affordability problem at the moment with rentals as scarce as hen's teeth.

I see our residential market as the healthiest it has been prior to the global financial crisis.

I don't believe the interest rate rises will have much of an effect on us here in the short term, however if they continue to rise, this may slow our market, however we are still very affordable compared to the capital cities.

I say strap ourselves in for a fabulous 2023. Let's get out and about and enjoy!

Noelene Spurway
Valuer

Fraser Coast

The market across the Fraser Coast appears to be reaching its peak with activity slowing however values across all sectors remain steady at this stage. Days on the market are extending and vendors are now becoming more negotiable to achieve a sale. Most new estates have sold out of house and land packages and the supply of developed land stock is also limited mainly due to delays with titling. There are now various new land estates across numerous suburbs being developed, which will alleviate demand once fully completed. Settlement risk for some of the estates may however be a concern due to high construction costs and interest rates.

The rental market, which was already tight, sees a significant shortage relative to demand with the vacancy rate continuing to sit below one per cent. Increases in rental values are being experienced on the back of this strengthening demand.

Economic news continues to improve with several big developments in the works for the area. In August 2022, the sod was turned on the $239 million train manufacturing factory that will generate 800 jobs on the Fraser Coast. This project was announced in October 2021 and is a part of the Queensland government's $7.1 billion plan to significantly increase the capacity of Queensland's train fleet through the Queensland Train Manufacturing Program. The project will see a staged pipeline of train building work undertaken in Maryborough over the next 10 years. Sixty five trains will be built at a train manufacturing facility.

We have had some fantastic results in land sales from $1 million up to $3 million in 2022. These sales had been missing in the Whitsundays. I cannot wait to see the designs and houses that will be constructed on these lots!

Major work at this site is to be completed this year. Other major developments in the area include a battery manufacturing factory which is also being built in Maryborough by Energy Storage Industries. The $70 million project will also bring new jobs to the region.

For the year ahead, there is a concern locally that if interest rates continue to rise, a further slowing of activity may occur. Mortgage pressures may result in an increase in mortgagee activity or quick sale requirements. If this does occur, values may begin to retract. Furthermore, in the second half of this year, a refinance surge is predicted as previous fixed term accounts renegotiate rates. Banks may become competitive during this period so it may pay to shop around.

Doug Chandler
Director

Emerald

Emerald was a seller's market in 2022 characterised by strongly increasing rental demand and limited supply of modern stock resulting from rocketing construction costs. This saw the sales volumes and median house sale and rental prices increase significantly in spite of relentless interest rate rises.

The increasing median sale prices and low supply in the higher end of the market created a sense of FOMO in 2022 for existing property owners upgrading out of fear of being priced out of their desired market segment. The higher end of the market, rural residential and executive residential, performed very strongly in 2022. The lower end of the market, anything under $250,000, also moved quickly with units performing very well towards the end of 2022 as it became cheaper to own than to rent. The middle of the market is well supplied but hasn't performed as strongly in 2022.

While most purchasers in 2022 were owner-occupiers and despite it being a seller's market, increasing rental prices compared to relatively low median prices saw out of town investors slowly creeping back into the market. Investors tended to focus on flats and multiple unit properties.

The question everyone wants to know is will the market continue to perform this well in 2023? If only we had a crystal ball! A quick whip around locals in this space has provided some really interesting insights which might help clarify our 2023 direction.

Rental demand is expected to continue to grow and rental supply will remain tight. Median house prices will continue to increase and it is likely in 2023 that as participants are priced out of the high end of the market, the middle of the market will experience more activity. While interest rates didn't slow median house prices during 2022, it is definitely being anticipated and closely watched in 2023.

Kellie Blomfield
Valuer

Townsville

Welcome to 2023 in sunny North Queensland. The Townsville economy remains robust with strong demand for workers continuing to drive population growth. Employment opportunities across all sectors has in turn driven the property market and is set to continue to do so during 2023. Townsville offers modern city convenience without the traffic snarls, city price tags or inconvenient weather.

The median house price in 2021 was recorded at $370,000. In 2022, the median house price increased to $400,000.

At present we are seeing a slowing down of sales volume in the premium inner-city locations of North Ward, Castle Hill, Belgian Gardens, South Townsville and West End which all showed a reduced number of sales in 2022 compared to 2021 but all with varying increases to their median house prices. This contrasts with the outer suburbs of Condon, Kelso and Burdell which have all shown increased numbers of sales along with varying increases to their median house prices.

The premium inner city postcode of 4810 is predicted to continue this strong price growth with a lower volume of sales. This emanates from these suburbs now becoming unaffordable which translates to an increase in the more affordable outer suburbs (Condon, Kelso, Kirwan, Deeragun, Burdell) increasing volumes but with slower price growth.

The investor market remains strong with the vacancy rate below one per cent and rental yields remaining relatively high. This has resulted in duplex and flat sales going gangbusters in the past 12 to 18 months. We would caution that this product type is an area to be looked at closely. Prices have risen steeply over the same time period and in all likelihood rental growth will abate at some point. Paying top dollar for investment style product right now may result in a long term hold strategy to make your money back should rents ease or even stabilise and the heat comes out of this market.

Townsville is looking forward to a bright 2023 albeit likely more subdued in terms of sale volumes. Strong underlying economics and a broad range of industry continue to make Townsville an attractive place to work, live and enjoy.

Darren Robins
Director

Rockhampton

Welcome to 2023 and what is predicted to be another busy year in the residential market for the Rockhampton region. The overall feel for the year ahead is positive with many influential external factors expected to continue on from 2022.

The Rockhampton region (including the Livingstone Shire) continues to have major infrastructure projects either starting construction, continuing on from 2022 or due to reach an expected completion date by the end of 2023. These projects have an estimated valued of close to $6 billion (source: Capricorn Enterprise) and provide unparalleled opportunities for business and employment opportunities, driving population growth for the region.

Our more traditional local economy drivers of coal, cattle, health and education also continue, albeit with some easing of commodity prices.

Well respected economists are forecasting further increases to the cash rate by the Reserve Bank of Australia well into 2023. There is also significant commentary around cost of living pressures and inflation. There is a risk that these factors may have a slowing effect on the market, however to date there has been no significant impact on our local region and none is expected in the short term.

On the whole, the Rockhampton region is considered affordable compared to metropolitan areas. Historically, we have been counter-cyclical to these metro areas. This is seeing an influx of non-locals investing in the region with significant equity or cash from a well-timed exit from these major markets across the country. Our relative affordability brings opportunities to non-local investors despite increasing interest rates due to lower buy in price points and favourable returns.

Vacancy rates across the region remained at critically low levels as 2022 drew to a close. Rents across the region have increased significantly and are expected to continue with such significant employment opportunities continuing to present themselves however at some point in time, affordability for tenants will have to start playing a role in the significance of these continuing price increases.

We conclude that demand will continue to outstrip supply over the coming months and if any change to the market was to occur in 2023, it is expected it would be an easing of swift price growth with the sense of urgency diminishing towards the end of the year. We recognise this goes against the grain of many national predications for 2023 which are predicting notable value declines, however the Rockhampton region is continuing a prosperous period which is outperforming the intended effect of rapid interest rate rises.

Cara Pincombe
Associate Director

The Rockhampton region is continuing a prosperous period which is outperforming the intended effect of rapid interest rate rises.

Toowoomba/Darling Downs

After three years of ongoing disruption to people's lives and livelihoods, 2023 has started with the pandemic's harshest effects behind it. The RBA's tightening cycle is predicted to result in one more rate hike in Quarter 1 of 2023, which will continue to restrict demand growth which will hopefully lead to a decrease in inflation in 2023. It was apparent that consumers were ready and willing to unleash a post-lockdown spending spree but the reality put a lock on this sentiment when cost of living pressures (including the rising interest rate environment, rising power prices, rising petrol prices and fluctuating grocery costs) has left many borrowers wondering when this pain will end.

According to the news.com.au story "Distressed sellers. House prices dive due to interest rates", Australian house prices have fallen for the ninth consecutive month as interest rate increases continue to affect the real estate sector. In December, the cost of buying a home increased by 0.21 per cent, bringing values to a 2.29 per cent decline from a year earlier. If homeowners fall behind on their mortgage payments, property prices may drop further if consumers are unable to cope with the cost increase. The article goes on to say that regional areas have more affordable real estate costs, so buyers need to borrow less. As a result, interest rates have had a smaller overall impact. However, the second aspect of the tale about regional areas such as Toowoomba is that the demand in many of these locations continues to be far higher than the supply. The fact that local residents are being outbid for properties that were regarded as affordable before the pandemic is the third element of the tale. The cost of a circa 1970 three-bedroom, one-bathroom home in Centenary Heights, Toowoomba exploded during the pandemic, with prices now 41 per cent higher than they were in March 2020.

Due to a number of factors including a lack of rental and for-sale housing, a robust local job market, commuting distance to Brisbane, affordability and strong infrastructure development, it is anticipated that our region will continue to perform better than the majority of the country for a while. Development projects include the major inland rail project, Toowoomba Hospital redevelopment, cannabis production facilities and more than $1.8 billion in various energy projects across gas, solar and wind.

These sentiments are shared by the Herron Todd White (Darling Downs) residential valuation team members. There may be a slowdown in real estate transactions in 2023 as a result of the smaller number of new listings which is likely to last for the first half of the year while interest rates are still rising. Although Toowoomba was not the only city to experience strong price hikes at the beginning of the pandemic, we may nevertheless observe a flattening or a possible slight decline in property prices throughout the year. We anticipate that no particular suburb will be stronger than another.

Toowoomba's infrastructure development, affordability, liveability and potential for future growth is what makes it one of Australia's best regional cities. Three Toowoomba suburbs that check all of the boxes are excellent choices for first-time homebuyers and investors alike.

Glenvale
Young families seeking modern brick homes on large lots for less than $500,000 are particularly drawn to the affordable real estate pricing in this area. Consider this circa 2006 four-bedroom, two-bathroom home at 16 Barambah Street, which sold for $495,000.


16 Barambah Street , Glenvale Source: realestatate.com.au

Harristown
Harristown, a popular neighbourhood of Toowoomba, is located within close proximity to the CBD. Workers like it due to its convenient location and families like it because of the variety of well recognised schools nearby. There are a variety of residences in the suburb, including new brick constructions and older-style homes like this two-bedroom cottage at 489A Stenner Street, which sold for $415,000.


489A Stenner Street, Harristown Source: realestatate.com.au

Kearneys Spring
Kearneys Spring has grown in popularity because of its short drive from the CBD while still giving residents a sense of living in a quiet neighbourhood. Housing costs are still manageable, as seen by the $400,000 price tag of this four-bedroom stucco home at 59 Hoepper Street on 703 square metres.


59 Hoepper Street, Kearneys Spring Source: CoreLogic

According to Corelogic data, Toowoomba's median house value rose 15.8 per cent to reach around $549,000 in the year to October 2022 (source: remaxsuccess.com.au) .

Houses
With this in mind, there is a high degree of affordability across the city for houses from various suburbs and price points as well as representing varying construction and era homes.

58 Mort Street, North Toowoomba
An example of a very affordable price point at less than half of the median Toowoomba house price is 58 Mort Street, North Toowoomba. As the name suggests, North Toowoomba lies just to the north of the Toowoomba CBD and hosts mostly residential properties with some light industrial businesses following main thoroughfares such as Ruthven, Mort and North Streets. Rail lines dissect the suburb as does Gowrie Creek in the west. This 107 square metre chamferboard home consists of three bedrooms and two bathrooms on a 556 square metre parcel and sold in November 2022 for $226,000 by Ray White Toowoomba.

According to Corelogic data, Toowoomba's median house value rose 15.8 per cent to reach around $549,000 in the year to October 2022.

RESIDENTIAL

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The property is approximately 1.6 kilometres from the CBD via a picturesque camphor laurel-lined street and neighbouring some automotive businesses.


58 Mort Street, North Toowoomba Source: realestatate.com.au


58 Mort Street, North Toowoomba Source: realestatate.com.au

Harristown as described earlier is a suburb to the south-west of the Toowoomba CBD hosting residential properties and some light industrial properties along its main roadway links of James and West Streets and Anzac Avenue in the south-west. 47 Drayton Road is a four-bedroom, one-bathroom property on a 518 square metre parcel that sold in November 2022 for $375,000 by Ray White. The partially renovated property is located approximately three kilometres from the CBD and fronts a reasonably busy roadway however still represents affordability within the mid to higher $300,000 price point, still well below the city's median price.


47 Drayton Road, Harristown Source: Google Maps


47 Drayton Road, Harristown Source: Pricefinder

28 Catto Street, Centenary Heights

Representing the mid $400,000 price point is 28 Catto Street, Centenary Heights which is a leafy suburb to the south-east of the CBD mostly fronting East Creek and parklands in the east. The property boasts three bedrooms, one bathroom and two-car accommodation on a 668 square metre parcel selling in November 2022 for $450,000 by Jenkins Real Estate Toowoomba. This renovated corner allotment in a quiet street surrounded by similar quality homes represents affordability in a desirable location.


28 Catto Street, Centenary Heights Source: Pricefinder


28 Catto Street, Centenary Heights Source: Pricefinder

41 Sanctuary Drive, Cranley

In the low $500,000 price bracket is 41 Sanctuary Drive, Cranley, a four-bedroom, two-bathroom, attached two-car garage new property on 629 square metres which sold for $510,000 in Novemebr 2022 by Realway Toowoomba. Cranley is a suburb on the north-western fringe of Toowoomba encompassing the soon to be developed new Toowoomba Hospital and bisected by the Toowoomba Bypass with access links in the east and west of the suburb.

41 Sanctuary Drive, Cranley Source: Pricefinder

41 Sanctuary Drive, Cranley Source: Pricefinder

2/1 Delacy Street, North Toowoomba Source: Pricefinder

2/1 Delacy Street, North Toowoomba Source: Pricefinder

3/39 Anzac Avenue, Newtown Source: Pricefinder

3/39 Anzac Avenue, Newtown Source: Pricefinder

Units

Toowoomba units performed even better with the median value increasing by 17.4 per cent to $344,000 (source remaxsuccess.com.au).

2/1 Delacy Street, North Toowoomba

This is an entry level unit in the pre $200,000 range that is part of a complex of 11 units with dual street access. The one-bedroom, one-bathroom and one-car accommodation property of 63 square metres sold in early December 2022 for $182,500.

3/39 Anzac Avenue, Newtown

The $200,000 to $300,000 price range features 3/39 Anzac Avenue, Newton, a two-bedroom, one-bathroom and one-car built in garage configuration of 106 square metres which sold for $270,000 in November 2022 by Ray White Toowoomba.

4/99 Stuart Street, North Toowoomba

This property sold in November 2022 by Jan Taylor Properties for $340,000 which is in the vicinity of the Toowoomba median unit value. This modern two-bedroom, one-bathroom and one-car built in garage configured property with 121 square metres of living represents value for money.

Toowoomba units performed even better with the median value increasing by 17.4 per cent to $344,000.

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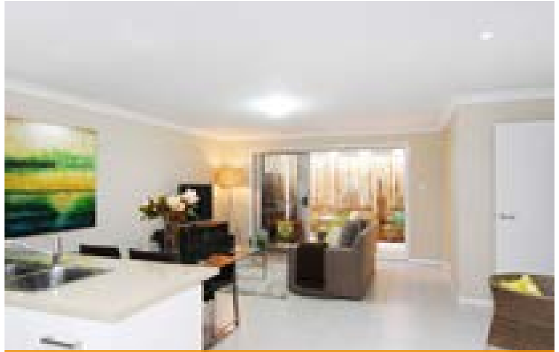
4/99 Stuart Street, North Toowoomba Source: Pricefinder


4/99 Stuart Street, North Toowoomba Source: Pricefinder

Even with the slowing and falling property markets being experienced elsewhere around the country, the Toowoomba region remains energised with affordable prices, low vacancies and high rental yields attracting homebuyers, upgraders and investors alike. The area being a government department hub also influences a strong job transfer market which is currently underway prior to school term one of 2023 commencing.

Toowoomba's strong position has the effect of spreading to the wider area with centres such as Warwick, Dalby, areas in the Lockyer Valley and Goondiwindi also following similar trends with no areas currently oversupplied or needed to be treated with extra caution other than normal due diligence prior to purchase.

As always, the Toowoomba region is not seen as a one-trick pony with ingrained investments and being a major hub for the agriculture, mining, services and transport sectors. Its property market has a reputation of remaining steady and stable. With the continued boost to major new infrastructure, this reputation is set to continue in 2023.

Marissa Griffin
Director

As always, the Toowoomba region is not seen as a one-trick pony with ingrained investments and being a major hub for the agriculture, mining, services and transport sectors.

