Month in Review

March 2023

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

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Disclaimer

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A message from our CEO

Welcome to the March edition of Month in Review

The pace of change and levels of uncertainty across the economy have now amplified further due to the recent events within the US banking industry. In this environment, the importance of expert perspectives on emerging issues cannot be ignored.

This was demonstrated at the recent Herron Todd White Rural Property Market Update events in both Brisbane and Melbourne. I personally attended in Melbourne, where national agribusiness client manager, Tim Lane, along with directors Will McLay and John Gunthorpe, delivered an in-depth analysis of agricultural property markets to a range of stakeholders.

I found two aspects of the presentations particularly interesting. The first was the continual strengthening of the agricultural property market. According to data analysed by our teams, various rural sectors saw 350 to 500-plus per cent increases in property values from 2011 to 2021.

Even more astounding was that in the past 12 months, there was another 15 per cent to 30 per cent in gains in response to low-interest rates, high commodity prices and improved seasonal conditions.

But the real value of our team's advice are their views on the future as those positive drivers begin to unwind. For our readers, there'll be a full rundown of these predictions in next month's edition of Month in Review.

The second compelling point from the presentation was the rising prominence of carbon capture as a revenue and capital value generator. The evolution of carbon capture as a dominant force has prompted us here at Herron Todd White to establish a Carbon Team within the group. This cohort will undertake all carbon assessments while addressing changes in legislation and the evolving basis of methodologies used to assess carbon impacts.

I'm immensely proud to be part of an organisation taking the lead in important discussions like these.

In this month's edition of Month in Review, our residential valuers have focused on investment markets around Australia.

Their locational analysis of investor activity across the country is a must-read for anyone interested in the field.

Our commercial specialists have delivered an outlook on the retail sector for major markets across the nation. Their perspectives provide the sort of in-depth analysis which only comes from daily engagement with these assets.

Finally, our rural professionals have stepped up to not only deliver their views on primary production assets but also detail what elements are influencing the value of rural properties and how those are positioned going forward.

Please enjoy our March edition of Month in Review.

Gary Brinkworth
CEO

Market participants can make astute judgements by relying on a specialist's experience, resources and skills.

Commercial

March 2023

National Retail Overview

Monthly retail trade figures have been relatively volatile recently. The Australian Bureau of Statistics (ABS) reported that monthly Australian retail turnover (seasonally adjusted) rebounded with a rise of 1.9 per cent in January 2023 following a decline of four per cent in December 2022. The largest increases in January 2023 were in the categories of department stores (8.8 per cent) and clothing, footwear and personal accessory retailing (6.5 per cent), however the results followed significant negative movements for these categories in December 2022 of 14.3 per cent for department stores and 13.1 per cent for clothing, footwear and personal accessory retailing. Retail turnover rose across all states and territories in January 2023 in contrast to the negative results recorded in December 2022.

Some evidence, including data from leasing agents, indicates that retail vacancies in the major central business districts and many well-regarded suburban strips have declined in recent months.

Recent retail turnover figures have been substantially affected by the Christmas and holiday period. The decline in December 2022 was partially a result of the large volumes of spending in the November 2022 sales such as the Black Friday sales as many consumers brought forward holiday gift purchases to obtain discounts whilst battling growing cost of living pressures. The overall trend demonstrated by the ABS figures is that growth in retail spending has been very subdued. Monthly growth of less than one per cent was recorded in each of the months from April to October 2022 up to the more seasonal spending of the summer holiday period.

It appears very likely that the Reserve Bank of Australia (RBA) will implement further cash rate rises during the first half of 2023. This follows the rate increases since May 2022. The increased cost of borrowing is placing substantial pressure on many household budgets and is likely to continue to have a negative impact on retail spending. A significant percentage of mortgage holders have fixed rate periods expiring in 2023 which will result in large increases in repayments. Growth in retail spending is expected to continue to remain low throughout 2023.

Consumer confidence has been significantly dampened by higher inflation and the impact of recent and expected further interest rate rises. The Westpac-Melbourne Institute Consumer Sentiment Index dropped 6.9 per cent in February 2023 to 78.5 and is now only slightly above the level when the COVID-19 pandemic period began in April 2020 and below the lowest recording of 79 during the Global Financial Crisis in 2008. As economists are forecasting further rate rises up until around June 2023, many consumers remain concerned about the challenging year ahead for the economy and their personal financial situation.

Reduced retail spending in addition to rising costs such as wages and energy puts pressure on retailer affordability of rents and other outgoings. In many areas of Australia, retail leasing conditions remain challenging and downward pressure on rents for retail tenancies is evident. Tenants are seeking greater flexibility including shorter initial terms and are seeking to negotiate lower rents and higher levels of incentives such as discounted rent or rent-free periods upon commencement of new leases or renewals.

It is expected that there will continue to be a good level of demand for quality retail properties in strong retail locations from investors, particularly high net worth buyers and those with strong cash reserves or good borrowing capacity.

General leasing conditions in many areas remain difficult however there is still good demand within prime locations, particularly from food-based and retail service tenants. Some evidence, including data from leasing agents, indicates that retail vacancies in the major central business districts (CBDs) and many well-regarded suburban strips have declined in recent months. Recent data shows foot traffic in the major CBDs throughout Australia is increasing, albeit not to pre-pandemic levels. Office occupancy remains lower than prior to COVID-19 and many workers continue to prefer a hybrid schedule, however there are increasing levels of visitors to major CBDs including on Thursday evenings and on weekends.

Expected to have a positive impact on retail spending and hospitality activity in the major CBDs, particularly in Melbourne and Sydney, is the increase in the number of international students returning to Australia. Over 40,000 Chinese students are expected to return to Australia in the next few months following the Chinese government's recent announcement of restrictions on foreign online course accreditation. Prior to COVID-19, China was Australia's major source of international visitors and Chinese tourists and students spent approximately $12 billion in Australia each year. Forecasts indicate that the number of international tourist visitors to Australia will not return to pre-pandemic levels until at least 2025, therefore it is likely it will take an extended period before former spending levels are achieved.

The retail investment market is forecast to record varied results during 2023. The volume of sales transactions of retail property assets throughout Australia has slowed in recent months; there appears to be fewer active buyers and sales are taking longer to transact. There appears to be a widening gap between vendor and purchaser expectations. Higher levels of sales transaction activity are anticipated during the second half of 2023 once greater certainty around the upper level of interest rates is achieved.

It is expected that there will continue to be a good level of demand for quality retail properties in strong retail locations from investors, particularly high net worth buyers and those with strong cash reserves or good borrowing capacity. Investment demand is expected to remain resilient during 2023 for some retail property types such as neighbourhood shopping centres (with less exposure to discretionary spending), freestanding supermarkets and fast-food outlets with long term leases to major national tenants, which showed significant resilience during the COVID-19 pandemic. Demand exists for assets within these markets in the range of up to $40 million from investors seeking security of income and potential longer term capital growth. There is currently limited stock of quality assets of this nature available for sale. The majority of private investors hold these asset types on a long term basis.