South Australia - Residential 2023

Adelaide

Demand has subdued from the peak of the market as rising interest rates begin to affect purchasers' buying power. Corelogic's Hedonic Price Index has indicated that the market has been in decline through the historically slow December and January holiday period. Demand does however seem to be buoyed by the low stock levels with total listings being down 14 per cent over the past 12 months. The market being driven by a lack of supply resulted in the median metropolitan house price recording a 2.1 per cent increase, rising from $656,000 to $670,000 in the December 2022 quarter.

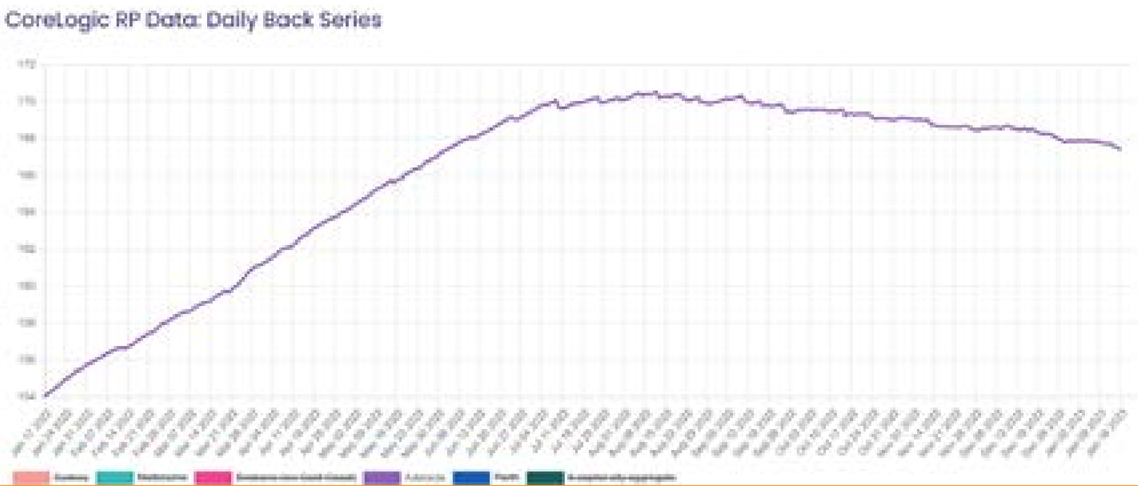
Auction clearance rates continue to ease whilst the number of properties being brought to auction has also declined. Demand appears strongest in the inner suburban areas which have been historically

Market segments to watch in 2022 will be the inner ring, outer ring and vacant land markets.

tightly held. Buyers in these suburbs are typically less reliant on lenders with rising interest rates having less of an impact on purchasing power.

It's expected that the broader market will stabilise in 2023 as market participants navigate interest rate movements and demand and supply factors. If the market does trend downwards, vendors and purchasers should have confidence that downward cycles have historically been marginal and short-lived.

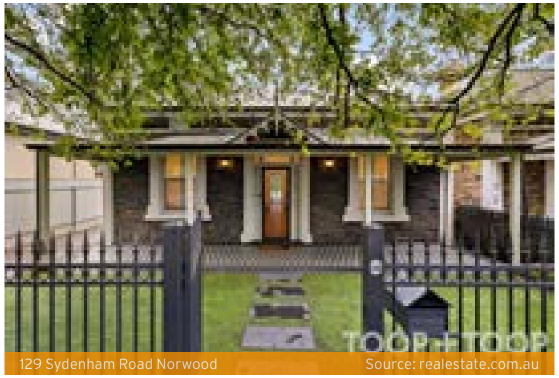
Market segments to watch in 2022 will be the inner ring, outer ring and vacant land markets.



Hedonic Price Index Source: CoreLogic

The market within the inner ring is being supported by low stock levels and purchasers who are less reliant on lenders. Agents are reporting strong attendance at open inspections and auctions with price levels remaining consistent with mid-2022. The inner ring is characterised by a mixture of 1900s character dwellings and spatters of modern infill development. Price points vary greatly from $600,000 to $4 million plus. Historically, the inner western suburbs have transacted at a lower price point than the remainder of the inner ring. Inner ring suburbs to keep an eye on in 2022 include Norwood, Millswood and Joslin. These suburbs are sought-after locations and according to CoreLogic, have reduced stock levels. Examples of properties available in these suburbs include: 129 Sydenham Road, Norwood; 48 Cromer Parade, Millswood; and 143 Sixth Avenue, Joslin. Each of these

Median House Price by quarter Source: Valuer General properties comprises renovated character dwellings, achieving sale prices of $1.6 million, $1.7 million and $1.8 million respectively.

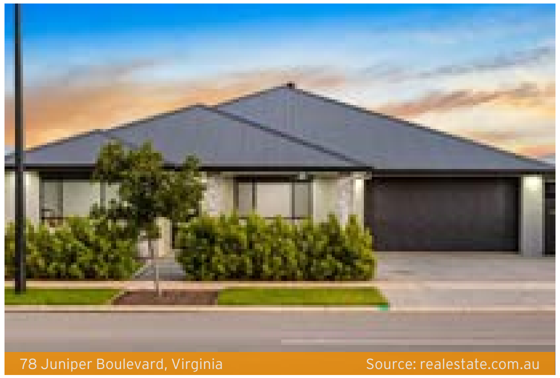

129 Sydenham Road Norwood Source: realestate.com.au


48 Cromer Parade, Millswood Source: realestate.com.au

The outer ring provides owner-occupiers an affordable entry price point and investors some of the strongest rental returns within the metropolitan area. This market is considered more price sensitive to interest rate movements. The Reserve Bank of Australia (RBA) has increased the cash rate month on month since May 2022 with an expectation that rates will rise again at the next RBA meeting. In 2023, this market may feel the greatest effect of the rate rises as borrowing capacity is reduced

The outer ring provides owner-occupiers an affordable entry price point and investors some of the strongest rental returns within the metropolitan area.

for owner-occupiers and interest eats away at potential returns for investors. The outer ring is characterised by a mixture of post-war conventional style dwellings and more modern infill development which has occurred from the mid 1990s to the present day. Historically the outer northern suburbs transact at a lower price point than the outer southern suburbs. Price points vary from $180,000 for ex SA Housing Trust maisonettes to $1 million for modern infill development in the outer north and $300,000 for original 1960s dwellings to $1.8 million for properties with suburban beach frontages in the outer south. Examples of outer ring stock include: 78 Juniper Boulevard, Virginia, a modern brick veneer dwelling disposed as four bedrooms, two bathrooms and further improved with a swimming pool; and 20 Pearce Street, Christies Beach, a circa 1960s brick dwelling disposed as three bedrooms and one bathroom. These properties achieved sale prices of $790,000 and $495,000 respectively.


78 Juniper Boulevard, Virginia Source: realestate.com.au


20 Pearce Street, Christies Beach Source: realestate.com.au

Suburban vacant land has been a hot commodity over the past two years with the catalyst in demand being the home building grant established during the early stages of the COVID-19 pandemic. Rates of $1500 to $2500 per square metre of land area have become common within the inner metropolitan area whilst block values have risen considerably for higher density allotments in the outer metropolitan area. This market will be of interest during 2023 to see how rising interest rates and cooling building activity impact demand. Examples of vacant land stock include: 14 Sturt Avenue, Toorak Gardens, a vacant allotment of 768 square metres which achieved a sale price of $1.825 million, equating to $2,376 per square metre; and 18 Journeaux Street, Riverlea Park which sold in April 2022 for $188,500 as a developer sale only to re-sell on the open market for $250,000 in July 2022.

14 Sturt Avenue, Toorak Gardens Source: realestate.com.au

Low stock levels appear to be supporting current prices. With further interest rate rises expected in 2023, it is anticipated that demand will subdue with the real test for the market being when stock levels begin to increase. We anticipate that the market will stabilise in 2023 with increased supply becoming a factor in the latter stages of the year.

Nick Smerdon
Property Valuer

Western Australia - Residential 2023

Perth and regions

After the whirlwind that was 2022, it's time to look ahead to 2023. No outlook cant start without the big talking point of interest rates. The continuous monthly increases by the RBA over the past eight months or so has resulted in growing uncertainty of when the RBA will let interest rates settle and allow inflation data to catch up. The uncertainty of future affordability for people not able to predict what the cost of their monthly repayments will be in the short to medium term is having a profound effect on sections of the market. We believe that rates will stabilise sooner rather than later in 2023. It will then take a couple of months for the market to gain confidence that the RBA won't start another round of interest rate hikes, hence the uncertainty of affordability will continue to have an effect on the market for a period of time. There will be plenty of buyers priced out of the market by this stage - but there are record savings sitting in bank accounts waiting to be spent when the time is right. There are murmurs from some sections of the market that the RBA may have even gone too hard already so the likelihood of continual rate rises throughout the year grows thinner and thinner but this will all depend on how inflation figures play out throughout the year. This may be the trigger to entice some extra activity from some sections of the market.

There is great underlying strength in the Western Australian property market despite this uncertainty, with the key driver being strong demand far outstripping chronic undersupply, resulting in a solid foundation for further growth in 2023. There are thousands of jobs that still need filling and supply constraints remain at the forefront of many sectors. Supply of materials and labour continues to be an issue creating many bottlenecks that are being felt across the board, keeping supply of new stock well below historical averages. As housing projects begin to come to completion in 2023 it will bring quite a few properties to the market which should result in an increase in sales activity. However a lack of new building contract signups will have a lingering impact, resulting in undersupply for several more years to come. Again, these factors all indicate that the foundations remain strong for Western Australia and that continued growth (albeit at a more stable rate) is expected in 2023.

Listings on market — Source: REIWA

Interest rate forecasts

Australia	Latest (16 Dec)	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Cash	3.10	3.60	3.85	3.85	3.85	3.60	3.35	3.10	2.85
90 Day BBSW	3.19	3.97	4.05	4.05	3.97	3.72	3.47	3.22	2.97
3 Year Swap	3.68	3.80	3.75	3.70	3.60	3.55	3.50	3.45	3.40
3 Year Bond	3.14	3.35	3.35	3.35	3.30	3.30	3.30	3.25	3.20
10 Year Bond	3.44	3.20	3.10	3.00	2.90	2.80	2.70	2.60	2.50
10 Year Spread to US (bps)	-4	-20	-20	-20	-20	-10	0	0	0

Source: Westpac - Australia and New Zealand Weekly 19 December 2022

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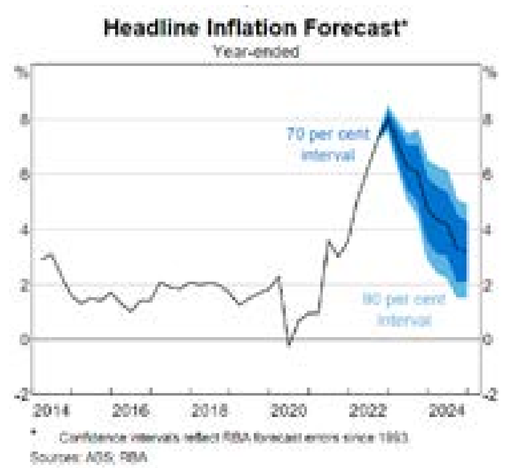
Our team of valuers is reporting very strong underlying demand which is only being hampered by a lack of supply.

A huge testament to the supply issues for buyers can be seen in the above graphic showing listings on market remain at circa 1000 properties lower than 12 months ago and now sit 45 per cent below the level considered to represent a balanced market - being 13,000 properties. The volume of sales has also declined - a direct result of a lack of stock on market along with a reduction in confidence and affordability by eastern states investors who are naturally spooked by the negative media headlines about market declines and therefore a potential lack of equity in their principal place of residence. However, our team of valuers is reporting very strong underlying demand which is only being hampered by a lack of supply – you can't put your house on the market if you haven't secured your next house yet. These fundamentals are likely to continue to drive the market throughout 2023, but are likely to be dampened somewhat by the growth the market has experienced over the past three years – a portion of the market will always be stuck in the rut of finding it hard to pay more for a house today when you know it was cheaper yesterday.

Migration is likely to increase as sentiment on border restrictions settles and skilled worker demand continues to increase. These migrants are going to need places to live and with an already tight supply, further pressure on demand is likely. This will also put increasing pressure on the rental market, with vacancy rates at record lows. This is a huge point of interest for eastern states investors with rental returns likely to remain strong or even improve in relation to similar products in the eastern states markets. This all comes back full circle once again to high demand and low supply constraints pushing prices higher. We expect to see a continued increase in the affordable housing market, i.e. the sub $450,000 space, where the bulk of the rental demand is likely to be sitting. Some of the gross returns we are seeing are quite staggering and to be honest, quite frightening for those trapped in the rental cycle. This is resulting in an increase in government purchasing activity in the private market as they rush to secure housing - stripping further supply out of the market and only increasing the problem for those stuck outside of government assistance programs.

On a related note, we are likely to see increased cost of living pressures being driven by inflation and this is bound to have a continued impact on the lower end of the market.



Source: ABS, RBA

Homeowners who have already been struggling or have begun to struggle are likely to find themselves struggling further in 2023 and unfortunately the likelihood of an increase in mortgagee in possession activity is high. As rates rise and the high level of inflation by Australian standards continues to have its effect, the serviceability of mortgages for a proportion of the population will become increasingly lower. This will be the low point of discussion for 2023 in an otherwise strong market, however on a positive note, most lenders now work very closely with those who are struggling and help as many as possible to work their way through any challenges. The reality is that those who are not so financially secure will struggle further whilst those who are secure may be able to find opportunities to capitalise on the continued underlying strength of the Western Australian market. As inflationary pressures decrease though, cost of living issues will begin to also become more manageable, but we don't expect to see this until later in 2023 or into 2024.

Now let's look at the regions, towns, suburbs and property types we expect to perform well throughout 2023. We'll start in the Perth metro area.

With factors such as high construction costs and a strong rental market, we expect demand for established stock in established areas to continue to perform well. This is because first home buyers will continue to escape the rental market and with building being a costly exercise at the moment, we believe that established, well located properties will continue to see strong demand. Well-located areas with affordable, established stock such as Coolbellup, Parkwood and Morley are the type of areas we expect to attract strong interest from those looking to avoid the rental market. These suburbs offer median prices of $559,000, $555,000 and $560,000 respectively and represent good entry level opportunities in

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the Perth metro region. An example of what is available in this price bracket is 10 Villiers Way, Parkwood. This three-bedroom, one-bathroom renovated dwelling on a 509 square metre lot sold for $573,000 in November 2022 and reflects a well-located, entry level opportunity.

10 Villiers Way, Parkwood Source: RP Data

In addition, we anticipate strong activity from investors to continue in 2023. Last year we saw very strong activity from investors, particularly eastern states investors with Perth being far more affordable than some capital cities on the east coast. As per CoreLogic data at November 2022, the median house price in Perth was $560,789 in comparison to Sydney ($1,025,684), Melbourne ($759,496) and Brisbane ($715,130). This has created significant interest in the market in Western Australia as eastern states investors look for cheaper alternatives offering stronger rental returns. We expect this activity to continue, particularly throughout the earlier months of 2023, but if the eastern states markets continue to cool off as they did towards the end of 2022, we may see those investors begin to invest locally again. An area that was a real hit with interstate investors was in Perth's far south in the Rockingham and Mandurah regions. Our valuers in the field were seeing heavy activity from interstate and local buyers of affordable stock in these regions. An example of what your money will get you in these areas is 61 Bedingfeld Road, Greenfields. This property is a 1999 built four-bedroom, two-bathroom dwelling with 170 square metres of living situated on 700 square metres of land. The property sold for $445,000 in December 2022. A property like this would likely generate a weekly rental in the range of $500 per week.

61 Bedingfeld Road, Greenfields Source: RP Data

A question mark that hangs over this sector of the market is how will these investment properties perform come late 2023? The reason we pose this question is largely because we anticipate high levels of construction to be completed in Perth's fringe suburbs and therefore good levels of new stock on the market. This is where factors such as net migration and the strength of the Western Australian economy will be influential in determining the outcome. As discussed earlier, the state is seeing skilled labour shortages and being an appealing place to live and work at the moment, strong positive migration is anticipated. If this is the case we anticipate the rental market to continue to perform well, but if new supply of housing was to be higher than demand from tenants we may see these sectors of the market weaken slightly.

Another property type that we anticipate to perform well throughout 2023 is the prestige sector of the market. This sector of the market performed very well throughout 2021 and demand remained strong throughout 2022. However, throughout 2022, supply for this product was well below demand. We believe this sector of the market will see prices increase throughout 2023 as this demand remains present and any new supply to the market will likely be snapped up quickly. The below graph of the median price trend in one of Perth's premier suburbs, Cottesloe, illustrates how strong the demand in these areas has been over the past few years.

Cottesloe Median Price Growth Source: realestate.com.au

A further point that illustrates our optimism in these markets is that between January 2021 and December 2021, there were 135 sales recorded in Cottesloe, but between January 2022 and December 2022 there were only 87 sales. This was not because of limited demand, but instead because of a lack of supply which has driven the median price up over this period. With this sector of the market less likely to be affected by interest rate rises and demand coming from local and interstate buyers, we expect this median price to continue its upward trajectory.

Within the prestige sector of the market, our valuers are reporting a reasonably stagnant land market with exorbitant construction costs reducing demand for land in these areas. The most popular property types within this sector currently are modern or renovated and updated stock that presents well. 4 Graham Court, Cottesloe is a great example of this, having sold in November after only 16 days on the market. The property is a four-bedroom, three-bathroom 2005 built dwelling with 352 square metres of living, a swimming pool and located a short stroll from Cottesloe Beach. The property sold for $6.575 million.

4 Graham Court Cottesloe Source: RP Data

As previously mentioned, Perth is currently far more affordable in comparison to the east coast in terms of median house price and there are opportunities to snap up excellent buys.

Property types that appear to be well priced at the moment include older, strata units in central locations. Suburbs such as Yokine, Maylands and Victoria Park which are all located between five and ten kilometres from the Perth CBD offer a range of units and villas for sub $500,000. These areas also see strong demand from tenants with two-bedroom properties renting for a median of $420, $412 and $447 per week in each suburb respectively. This renovated two-bedroom, one-bathroom unit with 72 square metres of living in Yokine recently sold for $415,000, but there are many options available well under the $400,000 mark.

2/290 McDonald Street, Yokine Source: RP Data

What is enticing about these affordable options in such suburbs is that they are good entry point properties whilst being within close proximity to the CBD and there is an abundance of amenities.

Similarly, older homes on green-titled land in well-located areas are offering relatively good buying opportunities in the current market. Northern suburbs such as Hamersley, Greenwood and Warwick sit less than 20 kilometres from the CBD, whilst only five to ten kilometres from the beach and have plenty of surrounding infrastructure such as schools, shopping and public transport. Within a price range of around $550,000 to $800,000, these locations offer solid houses on large land holdings of up to 1,000 square metres.

In the outer suburbs, Ellenbrook and Aveley are presenting affordable buying opportunities at the lower end of the market. These areas are still seeing smaller, green-titled, cottage lots of 150 to 250 square metres, with two- or three-bedroom dwellings selling for under $350,000. And with the Morley-Ellenbrook railway line due for completion next year, such price points are certainly appealing. Demand from tenants is also prominent in these locations and such properties can achieve returns upwards of $400 per week. This two-bedroom, one-bathroom house in Ellenbrook sold in October for $330,000 and is currently advertised for rent at $420 per week.

31 Pineroo Terrace, Ellenbrook Source: RP Data

On the back of huge government building incentives and lagging construction times, the completion of a large amount of project dwellings in the outer suburbs this year has the possibility of leading to an oversupply of this product. The UDIA reported that there were just over 8000 new dwellings completed in greenfield areas (often outer suburbs) of Perth in 2021 and this number was expected to gradually increase over 2022, 2023 and 2024. In June 2022, the Australian Bureau of Statistics reported that there were 21,030 new homes under construction in that quarter and with average construction completion times rapidly rising from 2.2 quarters (6.5 months) in 2018-2019 to upwards of 12 months in the current environment, it can be anticipated that this year

Older homes on green-titled land in well-located areas are offering relatively good buying opportunities in the current market.

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will see a higher than usual amount of dwelling completions across the Perth metropolitan area. We know that Perth loves a newly-built limestone brick house on 400 square metres of land, but with an oversupply of similar products, an imbalance in demand can negatively influence property values. Continuously low vacancy rates and increasing net migration can assist in offsetting this impact however and we are hopeful for the year ahead, but this product type may see increased caution from buyers, particularly in secondary locations.

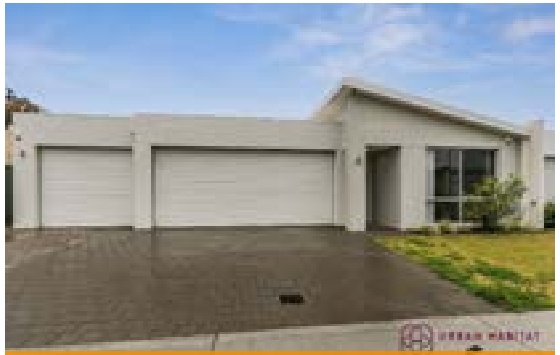
An interesting product to keep an eye out for this year and one that may reflect a return to 2011-2013 investor activity levels is dual key style accommodation. Dual key dwellings are again increasing in popularity due to their flexibility of rental offering and relative affordability in comparison to building two stand-alone dwellings. These properties are usually in a three- or four-bedroom and two-bathroom main dwelling configuration with a two-bedroom and one-bathroom secondary dwelling under the same roof.

This activity appears to be driven by eastern states investors who are seeing this niche product as a golden opportunity to produce high rental returns. The increase in construction costs for the additional kitchen, bathroom, laundry and car accommodation can be overlooked as a result of the increase in rental returns offered by being able to lease the two dwellings separately.

In a recent example, a construction valuation undertaken by one of our valuers in Perth's southern suburbs at an estimated weekly rental value of $750 was applied to the property whereas a comparable product without the benefit of separate leases being applied would likely attract a figure of $550 to $600. This is very much a product linked to the investor mindset and as we have seen throughout 2022, the investor market has been strongly driven by our eastern states counterparts.

We are seeing most of this activity in Perth's southern suburbs where land is affordably priced and rental demand is strong. These suburbs include Baldivis, Wellard, Meadow Springs, South Yunderup and Madora Bay.

An example of a recent sale of one of these products is 13 Wolgan Loop in Wellard. The property is a circa 2018 home that provides dual key accommodation of three bedrooms, two bathrooms with two-car garage and two bedrooms, one bathroom with one-car garage situated on a 450 square metre block. The subject sold for $545,000 in August 2022.



13 Wolgan Loop, Wellard Source: RP Data)

The above sale and other sales of similar products over the past 12 months show that this product does not sell for a particularly strong price in terms of the extent of the overall improvements (in comparison to a typical five-bedroom, three-bathroom dwelling) which we attribute to it appealing to such a specific segment of the market. The lack of demand for this product along with an increase in supply is not good news for capital value growth. That said, given the state of the rental market in Western Australia, demand for the potential high value rental returns could increase demand substantially enough to drive some price growth in this segment. Nothing is certain in the property market and punters looking for something different might be intrigued by this type of product and it will be something fun to keep an eye on in 2023.

Regionals

Moving away from the hustle and bustle of the Perth metro area, let's have a look at regional Western Australia and what it has to offer in 2023. We start our regional outlook in Karratha, where we believe we should see some growth with rising rents and many large scale industrial projects commencing construction. Projects such as Woodside's Pluto Train 2, Perdaman Urea Plant and the Yara Hydrogen Plant are all commencing construction and whilst such projects are supported by temporary worker villages, we are predicting that the majority of suburbs in the Karratha region are on track for gains in growth this year. Price points predicted to have the most growth will be entry level properties and executive style homes that can be used for company housing. Areas in the market still considered affordable at the moment are basic quality three-bedroom, one-bathroom properties in Pegs Creek and Bulgarra, along with some areas of Nickol.

Property types we recommend treating with caution over the course of 2023 are apartments. Rising strata fees associated with increased insurance valuations for these developments along with price gains over the past couple of years mean that top end apartments are also competing in value with four-bedroom, two-bathroom freestanding homes.

2023 should see the Hedland area and Newman remain relatively stable in terms of capital growth, however we expect yields to increase due to increasing rents throughout the Pilbara area. Newman is currently producing yields for modern homes up to 12 per cent, with these often selling at around two-thirds of their replacement value, however there is always a higher inherent risk in such towns. Port and South Hedland are considered less risky, being areas in a larger town with a far higher degree of community infrastructure and in a port town as opposed to a mining town. The Port Hedland West End Area Buyback Scheme is well underway and will remove circa 400 residential properties from the overall market. Whilst some of these will be used for short term residential purposes, owner-occupiers are being relocated out of this area, creating more demand in the rest of town. As such, we expect to see continued pressure in the good areas of Port Hedland and for executive level accommodation in South Hedland. Whilst rents are expected to rise then stabilise, we expect continued activity at the lower end of the market where it is often cheaper to purchase a property rather than rent.

At the north end of the state, Broome has experienced a run on values that has been a long time coming. Most sale prices are now approaching replacement cost, hence it is likely that there is minimal growth left in most market segments, however the recent floods in the central Kimberley region may throw a spanner in the works. Pent up demand for new housing has been restricted by the availability of builders in Broome and if these builders are now re-tasked with assisting in the repair and rebuild of Camballin, Fitzroy Crossing and the numerous communities affected by the flood, then the lack of new builds in Broome will place continued pressure on the Broome housing market. Tourism numbers into the area will also be a key driver of how the market performs. Many

Moving to the Goldfields region, we are expecting activity in Kalgoorlie-Boulder to remain strong, with agents reporting quick selling periods and multiple offers.

tourism operators are still experiencing very strong booking levels for 2023, but the flooding activity has led to an increase in cancellations due to the uncertainty of when the roads will be reconnected between the western and eastern portions of the Kimberly region. If booking numbers decline, less workers are needed in the tourism industry which will reduce pressure on the rental market. It's a hard one to predict! Overall we expect there to be some price growth at the start of 2023, followed by a period of stability and potentially a slight decline towards the end of the year.

We expect that in the first half of 2023, the Geraldton region will remain stable with possible softening in the market during the second half of the year. Less sought-after areas such as Rangeway and Spalding may be first to react as well as heavily mortgaged areas such as Wandina. The vacant land market in this area has already started to show a decline due to the increase in building costs and time lags associated with construction, but this is after showing growth for the first time in many years.

Areas in the market that seem comparatively affordable right now include units in good locations such as Beresford, Bluff Point and Tarcoola Beach.

Something to watch in the Geraldton area over the course of the year is the Oakajee Strategic Industrial Area. Although this has been mentioned for the past 27 years, there is a lot of new talk about the project and some real movement towards that project commencing, which would be a huge stimulus for Geraldton.

Moving to the Goldfields region, we are expecting activity in Kalgoorlie-Boulder to remain strong, with agents reporting quick selling periods and multiple offers. The area also has a shortage of rentals, hence investors remain very active as are those trying to get out of the rental cycle. Local businesses continue to try to attract employees into the town and with gold, nickel and lithium activity all strong at the moment, we expect demand to remain solid for the foreseeable future.

The vacant land market in Kalgoorlie will likely be subdued over the course of 2023. We note there is a new subdivision in Karlkurla where sales have been reasonably slow, with only seven sales in the past year.

Areas in the market we consider to be comparatively affordable right now are older dwellings in the Boulder area. These are selling well below replacement cost. Despite this, there is a decent amount of supply of this product and values have not increased as much as other sectors.

We next have a look at the south-west region of Western Australia, first taking a look at Busselton. As with most towns in the south-west, demand for housing is outstripping supply. The rental market is experiencing record low vacancies and the lack of supply of affordable housing is restricting the supply of labour in the region.

The lower end of the market is likely to suffer some mortgage stress due to expected further interest rate rises, especially for those coming off fixed interest rates terms. However any increase in listings will likely be mopped up by the current demand for affordable housing, with renters who are unable to find suitable accommodation switching to purchasing a property instead.

Direct flights from Melbourne to the Busselton Margaret River airport appear to have provided a boost to the local tourist market and proposed direct flights from Sydney should also have a positive impact.

Meanwhile in Dunsborough where affordability is currently a significant issue, rental vacancies are at record lows and capital values have increased significantly over the past two years. Given the limited amount of land to be developed in Dunsborough, this is likely to become an even greater issue moving forward. Local businesses are battling to get staff due to the high cost of housing in the area. Demand is therefore still outstripping supply despite the recent interest rate rises.

In Busselton and Dunsborough, values have so far held up despite the interest rate rises due to above average migration to the area and lack of supply. It is expected that the market will continue to show growth throughout 2023, albeit at a more modest pace.

Margaret River has followed a similar trend to Busselton and Dunsborough. Record low vacancy rates and low supply have kept capital values stable despite rising interest rates and this is expected to continue throughout 2023.

One to watch in the area is Witchcliffe Eco Village which is being further developed and it will be interesting to see how this unique community development takes shape during the year. High building costs have been an issue in construction across the board but even more so due to the development's eco design guidelines. Other new developments around Witchcliffe are contributing to this once small country town being a more significant residential location. The Witchcliffe market is expected to retain its value throughout 2023 but it is certainly one to watch as a lead indicator of price and value stress.

The market in the Greater Bunbury region performed well throughout 2022. This is on the back of good labour demand in the area due to a number of factors which include the establishment of the lithium refining plan in nearby Kemerton. Plans to develop a workers' accommodation site in Australind have recently been put forward to alleviate the low supply of available housing which may impact the rental market, but it will also facilitate worker migration into the area. Another major project requiring labour in the region is the construction of the Bunbury Outer Ring Road. Rental vacancy levels are at record lows and there continues to be good demand for affordable housing across the region as a result.

There has been a significant influx of interstate investor buyers in the region, particularly in Australind and Eaton, which is an indication of the confidence of investors in the potential growth in these areas. These areas are worth keeping an eye on in 2023 as we anticipate there is more growth left in the market.

Further south in Albany, agents in the region have indicated that after an initial slowdown in enquiries and demand after the earlier interest rate rises, the market has now settled somewhat and is now factoring in the increased costs. The rental market remains very strong with record low vacancy rates due to the above average migration to the area and the high demand for labour. The number of properties on the market has not shown any significant increase and demand is still outstripping supply. The increase in capital value over the past two years has been significant but could be considered moderate in comparison to the eastern states. There has been no indication of any signs of lower values to date.

Values are therefore expected to remain stable and potentially continue to increase throughout 2023.

The top end of the Albany market is expected to remain strong throughout 2023. Good crop yields in the surrounding farming areas are likely to keep the demand in this sector of the market strong.

Residential areas to keep an eye on are the established areas of Middleton Beach and Emu Point. Supply is low in these sought-after beachside locations and homeowners can use equity in their current properties to upgrade into superior locations.

The Esperance region has performed well over the past 18 to 24 months and we are expecting continued growth throughout the course of this year, although we expect this to be marginal compared to the growth achieved in the two

There has been a significant influx of interstate investor buyers in the region, particularly in Australind and Eaton, which is an indication of the confidence of investors in the potential growth in these areas.

Given the slowdown in new builds commencing, we anticipate the construction industry may eventually catch up in the second half of the year and this should reduce the strain on the building industry.

years prior. This is because there is a lack of housing available for sale or rent, with demand from first home buyers, upgraders or upsizers, residential investors and local employers looking for staff accommodation outweighing supply at the moment, but affordability is still the key. The majority of the older stock has now been cleared out, indicating that in some cases these less sought-after products have been all that's available for purchasers. We anticipate that rising interest rates will have an effect on the demand and slow the increase in house values, which has already been seen in some segments of the market. The impact of new dwelling completions will have an interesting flow on effect on the level of demand, but we expect it is unlikely demand will end up outweighing supply with the potential to cause the land market to enter a state of decline.

The only property type that might be an exception to the above is the rural lifestyle market (improved properties only). There is a strong level of demand for these products and there are rarely many on the market. Well-appointed lifestyle properties are still likely to experience strong interest this year and we wouldn't be surprised to still see some top end contracts come through.

Given that the upper end of the market (Castletown Quays oceanfront and in the suburb of West Beach) is largely influenced by the local agricultural industry and that Western Australia has reportedly achieved a record harvest for the second year in a row, there may be some sales in this market segment which achieve some of the highest prices reached in this region, available stock permitting.

An intriguing talking point for the year ahead will be what happens to construction costs. 2022 saw construction prices rise significantly as the industry was severely hampered by supply and labour shortages. We anticipate that issue will still be present in the market moving forward and it is hard to predict when this will subside. However, given the slowdown in new builds commencing, we anticipate the construction industry may eventually catch up in the second half of the year and this should reduce the strain on the building industry. The Property Tribune is reporting that there is an expectation for supply chains to be sped up this year on the back of fewer border constraints as the global economy continues to emerge from the COVID pandemic and low unemployment rates expanding activity in the production industry. This will be a really interesting topic to watch throughout the course of 2023 as this is an issue that will affect the supply of new dwellings to the market, while also being a key factor in determining prices of established stock. As previously mentioned we are anticipating these pressures to ease, but with so much global economic uncertainty at the moment and after a crazy couple of years it will most certainly be a factor to keep an eye on. We expect that builders will maintain prices as high as possible whilst they can as they recoup profits, but it will be a matter of when the first large builder blinks and lowers prices to fill their order book, others will have to follow. We expect this will play out later in the year.