Demonstrating the current strength of demand from investors for these high-quality assets leased to major national tenants is the sale in February 2023 of a Coles supermarket in Toowoomba, Queensland, for $27.4 million reflecting a yield of 5.2%. The property was sold by Coles Group Property Developments on a leaseback basis for a remaining term of nine years plus options until 2073. The selling agents reported that there was considerable interest from prospective purchasers with over 200 enquiries.

Due to current economic uncertainly, the effects of higher inflation and rising interest rates, some retail property asset types, particularly those in secondary locations and areas with low tenant demand and high vacancy rates, are likely to experience a further softening in yields and a further correction in values. Investment yields are likely to continue to soften for some retail assets during 2023, including for sub-regional shopping centres with higher exposure to discretionary retail spending.

Vanessa Hoey
Director

National Property Clock: *Retail*

Entries coloured purple indicate positional change from last month.

PEAK OF MARKET
Central Coast
Hobart
South East NSW
Townsville

Starting to Decline
Burnie-Devonport
Gippsland
Gold Coast
Launceston
Mid North Coast
Newcastle
Sunshine Coast

DECLINING MARKET
Balina/Byron Bay
Brisbane
Canberra
Coffs Harbour
Darwin
Echuca
Esperance
Geraldton
Illawarra
Ipswich
Melbourne
Sydney

Approaching Bottom of Market

BOTTOM OF MARKET
Alice Springs
Cairns
Emerald
Lismore
Perth
South West WA
Toowoomba

Start of Recovery
Adelaide
Adelaide Hills
Barossa Valley
Geelong
Gladstone
Mildura

RISING MARKET
Ballarat
Bendigo
Bundaberg
Fraser Coast
Rockhampton

Approaching Peak of Market
Mackay

HERRON TODD WHITE

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New South Wales - Retail 2023

Sydney

The retail market in Sydney was subdued throughout 2022. We noted fewer transactions particularly in the last quarter of 2022. Looking ahead we anticipate weaker market conditions and general softening. Retail was slow to recover post-COVID and now rising interest rates and inflation are starting to make an impact on the market.

Whilst we started to see some green shoots in 2022, we are less optimistic about 2023. The pressure of interest rates and inflation along with general economic downturn is likely to influence the market this year. Coupled with oversupply in some suburban areas and ongoing reduced patronage in the CBD, it is likely the retail market will suffer.

Showing that there is still some interest from investors was the recent sale of a 260 square metre strata shop on the ground floor of a modern unit complex in South Sydney. The sale reflected a circa 7.0% net passing yield and overall had quite a good lease profile. The sale indicates that investors will require a higher return. We believe that buyers will demand stronger income in order to counter the impact of rising rates and inflation.

Rents look likely to stagnate this year with incentives tipped to increase. Following some post-COVID recovery to rents, we anticipate this year will see some retailers struggle with reduced trade and therefore increases to rental rates is improbable.

The upside is that food and beverage has been performing quite well in some areas and there is demand in this sector for well-located properties.

Over the next 12 months there will be challenges ahead for the retail market. Further interest rate rises are likely to trigger a reduction in household spending which in turn will impact the retail market. There will be some assets that weather the storm but our general outlook is for weakening conditions ahead.

Angeline Mann
Commercial Director

Newcastle

Here we are reporting on the retail property market for the first time in 2023. At the time of writing, economic commentators are laser focused on interest rate rises (ten and counting), with a general consensus of three more rate rises on the cards this year. The Reserve Bank is doing all it can to stem high inflation levels and this is the only lever they have to pull - and they're giving it a good yank! Many pundits note that the only thing that will put a real dampener on current levels of inflation is a recession, or hard landing as the RBA puts it. I guess saying "we're deliberately plunging our country into recession" doesn't have a great ring to it.

This all of course puts great pressure on household spending and in turn, retail property. Let's assume that we do go into recession at a time when interest rates are higher than they've been in well over a decade; that would certainly put a few mum and dad retailers to the wall. I would suggest the affordability of rents will decrease, leading to lower rental rates, higher yields (given higher lending rates), an increase in rental incentives and extended letting up periods with higher overall vacancy rates. All a bit doom and gloom from this Herron Todd White valuer today (sorry about that!). One thing we must not do is paint a rosy picture of the truth; as valuers, we oftentimes are the conveyors of bad news. Should we reach a recession, the above listed market factors would be inevitable, driving down retail market values in the short term. I should note that we've just had an unprecedented market boom and at the very least, some market softening is a given.

At the moment though we are seeing a limited number of properties coming to the market for sale, listing numbers are down across the board so should that continue we don't see precipitous property value falls, but certainly downward pressure across the board in 2023.

Ed Thwaites
Director

Let's assume that we do go into recession at a time when interest rates are higher than they've been in well over a decade; that would certainly put a few mum and dad retailers to the wall.

Victoria - Retail 2023

Melbourne

Towards the end of 2022, the Melbourne retail property market experienced a slowdown in activity across both the sales and leasing sectors as many participants adopted a wait and see approach given the wider uncertainties in the economy. This uncertainty appears to be continuing in 2023.

Melbourne's CBD continues to adapt to post pandemic life with levels of footfall within the CBD still below pre-pandemic levels. CBD retail assets appear to be impacted by this ongoing reduced level of traffic with a significant number of retail tenancies available for lease (in excess of 200 listings for retail tenancies in late February 2023) and a limited number of premises on the market for sale. With staff being encouraged to return to offices and some larger operators moving from suburban locations to the CBD to attract high quality talent, it is possible we will see a reduction in retail vacancies in 2023.

While prime retail assets with long leases to national operators appear to be still trading well, albeit in limited volumes, there is somewhat limited demand for secondary and vacant properties. There appears to be a continued divergence between asset classes, with increased demand for quality property in top locations versus reduced interest in secondary assets and locations.

Yields for assets within the CBD and suburban markets appear to have softened somewhat as the impacts of the ten consecutive interest rate rises to March 2023 implemented by the Reserve Bank of Australia (RBA) are encouraging investors to reconsider their short and medium term strategies and recalculate their risk-free rates. Some retail property types such as supermarkets and national fast-food outlets continued to show significant resilience through the end of 2022 and into early 2023.

Looking forward to the remainder of 2023, there appear to be a number of headwinds building which may impact the wider property market and in particular the retail market.

Rental affordability continues to be a key concern for retail tenants. In the CBD, changes to work practices appear to have been broadly adopted with many office workers continuing to prefer working some or most days from home. While tourist and international student numbers are slowly returning to pre-pandemic levels in Melbourne, there is still a reduced number of people within the CBD. The ability of retail businesses within the Melbourne CBD to generate sufficient turnover and maintain rental payments continues to be negatively affected. The wider metropolitan leasing market has remained subdued although has not been as significantly impacted by the changes in work practices or tourism levels.