So there you have it, our Western Australian property market predictions for 2023. What we saw in 2022 played out largely to our expectations, but there's a far higher degree of uncertainty in the market this year, so as always, please do your own research but we're always here to assist if you need local knowledge. The overriding narrative of pessimism that we have seen describing many eastern states-based markets should never be assumed to be replicated in Western Australia. Sure, there are times our markets are aligned, but more often than not, the east and west property cycles are not in sync. All is looking good for another exciting year in the Western Australian property market.

Chris Hinchliffe
Director

Northern Territory - Residential 2023

Darwin

Though we should not overlook the lingering concerns surrounding the residential market from 2022, the outlook for 2023 is not as glum as many might think, especially here in the Top End. The talk surrounding interest rates and their impact will remain for some time; the influence this will have directly is not yet known and the flow on effects on the Northern Territory's typical economic drivers including tourism will be interesting to follow. Large scale projects and their timing are vital as they are the difference between a steady or highly volatile market. In addition, supply of residential dwellings and units remains tight though we are seeing some signs of movement in particular markets.

Interest rate increases have dominated discussion nationally and we have seen much of the direct impact of this in Darwin with less buyer confidence. However, take into consideration that the market has slowed from a period of record sales numbers and figures and the market is not as bad as many may be led to believe.

The cost of construction remains a common talking point. The cost of crucial materials such as steel, timber and concrete remains high and will likely stay that way for some time yet. This is creating a two-tier market for established dwellings where well presented, relatively modern dwellings are achieving a much higher sale price than those that need a bit of work and materials thrown at them. Darwin's inner suburbs remain tightly held as units are likely to continue bringing in investors as returns remain relatively high.

Supply of new housing in the short to medium term is limited and tightly held with the only noteworthy developments trickling vacant land into the market being at Lee Point, Berrimah and Zuccoli. Darwin is still at least two years from seeing any larger scale land releases to ease this demand. Though the new Charles Darwin University campus in Darwin's CBD is also 18 to 24 months off completion, the student intake has increased with the university making nearly 2000 offers to students for 2023. With this being ever increasingly international students, the most likely accommodation is investor-held unit stock.

Major projects in conjunction with tourism in the dry season have historically been major drivers for Darwin's economy and this has a flow on effect on the residential market. Current large scale defence infrastructure projects will continue as many more are due to commence throughout the Northern Territory as the federal government aims to shore up national security. Though also large in scale, there is increasing uncertainty surrounding other large projects. Fresh doubt has been cast over the planned ship lift facility in East Arm and the Sun Cable project as the contractors assigned have recently gone into voluntary administration while the Middle Arm Sustainable Development is still undergoing environmental concerns. And while it is likely these projects will go ahead, in exactly what form and timeframe are still to be announced, making the $40 billion economy by 2030 set by the NT Government looking like an increasingly ambitious figure.

The Northern Territory's counter cyclical economy looks set to continue as much of the residential market in other states feels the impact of interest rates more. A lagging supply pipeline will likely see rental stress remain as investors seek to get higher returns than most other states can deliver. Steady employment through government defence and other large-scale projects is expected to bring in more interstate workers.

Thomas Dickinson
Valuer

Alice Springs

After a strong finish to 2021, expectations were that 2022 could be a good one for residential real estate in Central Australia. Unfortunately, a number of factors played a part in the market cooling down in early to mid-2022, with that trend continuing through to the end of the year. These factors included rising interest rates, a widespread

Though we should not overlook the lingering concerns surrounding the residential market from 2022, the outlook for 2023 is not as glum as many might think, especially here in the Top End.

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It would appear that in 2023, properties will on average require slightly longer marketing periods, with a drop off in buyers actively seeking to buy.

easing of the real estate market across the whole of Australia and more locally, skyrocketing crime in the Northern Territory, sparking substantial numbers of people leaving the Territory.

What can we expect to see in 2023? It is predicted that softening demand will continue in 2023 and with inflation still running above the RBA's target, we will almost certainly see further interest rate increases. After several years of flat line growth in the local property market, late 2021 and early 2022 saw prices strengthen and some capital gains were enjoyed by local homeowners. This period of growth appears to have come to an end, with reduced transaction levels and a lengthening in days on market causing the market to slow.

According to statistics provided by REINT, the median house price peaked at $531,000 during the June 2022 quarter before dropping three per cent to $515,000 in the September quarter. We have not yet received statistics for the December quarter but the expectation is that the median house price will fluctuate within a reasonably narrow band in 2023, possibly between $480,000 and $520,000.

The median unit price has historically fluctuated quite widely, in recent years dipping as low as $300,000 (September 2020) and climbing as high as $365,000 (March 2022). This fluctuating trend is expected to continue in 2023.

Suburbs such as Larapinta and Sadadeen are expected to be the poorer performers in 2023, due to their classification as being in an overall lower socio-economic band than more affluent suburbs such as Desert Springs, Mount Johns and East Side. Crime and anti-social behaviour in these lower socio-economic suburbs are also likely to be more of an issue, deterring some would-be buyers from investing in these locations.

Well-presented and realistically priced properties are still selling reasonably quickly, although we are seeing longer marketing periods at present than those experienced in late 2021 and early 2022. It would appear that in 2023, properties will on average require slightly longer marketing periods, with a drop off in buyers actively seeking to buy.

Something that will be interesting to watch develop over the next 12 months will be the commencement of building activity in stage 2 of the residential land development at Kilgariff. A number of blocks have now settled at land prices showing a 10 to 20 per cent premium on similar blocks sold in stage 1. Combine this with the increase in building costs, particularly with some materials (most notably steel), and we may see situations occurring where the final market value of a newly finished home is exceeded by the combined cost of purchasing the land and building a home. This will cause potential headaches for finance providers, particularly with regard to first home buyers and those with low deposits.

Peter Nichols
Valuer

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Australian Capital Territory - Residential 2023

Canberra

As the new year begins, buyers are eager to know where the property market sits in comparison to 2022. The property market will look a lot different to the previous new year with market conditions changing and median house prices decreasing throughout and towards the end of 2022. The beginning of 2023 will more than likely continue the trends we saw at the end of 2022 with a decrease in housing prices, however don't expect the market to remain this way!

Interest rates will have a bearing on the residential market and will continue to apply the pressure it has over the past 12 months, continuing the decrease in house prices until the interest rate begins to steady.

As the COVID-19 pandemic has relaxed and travel has broadened, immigration to Canberra will increase which will potentially increase demand for housing and the rental market. As a result of the pandemic, people and businesses have increased the amount of remote working or working from home which will likely see an increase in demand for rural lifestyle properties.

Desirable properties at the top end of the market will continue to see increases in prices due to market demand. Suburbs such as Deakin, Narrabundah, Griffith and others in the inner south are most likely going to see this increase. The price of units will remain steady due to purchasers and first homebuyers seeking more affordable options, however there could be a slight decrease in unit prices due to a potential oversupply of new units in recent years, well above historic levels, particularly in Gungahlin, Weston and the city.

The demand for vacant land will continue to increase with limited land availability within the ACT and an increase in foreign buyers looking into the Canberra market. This will continue the demand for quality established homes and potentially increase the demand for knock down rebuilds.

If interest rates steady and no more unforseen COVID pandemics hinder the market, we can expect a very different 2023 market compared to recent years. There may be an opportunity for buyers to gain more confidence in the market if these predictions do arise. It's only a prediction, so buyers will have to hold on tight and see how the year pans out.

Angus Howell
Associate Director

Desirable properties at the top end of the market will continue to see increases in prices due to market demand. Suburbs such as Deakin, Narrabundah, Griffith and others in the inner south are most likely going to see this increase.

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Tasmania - Residential 2023

Hobart and regions

What is in store for 2023 is anyone's guess but the main thing on any prospective purchaser's mind is interest rates.

Economists are forecasting further cash rate rises in the first half of 2023 (to 3.6 to four per cent total) which will further reduce borrowing capacities of most homebuyers wishing to secure a mortgage. Each interest rate rise erodes the borrowing capacities of would-be home buyers.

With reduced borrowing capacity, suburbs to keep an eye on would be at the lower end of the value spectrum. Northern suburbs such as Moonah, West Moonah, Claremont, Austins Ferry, Glenorchy etc. are still relatively affordably.

Rental vacancy rates are still at all-time lows with under one per cent vacancy. Weekly rental prices remain strong but with increased borrowing rates, gross yields are reducing and in some cases, you may be better off with the cash in the bank as this provides a reduced risk as the purchase of a property given current market conditions may reduce in value in the short term.

A recent conversation with a real estate agent responsible for selling a new subdivision indicated that out of the 90 blocks that have been under contract, 36 purchasers have pulled out of the contract at the time of the issue of titles due to increased interest rates and escalated construction costs for a new build. Conversations with local builders have indicated construction costs have increased circa 20 per cent since the start of the pandemic. In most instances it is more economical to buy an established house and make improvements at a later date and perhaps do a majority of the works yourself to get the property to your liking.

As interest rate increases continue to hit the hip pocket, it is predicted that once they stabilise, so too will the housing market. It's just a matter of waiting to see when they stabilise.

It will be interesting to see what eventuates when many of the fixed rates conclude in the early half of 2023. Some borrowers have principal and interest rates locked in at rates as low as 1.89 per cent. I have heard one of the big four banks has standard variable rates at 5.6 per cent which is surely going to hurt when that fixed term rate finishes.

I made contact with my bank manager to see what a 0.25 per cent interest rate increase would do to my borrowing capacity if I were pre-approved for $1 million prior to a rate rise. His basic response was that every 0.25 per cent increase would reduce my borrowing capacity by $25,000. Bearing in mind that rates have increased 3.1 per cent recently, this would have reduced my borrowing capacity by approximately $310,000. Now that's the scary thing about interest rate rises – it's the reduced borrowing capacity with each rise.

A circa 1950, three-bedroom, one-bathroom weatherboad home in original condition with an asking price of offers over $565,000 was on the market over 270 days Source: Corelogic RP Data

A circa 1950, three-bedroom, one-bathroom weatherboad home in original condition with an asking price of offers over $565,000 was on the market over 270 days (source: Corelogic RP Data)

To date, we have not had many mortgagee-in-possession valuations come across our desks, but as mentioned, time will tell. If you think you are going to be in mortgage stress, now is probably the time to assess your potential financial situation before it's too late.

Mark Davies
Valuer

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Rural

February 2023

NSW North Coast

The 2023 macadamia nut harvest price will be eagerly awaited by market participants following the significant fall in the commodity price from the peak in 2020 of approximately $6 per kilogram nut-in-shell at 33 per cent kernel recovery to below $3 per kilogram for some processors in 2022. The 2023 indicated harvest price is expected to be provided at the commencement of harvest in February. Continued falls in the commodity price are expected to soften macadamia farm values, although many macadamia farms on the New South Wales North Coast have strong underlying rural residential values.

The world sugar price is relatively strong and this is reflected in the sugar cane commodity price paid to local sugar cane farmers. Many New South Wales North Coast sugar cane farmers were adversely affected by the record flood events and continued wet conditions in 2022. Farmers are attempting to restore farm production following flood and weather damage to take advantage of the current sound sugar cane commodity price. In recent years, many sugar cane farms have been purchased for the purpose of establishing macadamia orchards. With the fall in the macadamia commodity price, damage to some flood plain macadamia orchards due to the 2022 flood events and sound sugar cane prices, it will be of interest which buyer profile (macadamia farmer or sugar cane farmer) succeeds in purchasing the flood plain sugar cane farms marketed for sale.

Cattle grazing farms remain in strong demand. Due to the growth in grazing land values and relatively limited number of properties listed for sale, local graziers may choose to consolidate and improve the carrying capacity of existing holdings rather than expanding by purchasing additional grazing land. The lifestyle attributes of the New South Wales North Coast attract interest from graziers from more remote locations seeking to relocate or downsize their herds.

Paul O'Keeffe
Director

Southern NSW

2023 has started in complete contrast to 2022. Twelve months ago interest rates were still low and there was no indication they would increase in the medium term. The war in Ukraine had not started and farming operators were enjoying a wet summer and historically high commodity prices, particularly for livestock. The rural property market had defied any effects from COVID apart from supply chain issues on machinery and inputs such as fertilizer and land values were continuing on a northward trajectory. A consequence of the war in Ukraine was a spike in grains prices which provided growers mostly with above average returns despite a wet lead in to harvest.

The picture has now altered significantly. We have endured several interest rate rises and although at relatively moderate levels from an historical perspective, the increase in the cost to borrow money is beginning to have an impact on the market. This is being demonstrated in several rural property listings remaining on the market longer as the number of potential buyers has reduced and operators looking to acquire additional holdings are running the numbers with a higher cost to service debt and further potential rate increases in mind. Coupled to this is the recent softening in cattle and sheep prices with agents reporting as much as 20 to 30 per cent drops in livestock values at the sale yards in the past month. They are highlighting that domestic livestock numbers have built up in recent years due to the good seasons and profitability in the sector. It appears now that international demand for our premium meat products is reducing as inflation, higher interest rates and the risk of a world recession begin to have an impact.

Southern NSW Source: HTW

Going forward it is always difficult to predict where the rural property market will head. That said it is highly unlikely we will see prices across all land classes continue to provide the capital gains witnessed in the past two years. The higher cost to service debt, continuing high input prices and a softening in commodity prices point to a flattening of land values this year at best provided there are no unforeseen economic or climatic shocks.

Andrew Garnsey
Director

Farmers are attempting to restore farm production following flood and weather damage to take advantage of the current sound sugar cane commodity price.

HERRON TODD WHITE RURAL

Central West / Central Tablelands NSW

It is difficult to predict how the rural property market will perform in the year ahead. As 2022 came to an end, some of the fundamental influences on the market showed signs of changing – news commentators were talking of further interest rates rises and Australia's main climate and rainfall drivers were forecast to shift to a drier part of their cycles.

Many property valuers are now cautioning that the strength in the market may be showing early signs of tapering.

We are aware of sales that have occurred in recent months where the buyer interest was less than we have been used to seeing in recent years and bidding at auction was less spirited. Naturally, as new sales occur in 2023 we will be better able to gauge the direction of the market.

A key influence on the rural property market has been the imbalance in supply and demand of rural property – in recent years there has been a general shortage of property available to meet the strong demand. As 2023 begins we will be watching to see how this key balance unfolds.

Craig Johnstone
Property Valuer

Darling Downs

Throughout 2022, the southern Queensland rural property market went from strength to strength and saw record levels of growth on the back of key market drivers such as beef prices achieving record levels despite some weakening and volatility in commodity pricing towards the latter part of the year. Strong cattle prices have underpinned confidence in the rural property market combined with lower borrowing costs, a low Australian dollar, good seasonal rainfall and a favourable outlook for the rural industry generally.

However rural property markets will be sensitive to any downward trend in cattle prices or further increases in interest rates. The closing part of 2022 and start of 2023 have seen both of these.

The Reserve Bank of Australia raised the cash rate by another 0.25 of a percentage point on 6 December, bringing it to 3.1 per cent. It is highly anticipated that the cash rate may rise again when the Reserve Bank next meets on 7 February 2023 in a further attempt to curb inflation.

The Eastern Young Cattle Indicator (EYCI) as of 13 January 2023 has dropped to 775.55 c/kg cwt from a recent peak of 1075.16 c/kg cwt on 26 September 2022. At the same time last year, the price was 1157.24 c/kg cwt which neared the 2022 high point of 1191.52 c/kg cwt on 24 January 2022. In mid-2022, Meat and Livestock Australia reported that industry analysts were forecasting the EYCI to drop significantly to around 953 c/kg cwt by 31 December 2022. The current level is significantly lower than predicted.

Goat prices also significantly dropped in the second half of 2022. From a year high on 1 June 2022 of 920 c/kg cwt, the price dropped to 361 c/kg cwt on 1 December 2022 and 350 c/kg cwt on 1 January 2023, caused by strong supply and also plenty of dressed bodies already in processor storage.

We note that sheep prices have also declined from 520 c/kg cwt on 1 November 2022 to 375 c/kg on 1 January 2023. Lamb prices have remained fairly stable at 800 c/kg cwt on 1 November 2022 and 734 c/kg cwt on 1 January 2023.

Another key driver of southern Queensland's cattle market is the weather and for many producers, the recent seasons have delivered exceptional rainfall. Long-range forecasts from the Australian Bureau of Meteorology reflect several significant climate influences, one of which is the current La Niña cycle slowly easing in the tropical Pacific. With La Niña typically increasing the chance of above-average rainfall for northern and eastern Australia during summer months, long-range forecasts suggest a return to (El-Nino Southern Oscillation) neutral in early 2023.

With weather and rainfall forecasting in mind, another consideration is the position of cattle and stock projections post drought. Since the drought of 2017-2019, Meat and Livestock Australia reports that the nation's herd rebuild continues with the national herd expected to grow by six per cent to reach 27.6 million head by 2023. The herd is expected to grow a further 4.6 per cent by 2024 to reach 28.9 million head, having increased for four successive years. It is during 2023 that the number of breeders is expected to have recovered to pre-drought levels. This return to the previous base level stands the industry in good stead however presents carrying capacity risks should drought conditions return.