At the Burgess Rawson December 2022 Portfolio Auction, ten Victorian properties sold under the hammer with an additional five being successfully negotiated pre and post auction. The portfolio sale included a mixture of assets, varying tenancy structures and commercial locations resulting in an average yield of 4.94%. One of the stronger results at the auction was for the Seymour IGA and Liquor in regional Victoria, which achieved a sale price of $2.005 million, reflecting a passing yield of 4.15%. This trend continued throughout the auction with the assets underpinned by nationally recognised tenants receiving the most interest. The auction fell on the same day as the seventh consecutive interest rate when the cash rate reached 3.10 per cent.

Generally, there does not appear to be many opportunities in the market as owners of properties occupied by high quality tenants with long leases are typically holding onto their assets where possible, whilst secondary and vacant properties are offered to the market some time after significant unsuccessful leasing campaigns with little interest.

We have also witnessed a softening of yields and capital values for retail properties which in 2021 or 2022 may have been considered development sites or sites with significant underlying development potential. This appears to be a result of ongoing increased construction costs, delays in securing various approvals and the significant potential for delays coupled with increased holding costs. For similar reasons, there also appears to be reduced levels of interest for properties in unlettable condition and those requiring significant capital expenditure.

Looking forward to the remainder of 2023, there appear to be a number of headwinds building which may impact the wider property market and in particular the retail market. The upwards interest rate cycle which commenced in May 2022 appears likely to continue at least into April as the RBA continues its attempt to curb high inflation figures. Transactions of prime retail assets with long leases to national operators are expected to remain stable in 2023 with further stagnation or declines for secondary properties expected. Overall, these factors make it difficult to predict how the local economy and property markets will perform in the short to medium term, although market fundamentals suggest an increasing likelihood of a downward correction in values.

Nick Michaels
Director

Queensland - Retail 2023

Brisbane

The turning point for inflation is currently expected in early to mid-2023. This will provide greater clarity on the interest rate outlook and is expected to restore confidence and liquidity in the retail sector by late 2023. However, rising rents will create uncertainty for businesses and while many buyer types will retreat, savvy investors will capitalise on increased yields or even vacant assets. We would highlight that vendor and buyer expectations are still quite far apart and agents are reporting that getting retail listings is presently very difficult, therefore sales volumes are down compared to recent years and this trend will continue throughout 2023.

Strong retail sales growth and rising population growth are positive signs for the retail sector, however recent economic developments such as the increases in inflation and interest rates have had a significant impact on consumer sentiment. In addition, cost of living pressures and a decline in real wages have put pressure on household budgets.

For the last quarter, net face rents were stable in most sectors with regional and neighbourhood centres recording the largest increase (0.6 per cent and 0.5 per cent respectively).

Vendor and buyer expectations are still quite far apart and agents are reporting that getting retail listings is presently very difficult, therefore sales volumes are down.

Yields softened across all asset classes except super prime CBD (stable). We are beginning to see the early stages of an increase in yields on the back of the recent interest rate rises, although sales volumes are very low so it is still difficult to draw any precise conclusions. The general consensus is that the market is softening for retail investment properties.

Below are sales that demonstrate the state of the market and how yields have been performing.

It is our view that investment yield in 2023 will increase and rents will remain stable as businesses will be entering a period of reduced consumer spending. Good quality assets in prime locations with secure cash flow will remain in high demand and we are expecting the yield gap between quality and secondary properties to widen.

Terry Munn
Director

Address	Sale Date	Sale Price	Land Area (m2)	Lettable Area (m2)	Passing Yield (%)	Analysed Market Yield (%)	$/m2 Lettable Area
1. 1650 Anzac Avenue, Mango Hill	30/11/2022	$6,900,000	5,020	886	7.54	7.29	$7,788
2. 154-162 Clarke Road, Crestmead	15/09/2022	$7,275,000	4,725	812	5.77	5.77	$8,959

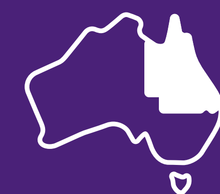
Gold Coast

This year, the Gold Coast retail market is shaping up to be a roller coaster ride. With a return of tourist numbers and strong ongoing consumer spending lifting us up, the contrast of ongoing inflationary concerns and increased borrowing costs could equally drop us back down to earth. These influences will no doubt play out in different ways throughout the region.

Surfers Paradise is well known as being the primary tourist locality on the Gold Coast. The retail leasing market in the beachside tourist precinct is improving off the back of returning domestic and international visitors and students and drawcard events such as concerts, festivals and conferences.

During the pandemic, visitor numbers were substantially reduced, resulting in increased vacancy and downward pressure on rents. However, the leasing market has been in recovery phase for some time, with the current outlook being more positive. Vacancy rates are reducing and rental rates are improving, although there remains a reasonable level of vacancy for secondary positioned tenancies.

The prime beachside and mall tenancies are well occupied. The recently extended Paradise Centre has reinvigorated the beachside end of the Cavill



Mall and in conjunction with the Soul Boardwalk, now provides a vibrant beachside dining precinct.

Despite this positivity, macroeconomic factors such as rising interest rates and inflation have generally dampened investor demand. Anecdotal evidence indicates that investment yields have softened by as much as 0.5% to 0.75% in recent months, however more time and data is required to demonstrate a clear trend. As a result, the majority of interest and confidence in this asset class remains focused on the non-discretionary retail sector as a hedge against weakened economic conditions.

Despite the wait and see approach being taken by some investors, the retail market continues to be highly buoyant for small premises appealing to owner-occupiers, particularly in the southern reaches of the Gold Coast. For such areas, we anticipate only a flattening of values across the board, with the potential for some slight value declines. This is based on recent agent feedback that stock is very limited, coupled with current statistics showing that buyer enquiry for residential properties remains at around 50 per cent from interstate parties, underpinning the increase in the permanent population base in these areas.

There do not appear to be many good buying opportunities at this time, although this may change subsequent to several further cash rate rises.

Ryan Kohler
Director

Sunshine Coast

In our previous iteration for retail (October 2022) we highlighted that, like most asset classes, retail saw a strong upward swing in values as a result of record low interest rates and government stimulus provided to consumers off the back of COVID-19. We did however outline how the market was becoming shaky as numerous headwinds (inflation and rising interest rates) presented themselves throughout 2022. As we progress into 2023, these headwinds have picked up considerably with inflation now sitting at 7.8 per cent and the cash rate at 3.6 per cent in order to contain the former.

We believe values will continue to soften as the effects of the rate rises flow through, however fewer transactions will likely be a result of economic uncertainty and vendors sitting tight.

Broadly, how do we believe 2023 will play out for this sector? Like many others, we think it will get tougher before it gets better. Starting with the rental market, we generally saw an increase in demand and an uptick in achieved rental rates (particularly in sought after locations) as restrictions imposed throughout COVID-19 eased and consumer spending rose. Conditions for business operators have quickly shifted however, with the current environment proving very difficult to operate within for small retail business owners. As a result of this, we believe vacancies will increase and a general softening of rental rates and an increase in incentives will occur. We consider demand will remain strong for prime retailing strips however secondary retailing locations will likely be more impacted.

Supply of retail holdings available for purchase on the Sunshine Coast remains low. As with other asset classes, agents have however indicated a perceived softening of yields for investment properties in line with rising borrowing costs. Limited recent transactions however make it difficult to determine what impact the rate rises have had on yields to date. We believe values will continue to soften as the effects of the rate rises flow through, however fewer transactions will likely be a result of economic uncertainty and vendors sitting tight.

One of the market segments that still seems to have some strength is the owner-occupier market. This market in the sub $1 million range is still active, particularly in the hinterland areas, where typically over half of the retail areas are owner-occupied.

Blue chip assets with strong lease covenants will likely remain sought after, however secondary properties or those offered vacant are likely to require discounting in order to transact. 2023 is looking to be a stark contrast to what was occurring 12 to 18 months ago with buyers and tenants alike being increasingly vigilant.

Jaydon McDowell
Associate Director

Cairns

Retail in Cairns at present caters to two different markets: locals and tourists. Retail catering to the local market remains reasonably strong with relatively low vacancies, reasonable demand and very limited stock to either rent or buy. Smaller suburban retail rents tend to be in the range of $350 to $450 per square metre and yields in the order of 6.0% to 7.0% depending on quality of tenant and building and lease tenure, though smaller affordable stratas will show lower yields.

Rising interest rates and rising cost of living expenses may see this situation change as we move through the year as disposable income decreases.

Retail catering to the tourist market is primarily located in the central business district and the Esplanade and is very different, with high vacancies in non-Esplanade locations and limited demand for retail accommodation.

Much of the retail in this precinct is supported by international tourists who have been all but non-existent since COVID. It is expected to be some time before numbers of international tourists on the ground create a demand for the reopening of many now closed retail outlets.

On a more positive note, domestic tourism has been very buoyant since early 2022 and food outlets and restaurants in the prime precincts mainly along the Esplanade retail precinct have been trading very well.

Whilst vacancies within the CBD are high, properties remain generally tightly held by long term owners.

Shane Quinn
Director

Townsville

While we don't have a crystal ball, we can analyse the past few years and overlay that with broad level predictions, both property and economic.

2019 through to 2021 revealed a localised commercial recalibration from: the February 2019 flood event; a subdued environment throughout COVID-19 lock-outs and trade restrictions, transitioning into relaxations and varying upturns in consumer demand in 2021; to a full-blown low interest rate investor buyer frenzy during 2022. Strong retail trade bolstered the retail sector and investor demand was at all-time highs for suburban and neighbourhood centres along with well exposed strip retail assets and large format retail centres.

Investment yields remain firm with a market spread of 6.25% to 8.25% at this point in time, although these typically vary between strong performing centres and poorly performing assets in secondary areas where risk yields are reaching 10%. Supermarket anchored suburban centres are generally considered a lower risk investment with property commentators indicating at least a 100 basis point differential over median yields in comparison to higher risk, higher priced shopping centres.

Regionally speaking, 2023 is likely to be another year of low volumes of tightly held, high performing centres. Elevated demand and competitive forces will remain in-situ for assets that provide adequate yield buffering against rising interest rates and inflationary concerns about debt funding ratios.

In any case, our prediction is towards a decompression of yields in the commercial sector, potentially in the latter stages of 2023. Furthermore and worth highlighting is that costs of new construction will continue to eradicate new bricks and mortar entrants and in turn outprice any current off the plan proposals. Based on previous cycles, this may trigger movement towards a tightening in retail vacancy rates within existing centres with some increased potential for uplift in rental rates, albeit over the medium to long term.

Inversely, the overarching cost of living issue and high potential for mortgage stress will inevitably illuminate the increased potential for a retail recession leading into 2024.

Jason Searston
Director

Toowoomba

Retail leasing activity in Toowoomba increased slightly during 2022. This followed two years of subdued demand with the market negatively impacted by the effects of COVID-19. The impact of interest rate increases, inflation and economic uncertainty will likely result in caution from retail tenants in the coming year.

Investor demand was very strong over the past two years with limited investment sales due to a lack of supply. Investment yields are expected to soften due to the recent increase in interest rates.

192-198 James Street, South Toowoomba Source: commercialready.com.au

Elevated demand and competitive forces will remain in-situ for assets that provide adequate yield buffering against rising interest rates and inflationary concerns about debt funding ratios.

The Red Edge Shopping Centre at 192-198 James Street, South Toowoomba has recently been listed for sale via an expressions of interest campaign closing in March. The centre is predominantly food-based with tenants including Subway, Sunshine Kebabs and Grill'd. The centre contains a couple of vacant tenancies which may reduce appeal to passive investors.

Retail development in 2023 will include:

- a new retail showroom complex on the corner of James and Neil Streets. The project will contain three tenancies which are reportedly pre-leased to national tenants.
- ongoing redevelopment of the Wilsonton Shopping Centre which includes demolition of older sections of the centre and construction of a 7-Eleven service station, fast food tenancies (including Starbucks), car wash and a showroom tenancy.
- construction of two detached food outlets for KFC and Taco Bell by the owners of Clifford Gardens Shopping Centre.
- a new Hungry Jack's at 171 Anzac Avenue, Harristown (adjoins a Caltex service station).
- a food outlet on the corner of Bridge Street and Richmond Drive in Wilsonton to be leased to Guzman y Gomez.

South Australia - Retail 2023

Adelaide

The Adelaide retail market has remained broadly stable compared to other property markets amidst the ten consecutive interest rate hikes. This attempt to curb inflation has resulted in the staggering growth of borrowing costs which has contributed to a large price expectation gap between buyers and sellers. Consumer sentiment has risen 8.1 per cent over the past two months from 78.0 to 84.3, still well below the long-term average of 111.9 points although hints at some short term optimism from consumers. Recent data from the Australian Bureau of Statistics indicates that the Consumer Price Index (CPI) rose to 7.8 per cent in December 2022, greatly above the RBA's goal of inflation within two to three per cent.

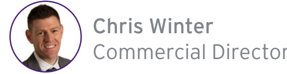
Adelaide retail rents have shown resilience with rental growth in large format retail being reported at over two per cent. Seasonal spending coupled with high household savings has provided a safeguard to weather the current macroeconomic environment, which is anticipated to soften throughout 2023. Future rental growth forecasts are heavily reliant on the impact of rising rates which are yet to take effect in limiting spending within the economy. Consumer sentiment is a key determinant for retail sales and therefore influences demand for retail space given that an increase in sales volumes increases a tenant's ability to pay greater rent. Adversely, poor sales performances will force retailers to pursue cheaper properties, significantly impacting occupancy rates and in turn revenue for property owners. We anticipate retail net face rents will

This attempt to curb inflation has resulted in the staggering growth of borrowing costs which has contributed to a large price expectation gap between buyers and sellers.

continue to slowly increase given they typically comprise inflation-linked income via CPI rent reviews which are better suited to follow sharp inflationary pressures.