With all these key drivers in play at the commencement of 2023, our expectation is of the peaking of the southern Queensland property market through the year with a likely stabilisation

Rural property markets will be sensitive to any downward trend in cattle prices or further increases in interest rates. The closing part of 2022 and start of 2023 have seen both of these.

RURAL

HERRON TODD WHITE RURAL

period and potentially low sales volumes moving forward where owners' expectations may increasingly exceed buyers' appetites.

The intermittent weaknesses of the EYCI in periods of 2022 are likely the catalyst for realisation in the market that the strong prices witnessed over the past two years are more than likely not sustainable, which will also likely reduce confidence in the rural industry from the highs we have seen.

With regard to goat prices, our perspective is that significant price adjustments if maintained over a long period of time will erode confidence and may put downward pressure on grazing country specifically suited to goats.

All of these factors together will also determine the likelihood of this next phase of the southern Queensland property market cycle and also the pace at which we transition into that phase. While we believe these factors will in the short to medium term lead to a further stabilisation of the market, some global fundamentals, particularly the continued strong demand for protein, re-opening of the Chinese economy and drought conditions in the USA with low beef herd numbers and a high cow cull rate, appear likely to position the Australian market to avoid a hard landing or a further significant correction at this point in time, although rainfall and climatic conditions will also play a large part in this determination.

Bart Bowen
Director

North and North-western Queensland

Season

Given the run of below average wet seasons in recent years, it was good to see the season break earlier this wet. Some graziers had winter rainfall and were excited that they had fat cattle

Herron Todd White has sales evidence that confirms a softening of grazing property values from the last peak in 2008/9 by 30 to 50 per cent.

in November. This was a pretty good thing and is certainly not normal.

Certainly, the forest country has enjoyed regular and heavy rainfalls so far this year. The Georgetown and Normanton areas have certainly had substantial and regular rainfall events.

The Mitchell grass downs areas have had varied showers and storms. For a while this area looked like a patchwork quilt. Finally, the spread of green grass is responding and there is excitement about the year ahead.

North-western Queensland has had varied rainfall to date. The traditional wet season has a bit of time left to go, so hopefully those gaps start to fill in and grass up ready for the season ahead.

There has been an increased focus on spelling of country this wet to try to recover from the drought years. The response is notable and many conversations are about how paddocks are benefiting.

While the early rain was good for graziers, it caused havoc to the sugar cane industry. Rain in the Herbert growing area affected the ability to plant stools, fertilise and spray. Last year saw the harvest of more tonnes than expected of cane, but the sugar was affected. Given the disruptions, there is a risk to this coming year's production. The Burdekin is not as affected, however there has been some very wet ground that may not have the best year this year.

Property Markets

Property market sentiment for agribusinesses across the north have enjoyed a run of good years. It is no secret amongst most graziers and farmers that the costs of production have increased and interest rates are rising. The levels of discretionary spending have been high.

There are graziers and farmers who have already planned and executed their strategies for enduring the impacts of three risks: commodity prices softening; operating costs rising; and interest rates rising. During the good times, some graziers increased their expenditure on realigning fencing (to lower mustering costs), cleaned out dams, invested in watering infrastructure and even paid a bit of tax.

Equity margins are very high with the increased property values in the grazing sector. While this may give the perception of providing a cushion in the next property cycle, some clients consider that this is shallow. One comment made recently was that it only takes one to two shocker years and the balance sheet can be upside down. Herron Todd White has sales evidence that confirms a softening of grazing property values from the last peak in 2008/9 by 30 to 50 per cent. While it is easy to write positive articles in the press during the good times, our role as independent valuers is to also mention the storm clouds and risks so that you and your clients can weigh up the risks and make your own business and investment decisions.

There are still many prospected graziers who have not bought new country in recent years. There were many under bidders from the auctions of Nardoo, Peronne, Camel Creek and Rhonella Park who have yet to expand and buy a new cattle property. This is a good thing for the property market sector and may even work to uphold or delay the softening of cattle property values in the next two years.

Sugar cane farmers have enjoyed a good two years, not as good as the cattlemen though and certainly for not as many years either. That being said, cane farm sale volumes in the Burdekin prior to the sugar price increase in 2021 were 20 farms per year. They peaked in 2021 at 60 and have dropped back to 20 farms again in 2022. The potential buyer pool in the cane sector is not as deep as the grazing property market at present.

One market trend in the recent two years is the number of cattlemen buying farms in the Burdekin, Giru, Herbert, Innisfail, Tully and the Tablelands. The lack of cattle stations on the market in recent years has meant that the cost to expand and acquire another cattle station is simply too high for many. The cost of buying a sugar cane farm, hay farm or small grazing block provides many with an affordable expansion option.

There have been few grazing sales since 1 July 2022. Sale volumes are often lower at that time of the year. There had been some strong priced activity in the lead up to 30 June 2022. Some of this was driven by taxation reasons, not just the cattle enterprise that the property can support. There are some comments that property market sentiment may have cooled in some districts. This is not to say that values have softened. It may be that they simply are not rising like they have in recent years. This will become evident in the next couple of months.

At this stage, grazing land relativities are:

Forest breeding – Charters Towers to Georgetown: $3500 to $5000 per Adult Equivalent (AE).

Forest breeding – Croydon / Normanton: $2200 to $3000 per AE.

Mitchell grass downs – north of the line (Hughenden to Julia Creek) $6000 to $9000 per AE.

Mitchell grass downs – south of the line $5000 to $7000 per AE.

Roger Hill
Director

Riverland, South Australia

Winegrape Vineyards

The ongoing lack of demand for red winegrapes will continue to cause an imbalance in the demand and supply equation for this industry. Coupled with a lack of available bulk storage, this will result in more pain for the winegrape industry. The 2022 harvest saw a substantial decrease in prices paid to growers and some red grapes were left on the vines. We expect the quantity of unpicked red grapes to increase significantly in the upcoming 2023 harvest and the price per tonne to continue to fall. Some wineries are paying contracted growers to not pick their fruit.

Some wineries are paying contracted growers to not pick their fruit.

The core of the demand problem was the decision by China in late 2020 to impose tariffs on Australian wine, which has effectively closed the Chinese export market. The problem was exacerbated by supply chain issues associated with the COVID-19 pandemic which meant exporting wine to new markets was limited, difficult and expensive.

Winegrape growers have had to adapt for the 2022/23 season, needing to determine the level of inputs required to maintain vine health, while knowing the year will likely be a loss-making exercise for many. Our third La Nina in a row brought significant rain with much of the Riverland receiving twice the average rainfall and this has meant increased costs associated with disease control.

It is likely many growers will question their viability in the industry and we expect there to be further decreases in the prices paid for winegrape vineyards throughout 2023. Due to the decrease in winegrape property values and the increase in values for rural lifestyle property, this may see a change to the highest and best use for smaller vineyards of three to eight hectares.

Greenfield Developments

Continuing in 2023 will be the development of former dryland cropping and grazing country into large scale horticulture development by large corporate investors. This trend has continued for the past six to eight years. A major development in 2022 was a circa 200-hectare table grape property at Pike River in the Riverland district of South Australia. Table grapes have not been grown in the Riverland on a reasonable scale for a considerable period, whereas the Sunraysia region in north-western Victoria grows large quantities of table grapes. The distance between the regions is approximately 150 kilometres and the soil characteristics and climate are very similar.

The former Monash Station site was purchased by a corporate entity in December 2021 and is currently having irrigation pipework installed from an approved pump site on the River Murray to the property. The redevelopment of the site is likely to be predominantly almond plantings, with the bulk of the development occurring during 2023 and 2024. The scale of the development at over 2000 hectares makes the project the largest single horticultural development ever seen in the Riverland.

We note however that purchases of greenfield sites have declined in the past two years which is likely due to the recent flat commodity prices not providing the necessary return on investment required by potential developers. We expect that both smaller family and larger corporate growers will concentrate on redeveloping their existing less profitable plantings rather than acquiring new land.

Cropping and Grazing
The previously mentioned above average rainfall for the Riverland district has resulted in above average yields for dryland farmers, which was timely given the large increases in input costs over the past two years. We expect there will be ongoing strong demand from existing farmers for additional property to increase the scale of their operations, resulting in higher rates per hectare.

Brenton Pankhurst
Director

Western Australia

2023 is shaping up as a compelling year in Western Australia. It will be interesting to see the impact on demand from major opposing market forces.

On one hand, we have had three consecutive good seasons in Western Australia, including two consecutive record-breaking harvests (with high commodity prices) that has seen rural land values increase rapidly. On the other hand, we have had a significant rise in interest rates with reportedly more on the horizon, labour shortages, transport delays and a sharp increase in input costs.

Although market sentiment is flat and confidence in the sector is down overall as a result of cost increases, inflation and rising interest rates, it has not abated the appetite of operators to expand their enterprises.

It's hard to imagine we will see the same kind of value increases in 2023 as we have seen in the previous few years with so much uncertainty on a global scale. Also to consider is how a bad season may affect the market after consecutive record-breaking seasons, particularly with high inputs costs and interest rates.

Either way, it will not be a dull year.

Luke Russell
Valuer

Tasmanian

2022 saw continuing strength in scaled rural assets in Tasmania with some significant rural sales transacting. Three sales of note included the further sell down of 1320 hectares by the Chinese-backed Van Dairy to TRT Dairy for $24.84 million, the sale by Proterra Investment Partners of the 4448 hectare Vaucluse Portfolio in the Northern Midlands for a reported $114 million and the sale of Josef Chromy Wines Pty Ltd located south of Launceston for a reported $55 million.

The Van Dairy sale to the Victorian based Roberts-Thompson family was another part of the iconic Woolnorth (located in the far north-western tip of Tasmania) with the same purchasers already having bought approximately 5800 hectares in 2021 for $123 million. This most recent sale analyses at approximately $18,000 per hectare BFW for productive open pastured country with a 1030 millimetre average annual rainfall.

Van Dairy Source: Herron Todd White

The Vaucluse Portfolio comprised an aggregation of Vaucluse and the contiguous Glen Esk properties located at Conara plus a relatively new grain storage facility at Powranna. The sale remains unsettled but includes approximately 15,270 megalitres of irrigation water, 9050 megalitres of farm dam storage, 2150 hectares of developed pivot and linear irrigation area, 450 hectares of developed hard hose area, two substantial period dwellings and 5400 tonnes of grain storage at the grain complex.

From the Vaucluse Portfolio Source: LAWD

Josef Chromy Wines Pty Ltd was purchased by Warakirri Asset Management in conjunction with the ASX listed Endeavour Group (ASX:EDV). Many details of the transaction remain confidential but our understanding is that Endeavour Group, through its Pinnacle Drinks Division, purchased the Josef Chromy Wine business and brand. In turn, Warakirri purchased the real property which included the entire site area of approximately 110 hectares (61 hectares under vines) including the cellar door and the restaurant. Publicly available information shows that Endeavour Group will lease these assets from Warakirri for a ten-year term with options for a passing rent that equates to a yield of approximately 6.5 per cent.

Despite 2023 starting the year with economic headwinds and the memory of recent climatic adversities, Tasmania's rural property market is predicted to have a solid year. Local farmers with their strong balance sheets and corporates with mandates to deploy funds are expected to continue to compete for acquisition opportunities. However, we have noticed that the buyer pendulum has swung in favour of the corporates as local farmers become more cautious about potential purchases due to a softening in commodity prices, a rise in interest rates, the recent wet weather and high costs of production.

David Robertson
Valuer

NT/Kimberley

With a mixed but competitive buyer profile for cattle stations in the Northern Territory and the Kimberley, we expect market conditions to remain relatively strong for at least the first half of 2023, even in the face of softening cattle prices. Potential buyers are likely to comprise a continued competition between large and established pastoral families from within the NT and the eastern states who were active in 2022 and remain in expansion mode. Agri investment managers are also still keenly looking for pastoral land, particularly country with the potential for farming conversion, mainly for dryland cotton. Then there is also that new breed of buyer to the NT and Kimberley chasing perceived carbon profiles offered by stations that tend to be located in the higher rainfall regions of the north.

2023 has already kicked off with a reported deal on prized Barkly Tablelands breeder block Brunchilly (4,572 square kilometres) to a well-established private pastoralist from the Barkly. Full details remain confidential at this stage, however the property along with three other grass-finishing S. Kidman properties in south-east Queensland only hit the market late in November, so this is a quick turnaround indicating continued strong competition.

Barkly Tableland stations are tightly held and if the Brunchilly deal is consummated with a settlement in the next month or so, it will be the first sale on the Barkly since Ucharonidge (2480 square kilometres) in August 2019 which sold for $26.5 million. Having just said that things are tightly held on the Barkly, we note that Walhallow / Cresswell Downs (9997 square kilometres) is still for sale (after eighteen months now) and now Beetaloo / Mungabroom (10,547 square kilometres) also hit the market earlier this month. These offerings will truly test supply and demand, particularly given the well above average 2022/23 northern wet season and the plentiful volumes of grass. The good growing season will assist the rebuild of big parts of the NT and Kimberley herd and also contribute to the national herd rebuild which has already forged ahead in the southern parts of Australia following three successive years of favourable seasonal conditions, whereas up here in the north, seasons have been more patchy.

At this stage, there is only one station currently advertised for sale in the Kimberley: Christmas Creek (1394 square kilometres) at Fitzroy Crossing, which is the first to test the market since late 2021 when Hancock Agriculture sold Nerrima (2031 square kilometres for around $30 million WIWO) and Ruby Plains / Sturt Creek (7961 square kilometres for over $61 million WIWO) and when the Harvest Road group (Twiggy) did a deal of the Springvale aggregation (6044 square kilometres, settlement still pending). We anticipate that Kimberley pastoral values will at least hold steady at the current record levels which is also the forecast for the Northern Territory.

Strong demand continues for the very limited amount of freehold farming country across the higher rainfall areas of the NT/Kimberley. After the record sale of Blackbull (14,342 hectares) in the Douglas Daly in May for around $25 million (assessed bare) and ex Indian Sandalwood farm Roper Plains (2799 hectares) near Mataranka in November for $9.3 million, there is only one freehold block of any scale currently on offer:

With a mixed but competitive buyer profile for cattle stations in the Northern Territory and the Kimberley, we expect market conditions to remain relatively strong for at least the first half of 2023, even in the face of softening cattle prices.

Maud Creek near Katherine (17,531 hectares). We are aware of continued strong enquiry for cleared farming land with scale (say, 1000 hectares minimum) from potential purchasers from around the country, however apart from the above, pickings are slim.

It will be interesting to see how the disastrous flooding in the Kimberley impacts activity. With the main supply road routes potentially cut for many months, it could impact on marketing and sales activity over that way. Given the heavy reliance on back-loading trucks from Perth with produce from the Ord River Irrigation Area, it will also be a question for ORIA farmers to ponder which crops they will plant this season given the transport impact to their key market back in Perth. We suspect however that should any suitable commercial farms come onto the market anywhere in the Kimberley, if a plane or helicopter can still get there, then so will the buyers.

Frank Peacocke
Director

This popular industry event is back at Royal On The Park Brisbane in 2023.

24 February 2023

Please arrive at 6.45am for a 7.00am start

Event concludes at 9.00am AEST

Click here to purchase your ticket

Purchase either a single, or eight tickets for a full table.

Hurry, limited seats available.

This presentation will provide a national and detailed **Queensland state overview** of the rural landscape and the impact on property values.

We are excited to also present a **review of the Carbon Market** from a valuer's perspective, and what the emergence of the sector may mean for property values going forward.

We look forward to seeing you there!

Herron Todd White
Agribusiness & Advisory Team

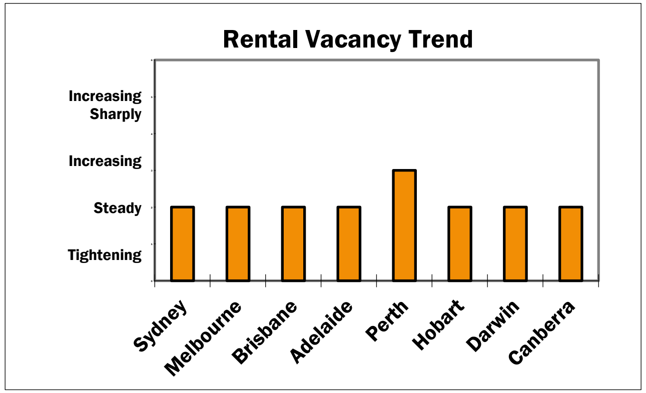
Property Market Indicators

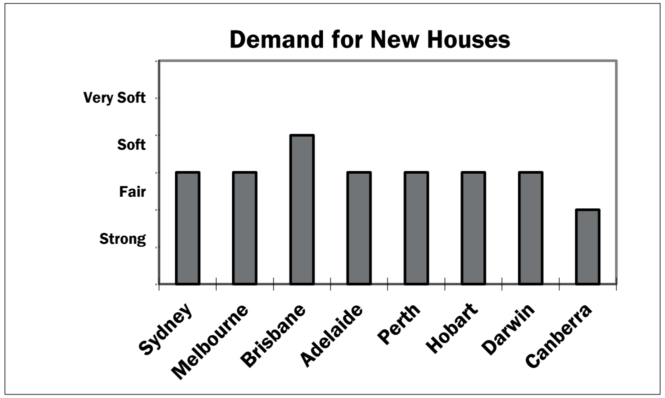
February 2023

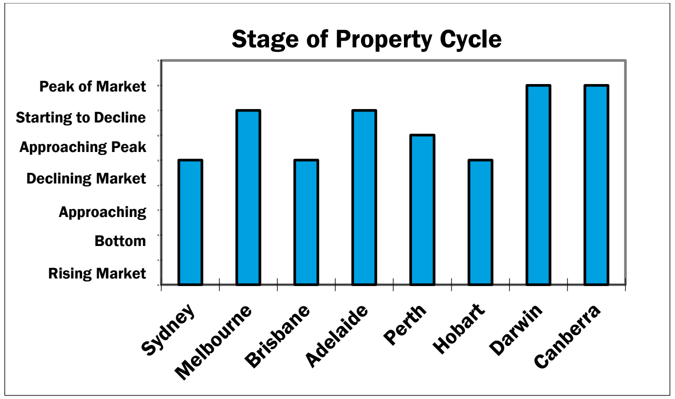
Capital City Property Market Indicators – Houses

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

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





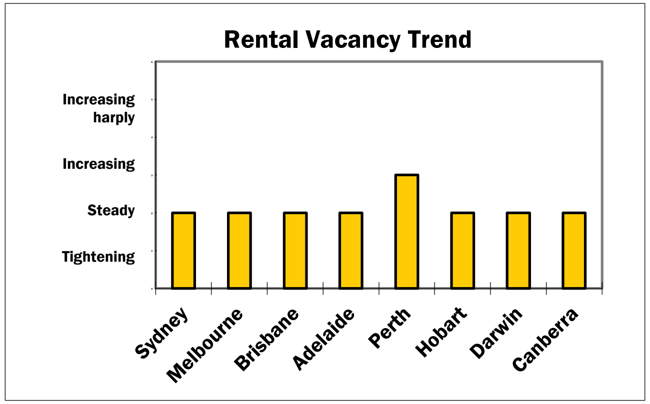


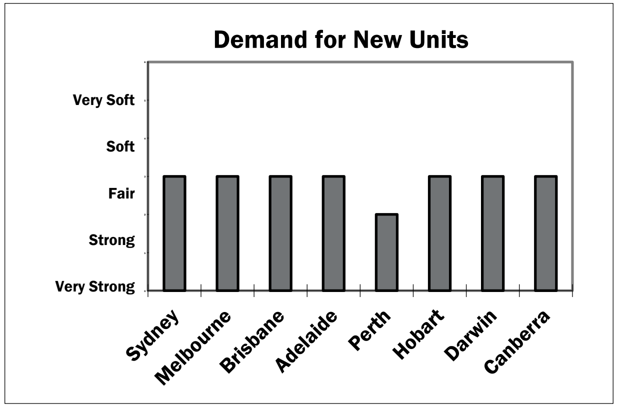
Capital City Property Market Indicators – Units

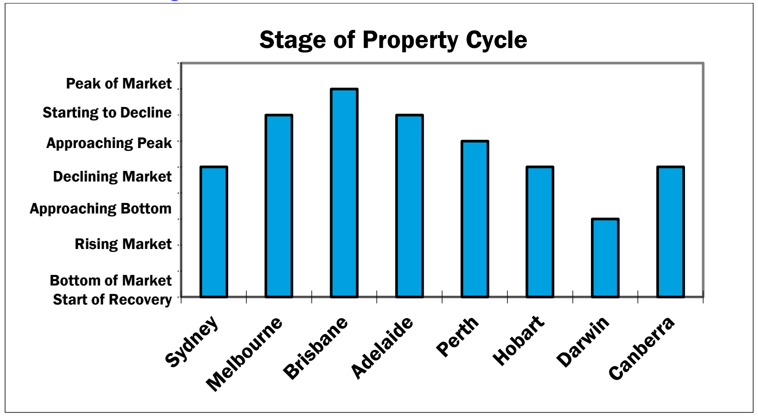
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available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

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

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





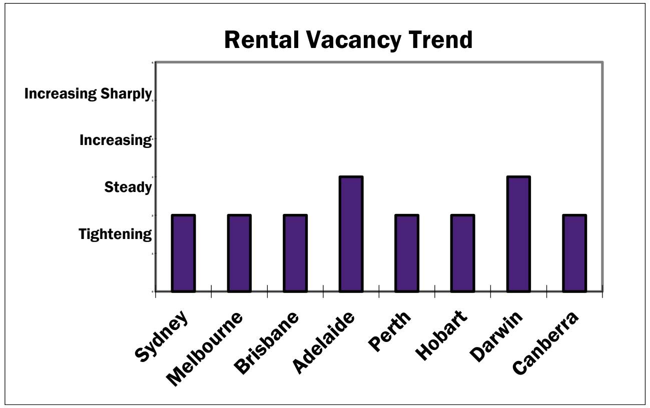


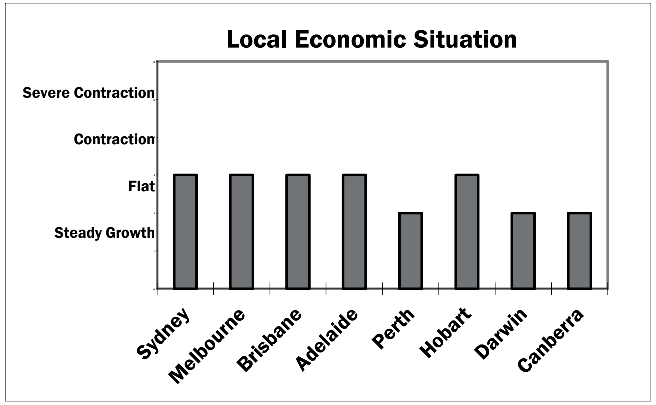
Capital City Property Market Indicators – Industrial

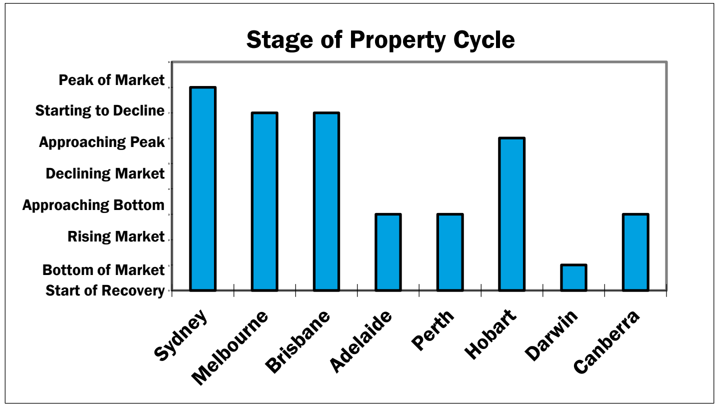
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Severe shortage of available property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





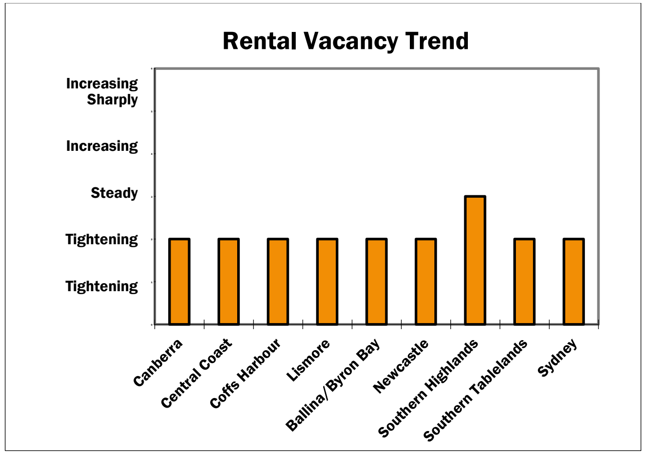


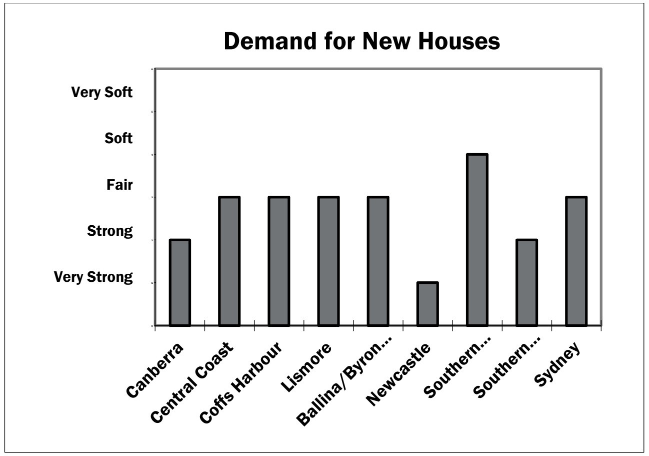
East Coast New South Wales Property Market Indicators – Houses

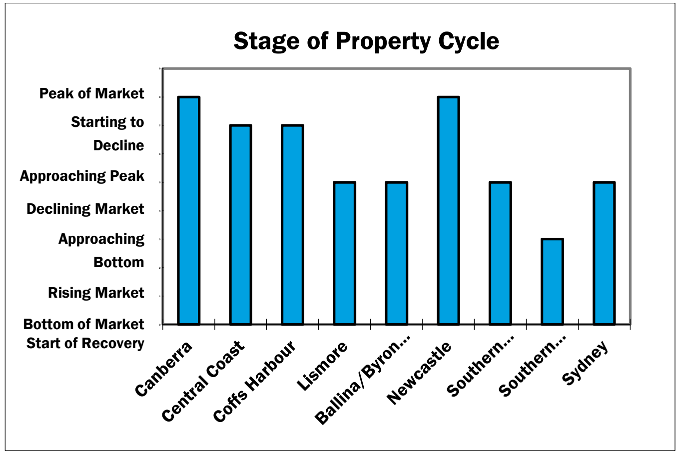
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	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	Tightening	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Tightening
Demand for New Houses	Strong	Fair	Fair	Fair	Fair	Very strong	Soft	Strong	Fair
Trend in New House Construction	Declining	Steady	Steady	Steady	Steady	Declining significant-ly	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



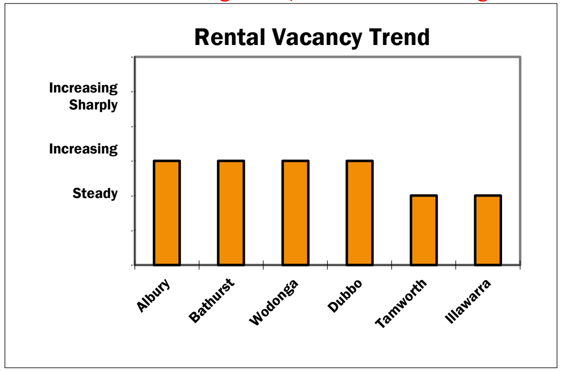


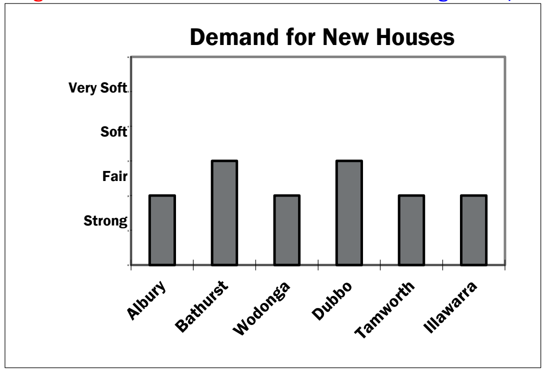


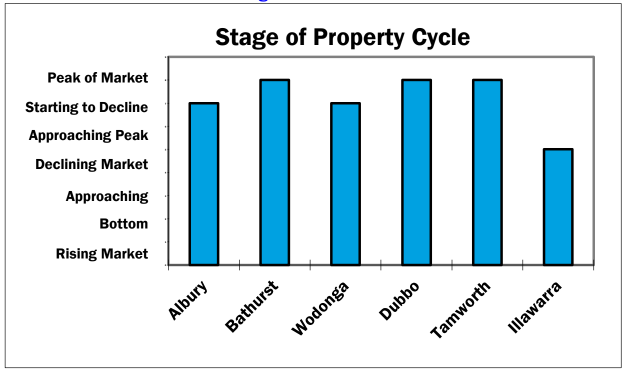
Country New South Wales Property Market Indicators – Houses

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	Tightening	Tightening	Tightening	Steady	Tightening	Tightening sharply	Steady	Tightening
Demand for New Units	Fair	Strong	Fair	Fair	Strong	Strong	Fair	Fair	Fair
Trend in New Unit Construction	Declining	Declining	Steady	Steady	Declining	Declining	Declining	Steady	Steady
Volume of Unit Sales	Steady	Increasing	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

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

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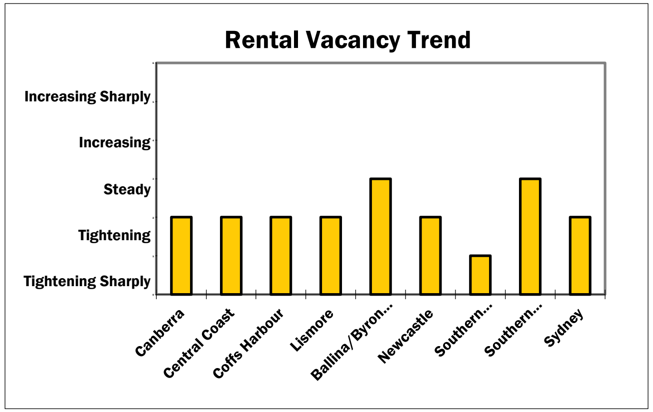
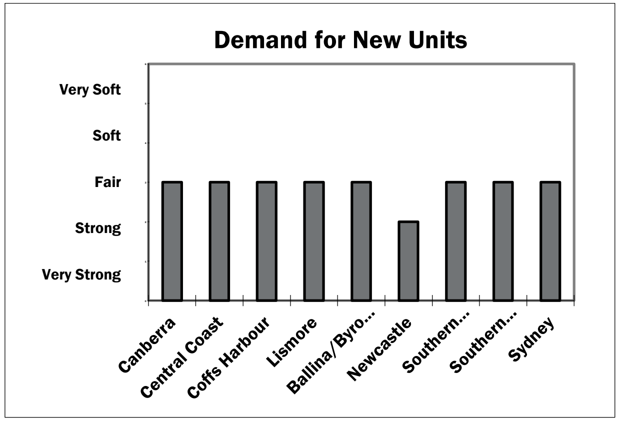
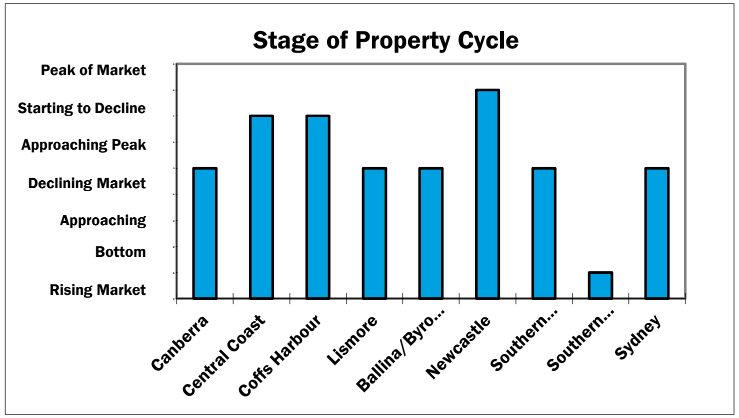