Yields are expected to soften throughout 2023 as the full effects of the macroeconomic environment influence the property market. The effects of the interest rate rises greatly deter buyers from entering the market given the inflated costs along with other more promising investment routes. Whilst it's difficult to forecast what will evolve throughout the coming months, we are anticipating rental growth to subdue along with a further softening of yields. We expect investor demand for quality assets in desirable locations to continue attracting significant interest regardless of the economic environment.

The eventual peak for interest rates and subsequently inflation in 2023 has led to conflicting commentary regarding the outlook for the retail market. Ten projects comprising 72,850 square metres of retail supply is anticipated to be constructed by the end of 2023 which is likely to result in an increase in transactional activity to end the year.



Chris Winter
Commercial Director

Western Australia - Retail 2023

COMMERCIAL - RETAIL

Perth

The retail property market in Western Australia enters the 2023 calendar year at arguably the bottom of the sector's property cycle. The big question is to what extent the succession of interest rate rises since May 2022 together with persistent high inflation will further dampen investor and consumer confidence.

Initially, we expect market participants to exercise a degree of caution and await further clarity surrounding these key economic indicators. There is a growing risk that consumer savings accumulated during the pandemic lock-down periods are slowly being eroded which, together with higher mortgage repayments and cost of living pressures, will rein in consumer spending habits.

Nonetheless, purchase demand for local retail assets from eastern states based buyers appears likely to continue throughout the year, even against a background of rising interest rates, with the yields on offer in Western Australia remaining above and beyond those available in other markets, particularly New South Wales and Victoria.

We expect investment-grade retail property (eg. neighbourhood shopping centres) to remain a highly sought after yet tightly held asset in 2023, meeting key criteria that sophisticated investors continue to seek such as long remaining lease terms (ie. WALE), non-discretionary tenancy mix backed by strong lease covenants (typically associated with Coles or Woolworths) and sound locational attributes with a growing population catchment.

Purchase demand for local retail assets from eastern states based buyers appears likely to continue throughout the year.

Institutional buyers made local headlines at the start of 2023 with the following notable sales:

- Centuria Capital recently acquired the Margaret River Shopping Centre for $15 million, disclosing a passing yield of 6.47%. The centre comprises a Coles supermarket with Liquorland and three speciality shops. The lease to Coles reportedly accounts for over 80 per cent of rental income.
- A half-stake in Vicinity Centres' Rockingham shopping centre has been recently acquired by IP Generation for a reported $180 million in an off-market transaction. The regional size Rockingham Centre has a GLAR of over 62,000 square metres with surplus land of around 42,000 square metres.

Margaret River Shopping Centre — Source: realcommercial.com.au

The above transactions demonstrate that retail assets with a non-discretionary tenant base and clear value-add opportunities remain on investors' shopping lists.

Despite the succession of cash rate increases by the Reserve Bank of Australia since May 2022, any impact on capitalisation rates for retail 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 that a disparity over yield expectations between buyers and sellers is likely to emerge in the coming months which may limit the number of transactions in the short term. Further, the minimal yield differential between prime and secondary assets that has characterised the market over the past 36 months is likely to widen, impacting transaction volumes, particularly for secondary assets.

Traditional high street and suburban shopping hubs, despite much-publicised trading difficulties and visible vacancy, are likely to retain their convenience-driven customer pull. It could be argued that such destinations have benefitted

The outlook for retail property in Western Australia is highly uncertain with many factors at play in the market including inflationary concerns, recent and likely further interest rate rises and other macro-economic headwinds.

from the work from home movement, especially those located in middle and outer-ring residential suburbs. Accordingly, we expect current occupancy levels to remain fairly stable in the short term with minimal movement in achievable rental rates.

There has been some evidence to suggest that assets with sound real estate fundamentals are being repositioned or redeveloped by landlords weary of ongoing vacancy and substandard rental returns. The Western Australian Planning Commission has recently approved a proposed $720 million expansion of Scentre Group's Westfield Booragoon. The proposal would see Booragoon, locally known as Garden City, become the largest shopping centre in the state. The proposed expansion of this centre in the inner south-western corridor of Perth follows the completion of the refurbishment and extension works undertaken on the Karrinyup Shopping Centre, owned by UniSuper. This centre is located in the inner north-western corridor and is similarly characterised by a catchment area with an above average socio-economic demographic. The relative resilience of this cohort to higher interest rates and inflationary pressures provides a degree of confidence for shopping centre owners in these locations to pursue such significant construction programs.

In summary, the outlook for retail property in Western Australia is highly uncertain with many factors at play in the market including inflationary concerns, recent and likely further interest rate rises and other macro-economic headwinds.

At this stage, with a lack of transactional activity, it remains difficult to predict how the market will perform in the short to medium term, however there are likely to be further challenges for the retail sector as we navigate 2023.

Greg Lamborn
Director

Northern Territory - Retail 2023

Darwin

The retail property market in Darwin continues along on a fairly static level. There have been no recent developments due to the lack of general economic viability. At best, we are seeing existing buildings being re-purposed for retail, with the old Bunnings centre in Palmerston CBD being a good example.

Retail in the Darwin CBD is still feeling the pinch with even high profile, long term businesses feeling the strain and closing down. The well-publicised difficulties in Alice Springs, which are also felt in other Territory centres, remain a key area of concern for all retailers. Crime serves as a significant handbrake to retail and this issue really needs to be addressed before general retail trading conditions can improve in the Territory. The new owners of Casuarina Mall have identified that crime there is the worst of any of their centres in Australia and are redesigning access points to try to reduce all forms of anti-social behaviour.

The RSL site in the core of Darwin's CBD is the subject of some local conjecture. The old RSL building was destroyed by fire in 2018 and the site has been cleared but remains as a vacant parcel. It is a level, rectangular site of 1880 square metres on Cavenagh Street with rear access to Austin Lane. The high level of pedestrian traffic along Cavenagh Street would suggest that some type of retail would be suitable at ground level, with either office or residential use above.

Terry Roth
Director

Tasmania - Retail 2023

Hobart

The retail market in Hobart remains strong as we move into 2023, however with the current economic outlook prediction, it remains uncertain whether this strength will continue as the year progresses.

Whilst there's no official retail occupancy data available, local leasing agents estimate that the vacancy rate for CBD strip retail is currently circa one per cent with strong interest from national retailers, especially for prime strip and bulky goods. This is a significant change from previous years when prime retail was mainly occupied by local businesses; many national retailers are now seeking a presence within the Hobart CBD retail precinct.

There are also several national quick service retail tenants looking for appropriate drive-through sites.

Rents however have stabilised with some evidence in the market of incentives being negotiated into new lease terms of up to 10 per cent for lease agreements above the $150,000 per annum range.