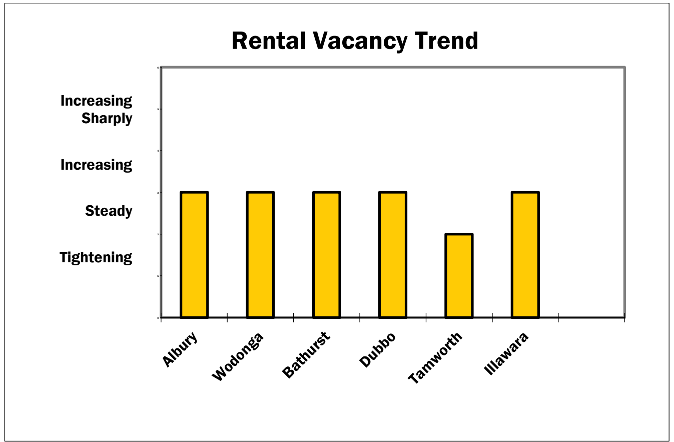


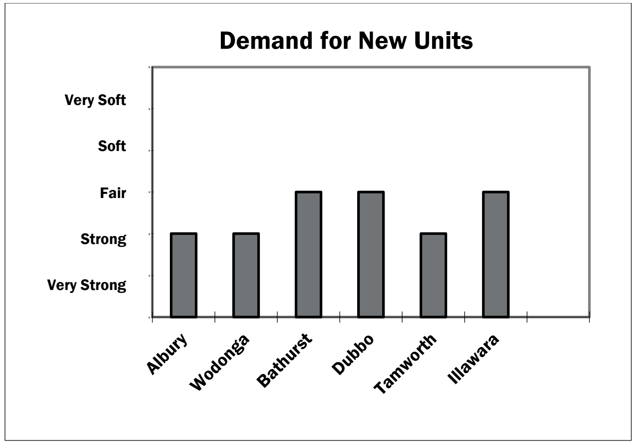


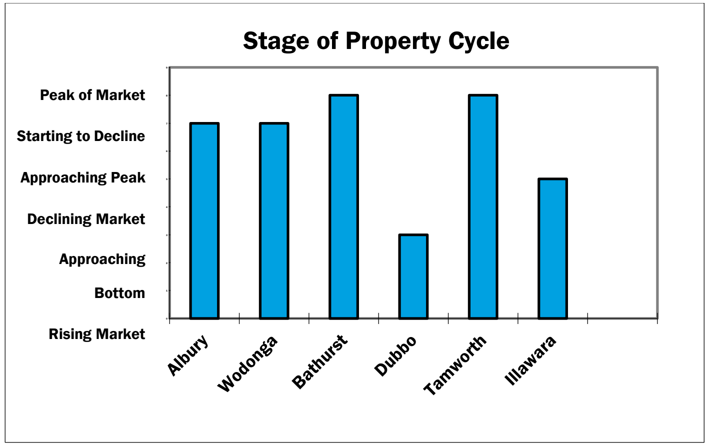
Country New South Wales Property Market Indicators - Units

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

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





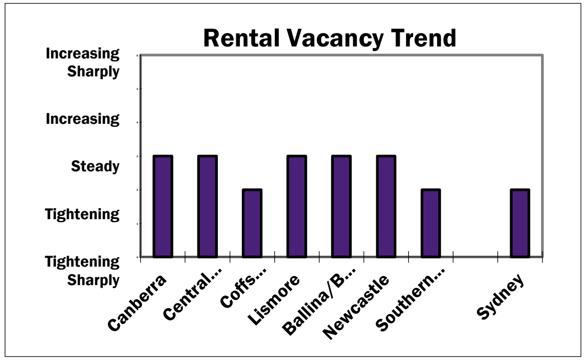


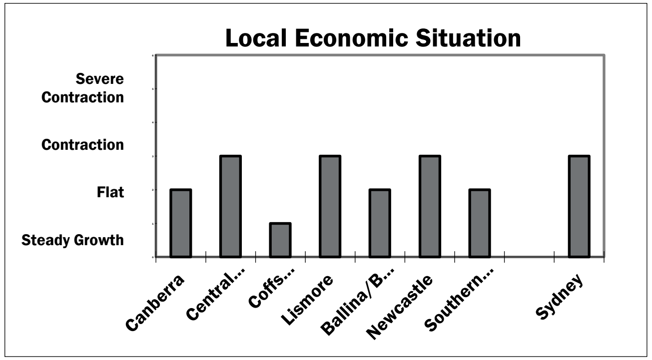
East Coast & Country New South Wales Property Market Indicators – Industrial

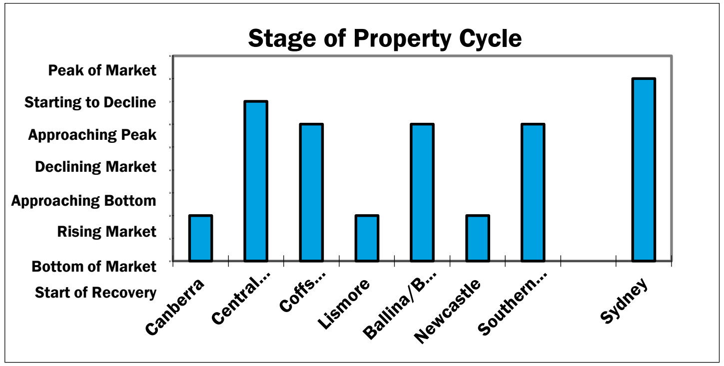
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Ballina/Byron Bay	Newcastle	Southern Highlands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage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





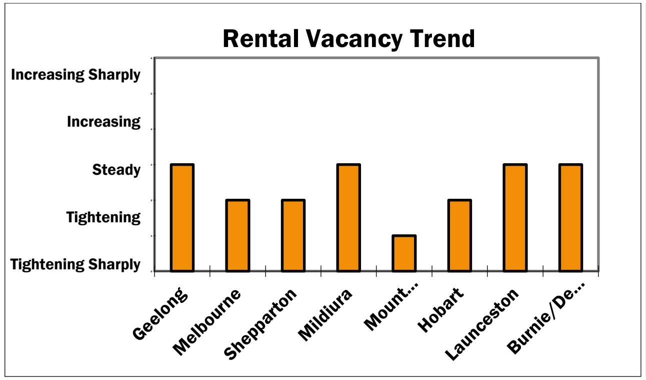


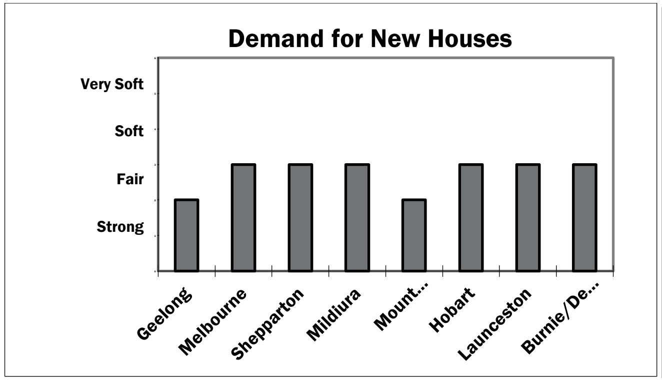
Victorian and Tasmanian Property Market Indicators – Houses

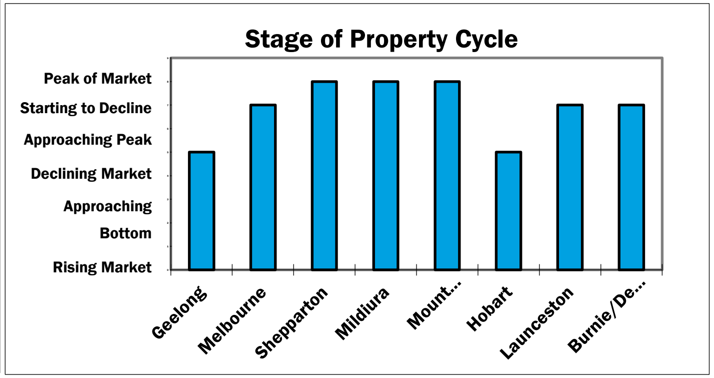
Factor	Geelong	Melbourne	Shepparton	Mildura	Mount Gambier	Hobart	Burnine/ Devenport	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property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

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

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







Victorian and Tasmanian Property Market Indicators – Units

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

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

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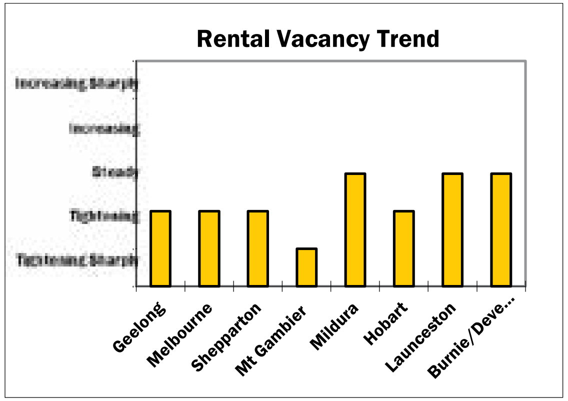

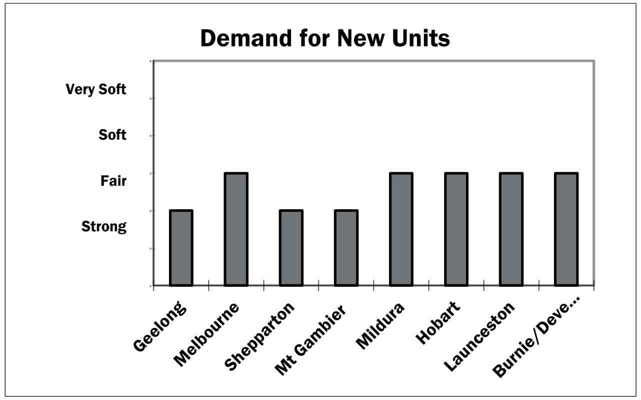

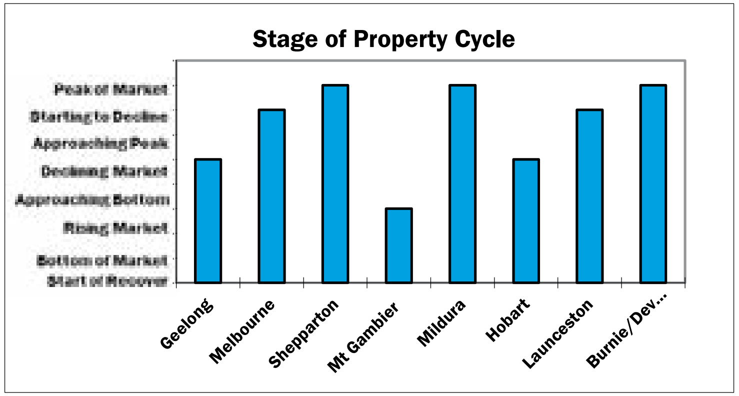

Victorian and Tasmanian Property Market Indicators – Industrial

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

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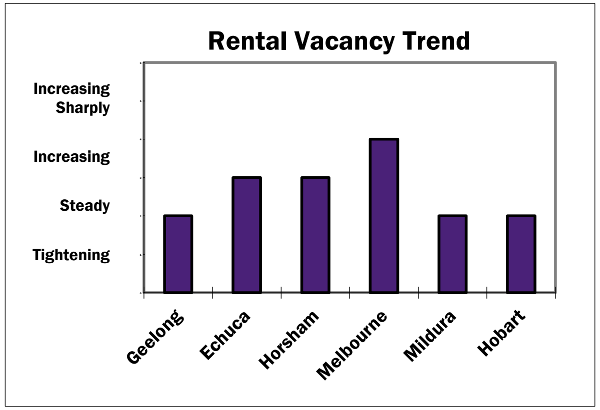

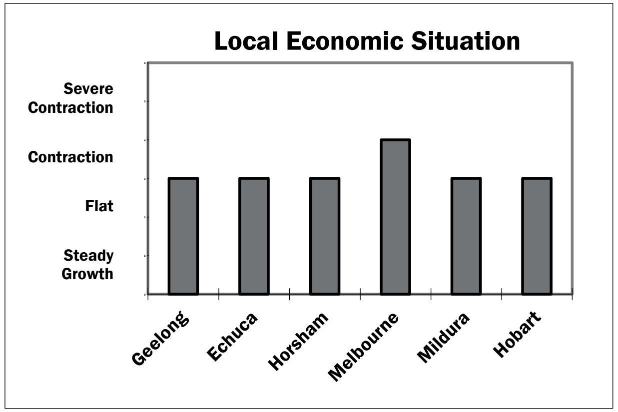

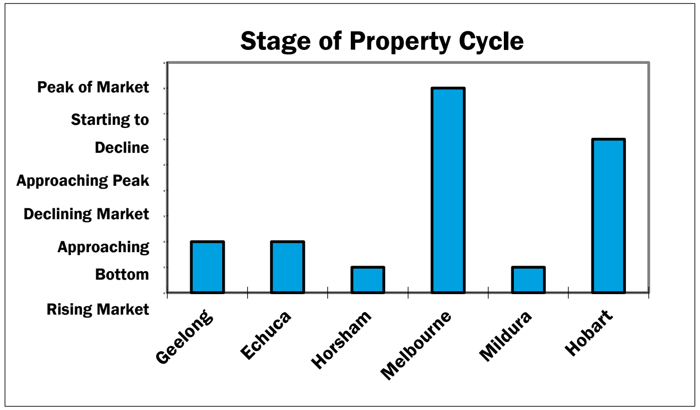

Queensland Property Market Indicators – Houses

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

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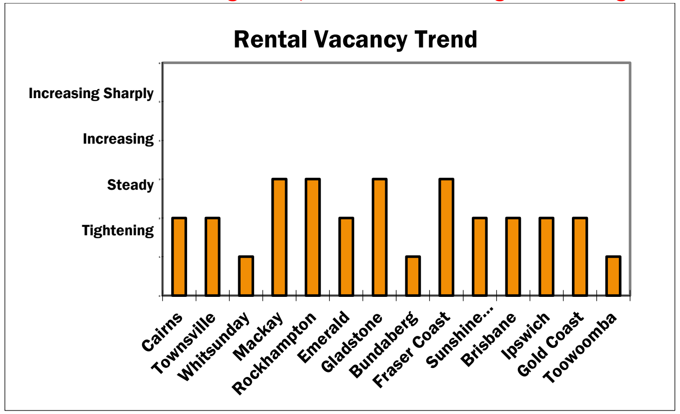
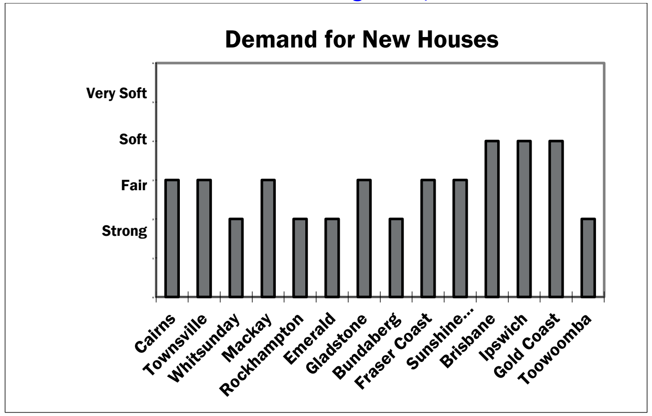
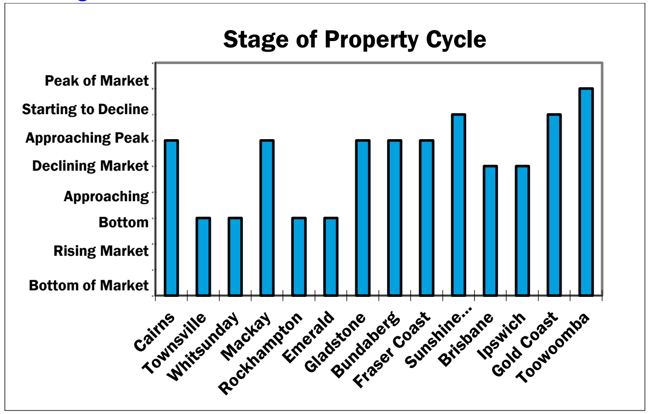
Blue entries indicate change from previous month to a lower risk-rating







Queensland Property Market Indicators – Units

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

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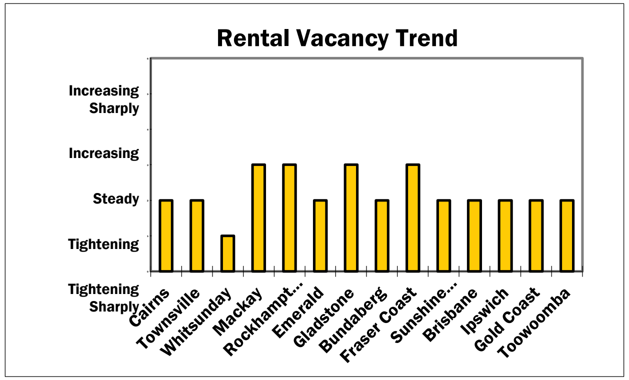
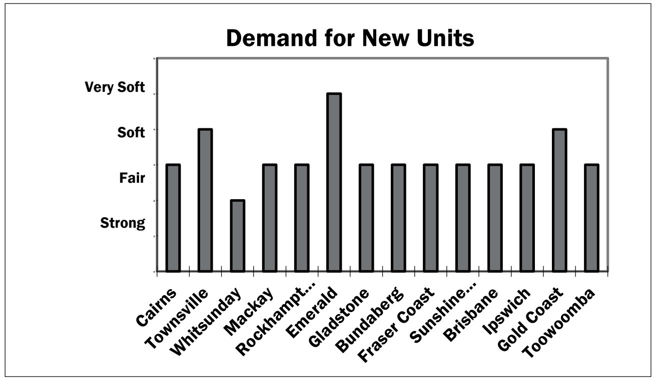
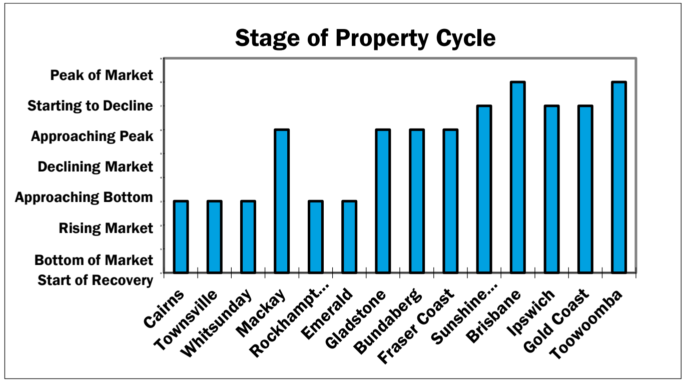
Blue entries indicate change from previous month to a lower risk-rating