The number of retail sale transactions is beginning to decline and there is some evidence that yields are beginning to show signs of softening from the peak of the market which was observed in 2021 and continued into 2022.

Larger, quality retail assets are tightly held with minimal transactions of $10 million plus properties.

Greater Hobart neighbourhood centres are virtually full and attracting great local and national tenants. The new Glebe Hill Village in Howrah is full and trading well and a new shopping centre in Margate is currently under construction.

Opportunities exist for conversion of standard retail premises into hospitality venues, with some capital expenditure for required upgrades. Notwithstanding, it is these freehold properties with essential service tenants that are attracting the lowest yields.

Tamara Neilsen
Director

Whilst there's no official retail occupancy data available, local leasing agents estimate that the vacancy rate for CBD strip retail is currently circa one per cent with strong interest from national retailers, especially for prime strip and bulky goods.

Residential

March 2023

National Residential Overview

While the pace of interest rate increases is setting the scene for more mortgage pain for owner-occupiers throughout 2023, especially those rolling off much lower fixed rates, it does create a complex environment for investors and potential opportunities.

The past three years have been characterised by the use of large market levers to respond to rapidly changing circumstances such as the immediate pandemic response, the economic uncertainty that followed and now elevated inflation through recovery. With any quickly applied market lever, adverse impacts may not appear straight away. Building grants and cheap money created unprecedented building demand and coupled with supply shortages, meant that fixed price building contracts put extraordinary pressure on builders and contributed to subsequent company failures. The significant drop in interest rates fuelled the conditions for unprecedented and almost universal increases in property prices across the country, with subsequent sensitivity to value falls and interest rate increases which we are now facing.

There is much conjecture regarding when the current interest rates will stabilise and whether we've seen the bottom of the market in places such as Sydney and Melbourne which have seen some of the heaviest reductions in values over the past 12 months. The answer may be that it's too soon to call; with inflation staying above the RBA's desired level, they have shown clear intent to keep lifting interest rates until they have a reason not to.

With inflation staying above the RBA's desired level, they have shown clear intent to keep lifting interest rates until they have a reason not to.

A key question will be what's their reason not to and will they discover this fast enough to avoid further market disruption. With estimates that over a third of mortgages are fixed on lower rates and that a majority of those will roll off this year, it could be that the real market test is to come. Will the lower supply of new listings continue as sellers wait to see better market conditions or will they be forced to enter the market as significant borrower segments roll off fixed rates throughout the year onto unmanageable higher rates?

Whilst the above does paint a gloomy portrait of the property market for 2023, with volatility comes opportunity. For those investors who can participate with increasing serviceability requirements (its possible serviceability tests, with buffer, could be based on rates approaching 10%), increasing stock levels and lower buyer demand may create opportunities to pick up better value assets than has been on offer since the start of the pandemic.

The continued lack of rental availability is also likely to ensure rental values continue to grow, improving investor returns. With many market vacancy rates starting with one per cent and even several below one per cent, it's unlikely there is short term relief for tenants in sight.

Although the prospect of increasing rental values may seem attractive as an investor, it may not be so straightforward as landlords need to grapple with the process of potentially passing on increasing interest rates to struggling tenants. Of course, there are also investors who will be significantly impacted by the increasing costs to service an investment property, but where banks are generally well structured to deal with clients in financial distress, individual landlords may not have that capability and may need to navigate chasing increasing returns and the human impact of a fast-paced rental market.

Ben Esau
National Director
of Residential

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
Gold Coast
Launceston
Melbourne
Sunshine Coast
Wodonga

Emerald
Esperance
Karratha
Rockhampton
Sthn Tablelands
Townsville
Whitsunday

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

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National Property Clock: *Units*

Entries coloured blue indicate positional change from last month.

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

Approaching Peak of Market: Broome, Bundaberg, Fraser Coast, Gladstone, Kalgoorlie, Mackay, Perth, Port Hedland

Starting to Decline: Adelaide, Adelaide Hills, Albury, Barossa Valley, Central Coast, Gold Coast, Ipswich, Launceston, Melbourne, Sunshine Coast, Wodonga

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

Declining Market: Ballina/Byron Bay, Canberra, Coffs Harbour, Geelong, Hobart, Illawarra, Lismore, Sthn Highlands, Sydney

Start of Recovery: Sthn Tablelands

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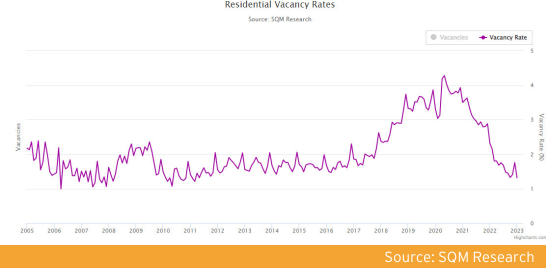
New South Wales - Residential 2023

Sydney

Residential vacancy rates across Sydney are at the lowest point since 2011, at just 1.3 per cent in January according to SQM Research. This compares to 2.3 per cent in January 2022 and 3.5 per cent in January 2021. With increasing immigration levels along with increasing numbers of international students arriving in Sydney, this rental squeeze is likely to get even tighter over the course of this year.

RESIDENTIAL VACANCY RATES

CITY: SYDNEY



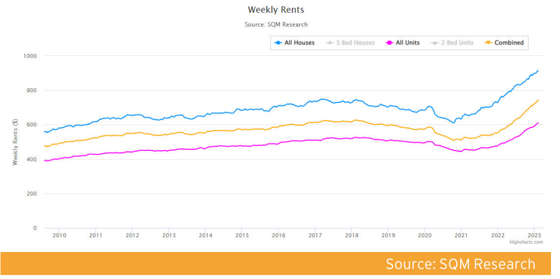
Source: SQM Research

Over the past few years, with the cash rate at record lows, investors were turning to residential property for greater capital returns, and for good reason. The wider Sydney property market was resilient during the global pandemic and for many local investors, the security of bricks and mortar as an investment is a familiar and often the first go-to strategy.

Now that the cash rate has jumped to 3.6 per cent (as at March) and with mortgage rates much higher, residential property values have fallen across the Sydney market (by 13.9 per cent in the past year to mid-February according to CoreLogic).

Western Sydney has always been a smart choice for investors and owner-occupiers alike and despite the weaker market, we consider this should continue throughout 2023.

At the same time, with vacancy rates tightening, weekly asking rents have been increasing at a rapid pace. According to SQM Research, house weekly rents are up 19.3 per cent in the past 12 months, while units are up even further at 24.3 per cent.



Source: SQM Research

These factors have meant a rapid improvement in gross yields as investors shift focus from capital returns to income returns. Gross rental yields for units have moved above four per cent for the first time since 2016, while houses are now at 2.8 per cent, the highest point since August 2019.

With supply of new properties having declined over the past few years and demand likely to continue to increase, all the indicators suggest that property investors with an eye to income returns are likely to be attracted to the market in 2023, particularly as prices begin to bottom out in the second half of the year.

The biggest barrier of course is the cost of finance, with the increasing interest rates over the past 12 months significantly outstripping the improvement in rental yields.

Western Sydney

Western Sydney has always been a smart choice for investors and owner-occupiers alike and despite the weaker market, we consider this should continue throughout 2023. The high level of infrastructure investment in the region coupled with relatively lower median house prices and the shift to more people working from home has highlighted that more affordable and larger homes with backyards are still hot property and good long-term propositions.

The ever popular house and granny flat is a staple for Western Sydney investors given the larger block sizes and versatile living arrangements for extended families or as a pure investment. 19 and 19a Ropes Creek Road, Mount Druitt, an older brick three-bedroom dwelling and modern two-bedroom granny flat, sold for $862,000 in January 2023. The potential gross annual rental

was calculated at $41,600, which reflects a gross yield of 4.82 per cent.

Now that interest rates have risen, we are seeing a softening of purchase prices in these investor grade products to either maintain or increase the target yield the investor is aiming for. This has been demonstrated in the Mount Druitt property taking 121 days to sell with a slight price reduction during this time.

19 and 19a Ropes Creek Road, Mount Druitt Source: realestate.com.au

Another option for investors is to chase yield and invest in a unit. In Blacktown, the median price for a two-bedroom unit is $420,000 with the median two-bedroom rental being $400 per week, reflecting a slightly larger 4.95 per cent yield. We note that the median rental has increased 6.7 per cent over the past 12 months, whilst the median value of $420,000 has not moved in 12 months (realestate.com.au).

Dwellings in Blacktown have seen their median value drop only 1.2 per cent to $870,000 over the past 12 months but have seen the median rental increase 7.5% to $457 per week over this same period (realestate.com.au). This is a minor change but reflects a gross yield of 2.51 per cent last year to 2.73 per cent today.

Further out in Penrith, the median price for a two-bedroom unit is $532,500 with the median two-bedroom rental being $420 per week, reflecting a slightly larger 4.1 per cent yield. We note the median rental has increased 2.4 per cent over the past 12 months, whilst the median value of $532,500 has also jumped 11.4 per cent over the past 12 months, highlighting the area's affordability and popularity given the amount of infrastructure planned for Penrith and surrounds.

There is currently a shortage of rental properties available near universities around Sydney. Data shows that rents for properties near universities are continuing to increase dramatically due to a shortage of rental properties and a large number of returning and new students. This is currently evident in Macquarie Park which has seen a large influx of students already this year. Data from realestate.com.au highlights rental increases of nine per cent in the past 12 months. There are only 110 units currently available for rent with an estimated 1500 renters actively looking for accommodation. Macquarie University is home to more than 44,000 students and 2000 staff members. The Australian government predicts a further 40,000 international students are expected to arrive in Australia for first semester classes in 2023 commencing in March.

The current rental yield for Macquarie Park is 3.6 per cent while the average rental yields in Sydney are trailing behind at 2.7 per cent. We consider there to be a potential increase in unit, villa and townhouse values within the suburb over the next 12 months due to this shortage of rental accommodation and rents continuing to increase.

North Shore

Investors on the Lower and Upper North Shore have been relatively subdued over the past 12 months, primarily due to general weakening market conditions, compounded by increasing borrowing costs.

The unit market on the North Shore has traditionally been the primary target for investors. Although we have seen these investors extremely quiet over the past 12 months, we are starting to see some opportunities arise. Firstly, the extremely strong growth in unit rentals and, more importantly, demand for these rentals, have helped alleviate some of the pain of increasing interest rates. In additional to this, the fundamentals on the North Shore remain very strong. Infrastructure expenditure is expected to continue over the coming years, spurred by population growth which is beginning to increase again after a period of stabilisation.

With signs that inflation is beginning to stabilise, savvy investors are aware that interest rate rises are likely to end towards the middle of this year, with some even predicting decreases in the following year. With this in mind, it is likely we are approaching an ideal time to invest in the unit market as fundamentals are pointing towards a resurgent market in 2024. However, as with all areas throughout Sydney, the type of investment product is vitally important. We have witnessed investors moving away from off-the-

With this in mind, it is likely we are approaching an ideal time to invest in the unit market as fundamentals are pointing towards a resurgent market in 2024.

plan purchases, staying clear of heightened risks around developer construction issues. We have also seen investors less active in high density cookie cutter developments, with investors trending towards established products in smaller scale developments.

The detached housing market on the Upper and Lower North Shore has also been very flat over the past 12 months. Investors in the North Shore detached housing market are not your typical mum and dad investors due to the comparatively high median house prices. Developers and builders tend to dominate this sector, tending to purchase homes requiring renovation or undertaking new construction projects. Obviously the recent construction industry issues experienced since the pandemic have had a major impact on these investors and this has been reflected in declining prices in recent months. With the market expected to stabilise in the second half of the year and newly constructed homes still attracting strong results, we expect there to be opportunities in the coming months for these investors to capitalise on relatively soft land values.

Northern Beaches

The rental market in the Northern Beaches is competitive, with a high proportion of renters due to the relatively high property prices in the area. The current median Northern Beaches yield for units and townhouses is four per cent, three per cent for housing, and a vacancy rate of just 1.3 per cent (sqmresearch.com.au as at February 2023). Rental yields can vary depending on the location and type of property but generally, investors can expect yields of around three to four per cent for units and townhouses and two to three per cent for houses.

Understanding the demographics of the local population is important when considering property investment. The Northern Beaches is known for its affluent residents, with a higher than average median income and a strong demand for high-end properties. This can result in a higher cost to enter the market but greater long term capital growth prospects.

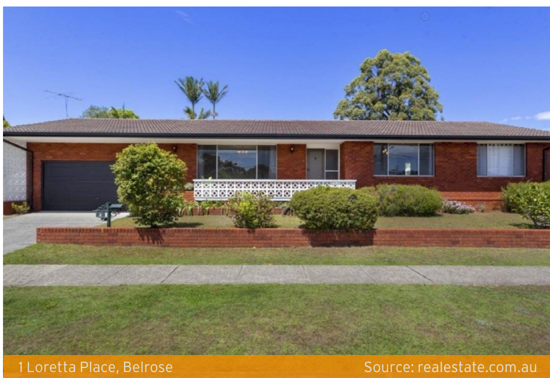
Manly is one of the most popular suburbs in the Northern Beaches and has a strong rental market due to its beachside location (driving both short term or holiday and long-term rentals) and proximity to public transport and amenities. The median rent in Manly for a two-bedroom unit is around $850 per week and the median unit price is around $1.75 million. An example is 2/62-64 Pittwater Road, Manly which recently sold for $1.88 million and is expected to rent for about $1100 per week, equating to a three per cent gross yield (source: realestate.com.au).