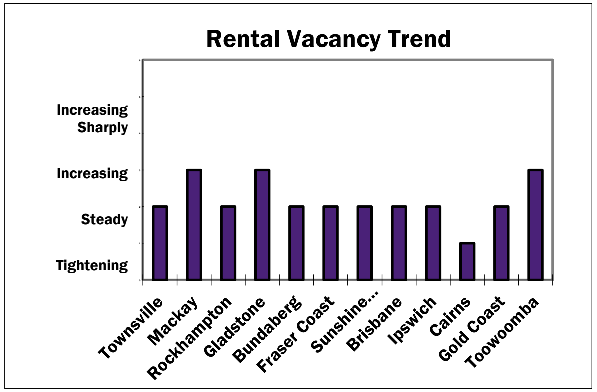


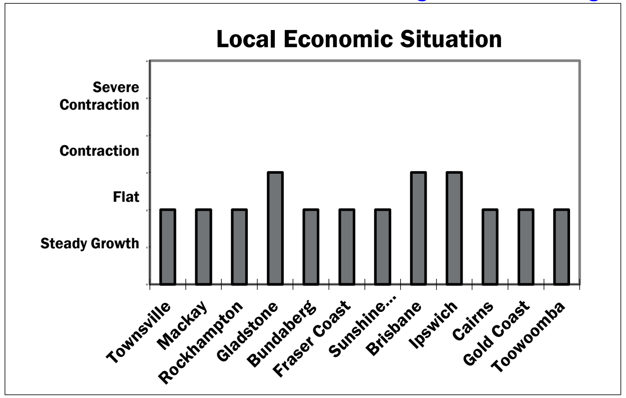


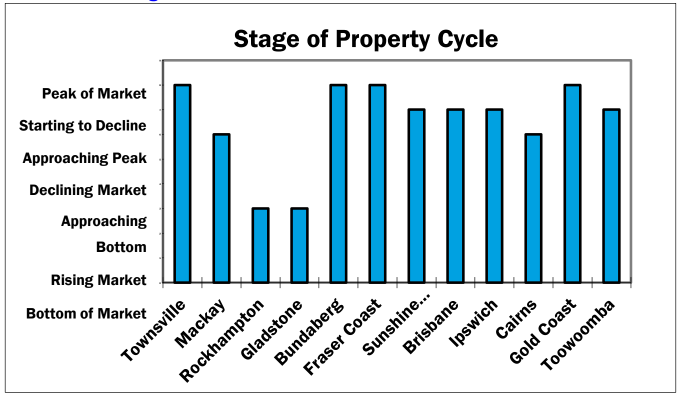
Queensland Property Market Indicators – Industrial

Factor	Townsville	Mackay	Rockhampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Cairns	Gold Coast	Toowoomba
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	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	Balanced market
Rental Vacancy Trend	Tightening	Steady	Tightening	Steady	Tightening	Tightening	Tightening	Tightening	Tightening	Tightening sharply	Tightening	Steady
Rental Rate Trend	Stable	Stable	Increasing	Stable	Increasing	Increasing	Stable	Increasing	Increasing	Increasing	Increasing	Stable
Volume of Property Sales	Steady	Steady	Increasing strongly	Steady	Steady	Steady	Steady	Declining	Declining	Steady	Declining significantly	Declining
Stage of Property Cycle	Peak of market	Approaching peak of market	Rising market	Rising market	Peak of market	Peak of market	Starting to decline	Starting to decline	Starting to decline	Approaching peak of market	Peak of market	Starting to decline
Local Economic Situation	Steady growth	Steady growth	Steady growth	Flat	Steady growth	Steady growth	Steady growth	Flat	Flat	Steady growth	Steady growth	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Significant	Significant	Significant	Significant	Small	Significant	Significant	Significant	Small	Small	Large

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





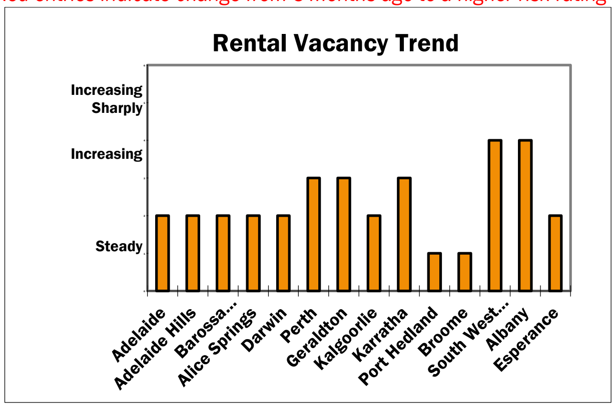


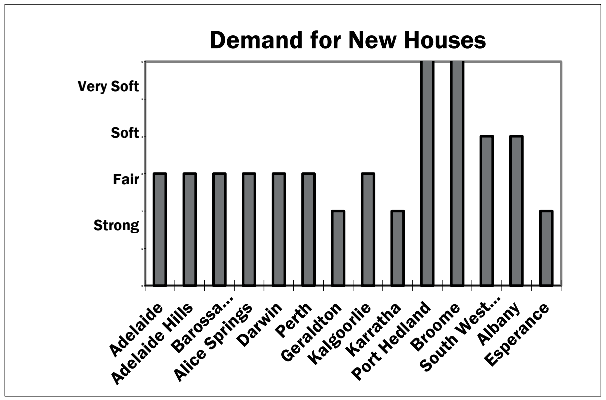
SA, NT and WA Property Market Indicators - Houses

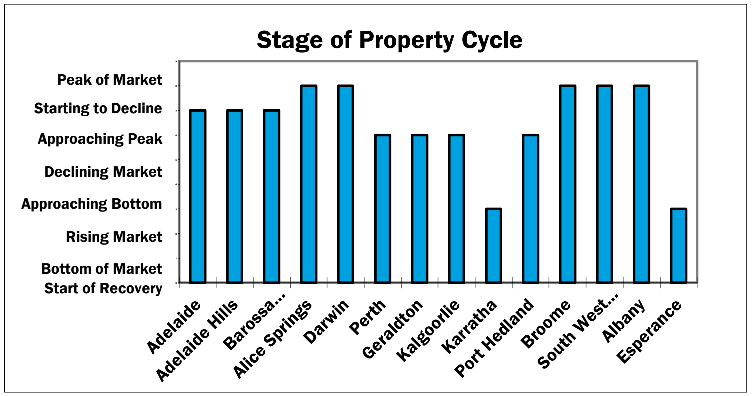
Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	Esperance
Rental Vacancy Situation	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage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

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





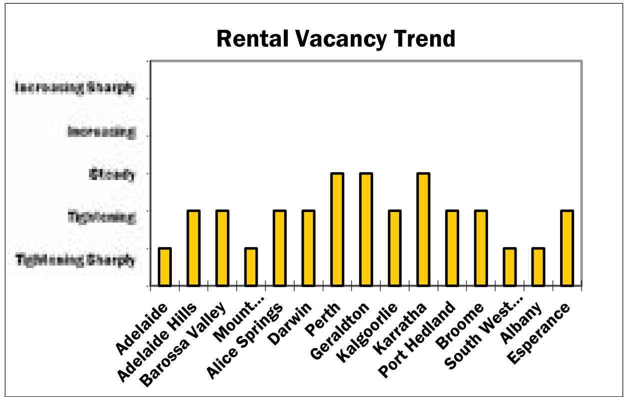


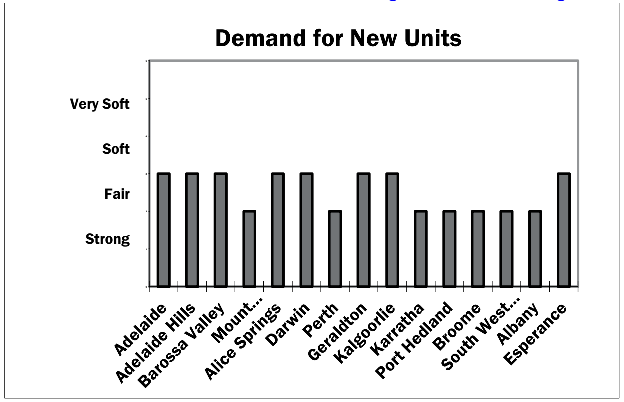
SA, NT and WA Property Market Indicators – Units

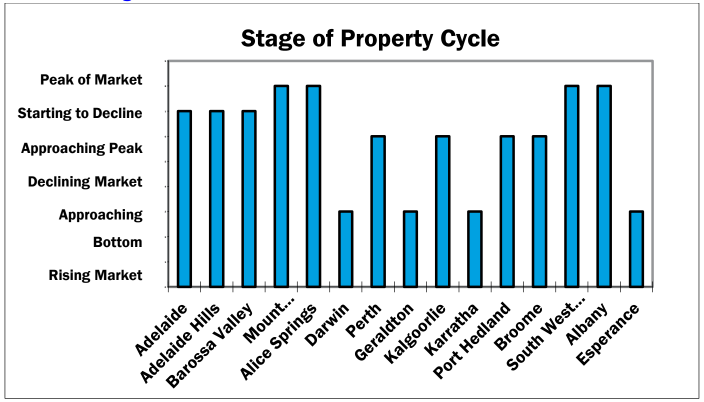
Factor	Adelaide	Adelaide Hills	Barossa Valley	Mount Gambier	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	Esperance
Rental Vacancy Situation	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand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

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

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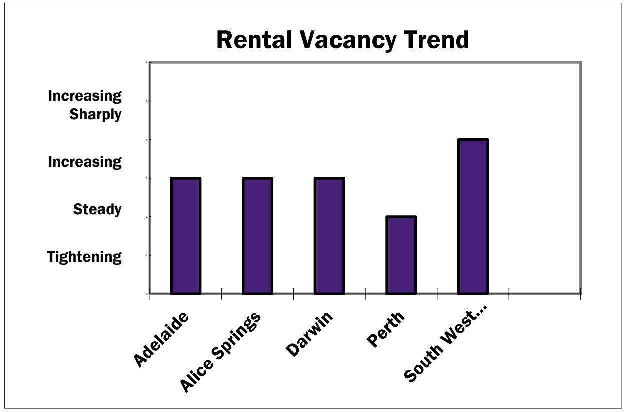

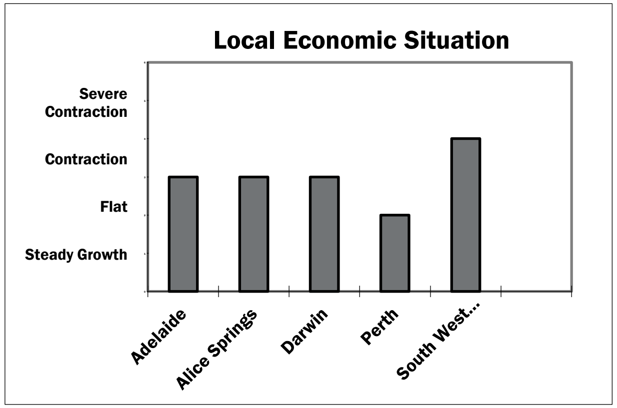

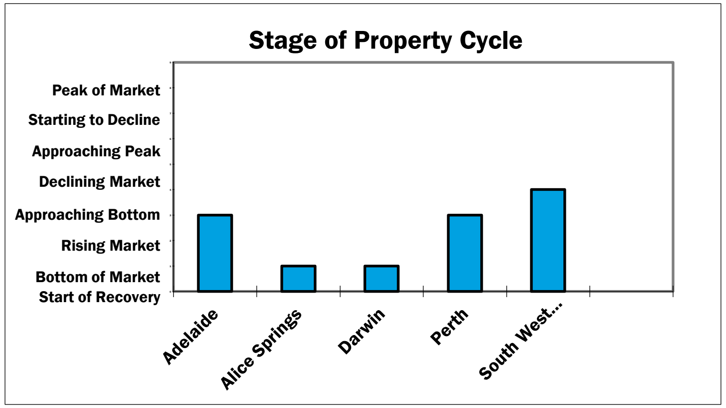

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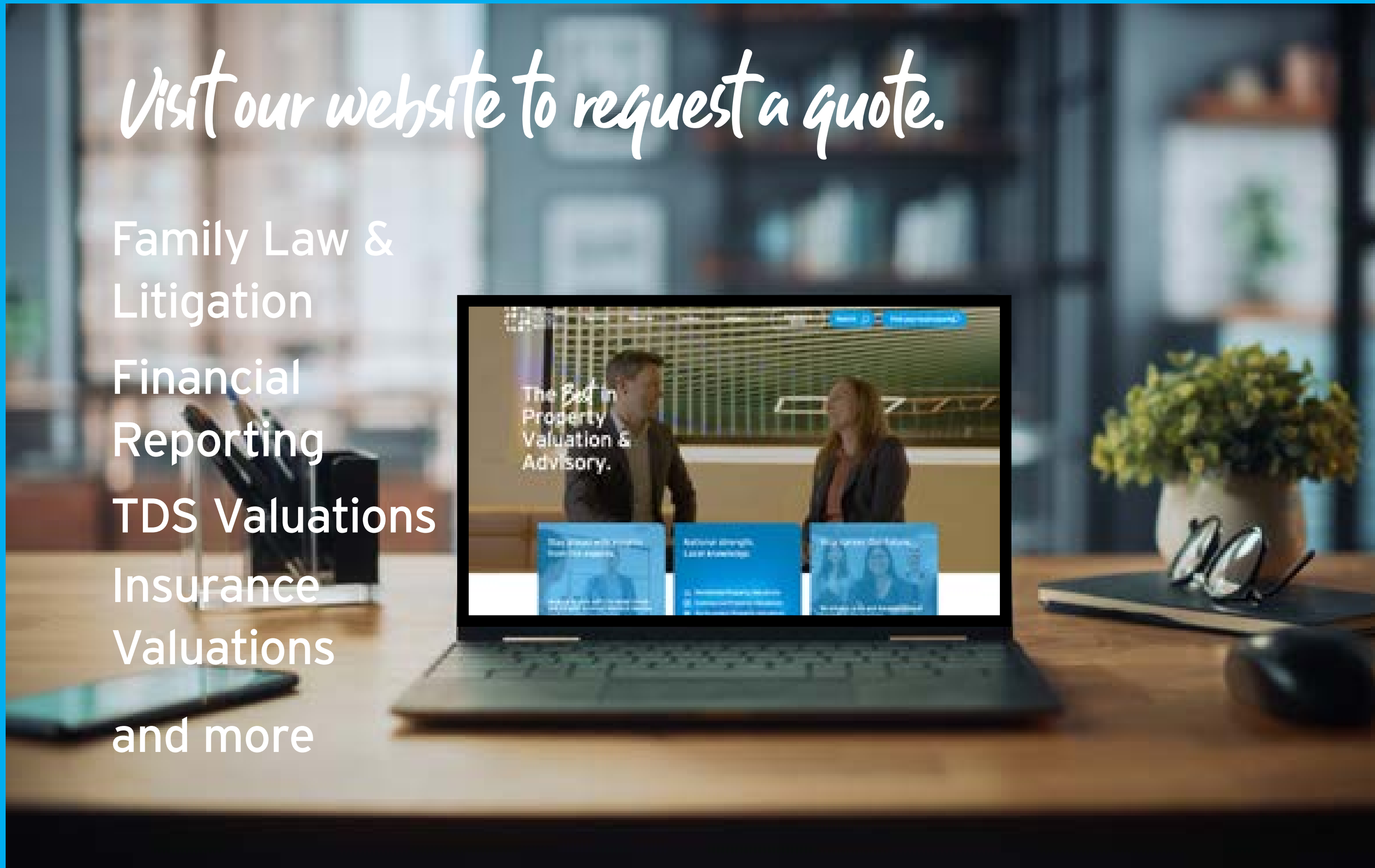

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