2/62-64 Pittwater Road, Manly Source: realestate.com.au

Belrose is a suburban area providing a range of houses and townhouses available that is popular amongst renters and buyers due to its central location, quality schooling and Glenrose Village.

The current median house price is $2.205 million and the median rental price is around $1,300 per week (realestate.com.au).

1 Loretta Place, Belrose sold through JDH Real Estate for $1.8 million in February 2023 comprising a modest single level, 1960s, four-bedroom, two-bathroom dwelling situated on 696 square metres of land. The property sold with a passing rent of $1000 per week equating to a gross yield of 2.89 per cent and strong capital growth potential.



1 Loretta Place, Belrose Source: realestate.com.au

The Northern Beaches is undergoing significant infrastructure and development projects, including new transport links as well as improved amenities and housing developments. These changes can impact the value of properties in the area and present opportunities for investment. These include the upgrade of Mona Vale Road aiming to improve traffic flow by road widening, new bridges and intersection improvements in addition to the Frenchs Forest Precinct that will create a vibrant

Overall, the strong rental market in the Northern Beaches can make it an attractive area for property investors, with the potential for strong rental yields and long-term capital gains.

new retail hub around the Northern Beaches Hospital offering a range of new affordable housing types.

Overall, the strong rental market in the Northern Beaches can make it an attractive area for property investors, with the potential for strong rental yields and long-term capital gains.

Inner West

The investor residential property market in Sydney's inner west comprises mostly strata options including period style walk-up flats, 1960s and 1970s walk-up flats, higher density more modern apartments, as well as townhouses. Freehold and Torrens Title options generally comprise smaller attached period style worker's cottages as a smaller scale investment and residential flat buildings and boarding houses on a larger scale. Given the nature of these properties (excluding residential flat buildings and boarding houses), investors tend to compete mainly with first home buyers, given their price point, which in turn drives the level of demand and supply, which affects the overall sale price. Given the downturn in the overall market, there is less first homebuyer activity as well as investor activity and as such, continues the downward pressure on sale prices.

In terms of investment opportunities moving forward in 2023, it should be highlighted that investor activity over the course of the past six months has diminished, with less overall investor activity than the six to 12 months prior. Areas including Burwood, Homebush, Leichhardt, Marrickville, Newtown, Rozelle and Balmain have all experienced a drop off in listings for sale of properties sub-$1.5 million (the general price point for the majority of investors). During 2020 and 2021, single dwelling houses experienced a historically high level of capital growth; whilst strata properties during this period also experienced capital growth, it was to a far lesser extent.

Whilst the weakening in sale prices recorded in 2022 and early 2023 has corrected the large increases in capital values experienced in 2020 and 2021, investor grade strata properties which experienced lesser capital growth appear to be performing stronger and are expected to perform stronger over the course of the next 12 months. This is driven by the historically high rents currently being achieved across the inner west. This significant increase in current rental values is illustrated in the below property at 705/10-14 Smallwood Avenue, Homebush, which in August 2020 leased for $680 per week and is now on the rental market with an asking price of $850 per week, reflecting a 25 per cent increase.

705/10-14 Smallwood Avenue, Homebush Source: realestate.com.au

Furthermore, there has been a limited number of listings of residential flat buildings across the inner west, however from the few sales in the previous six months, it would appear that the current increases in rental values are prompting investors to enter the market which is creating an overall increase in values. A result which was considered strong at the time was the sale of 195B Stanmore Road, Stanmore in November 2022 for $3.36 million. The sale reflects a gross passing yield of 3.69 per cent. It is expected that over the course of 2023 as rents continue to increase, this market will continue to experience capital growth, however yields are expected to increase in line with the increases in rents.

Inner Sydney

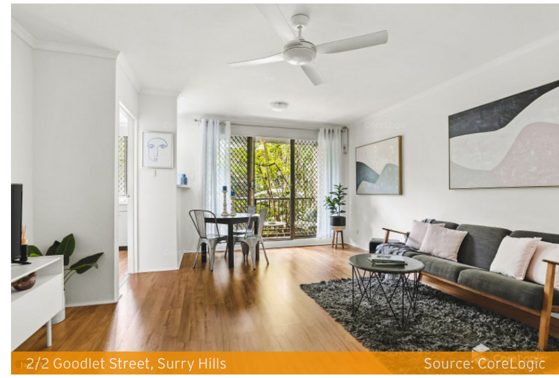
Sydney's inner city is a popular location for many property investors as historically it has provided a good combination of capital growth and rental return. Most investors within inner Sydney are seasoned investors or self-managed superannuation funds and choose to invest in one or two-bedroom units due to their stronger rental return, although often the high median price of dwellings in the area makes investing in houses unfeasible.

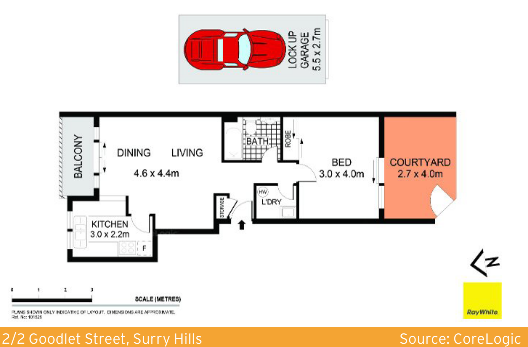
Typically investors gravitate towards Sydney's inner city due to strong tenancy demand from students and professionals as well as the continual urban renewal of the area. The combination of these factors allows for a strong rental return whilst also being exposed to the prospect of capital growth from projects such as the light rail development through Surry Hills, Central Station technology precinct at Surry Hills and Chippendale, Fish Market development at Pyrmont and the revitalisation of Circular Quay.

Since the pandemic recovery began, investment activity has been declining due to rising uncertainty and interest rates. However with rental vacancies at record lows, rents have begun to rise steeply over the past six to nine months. Whilst rents are still outpaced by increasing mortgage repayments, some more experienced investors are beginning to take advantage of this with agents reporting stabilisation and even some competition within the investor segment of the market,

particularly in the one-bedroom market at prices under $1 million.

Such competition is evident with the sale of 2/2 Goodlet Street, Surry Hills, a one-bedroom unit fulfilling many owners' and tenants' criteria with parking and a courtyard, situated in one of Sydney's perennially favoured inner city locations. This unit was marketed for $595,000 in June 2022 at the very beginning of the current rental tightening cycle but failed to sell. The unit sold in February for $730,000. In June 2022, this unit would have rented for circa $500 per week; in the current rental market, circa $600 appears more than achievable.


2/2 Goodlet Street, Surry Hills Source: CoreLogic



2/2 Goodlet Street, Surry Hills Source: CoreLogic

Whilst rents are still outpaced by increasing mortgage repayments, some more experienced investors are beginning to take advantage of this.

As a result of the red-hot rental market, this price point is showing some green shoots, with prospects of stabilisation moving through 2023, however good buying opportunities are still present within this market segment and are likely to remain as interest rates continue to rise.

Eastern Suburbs

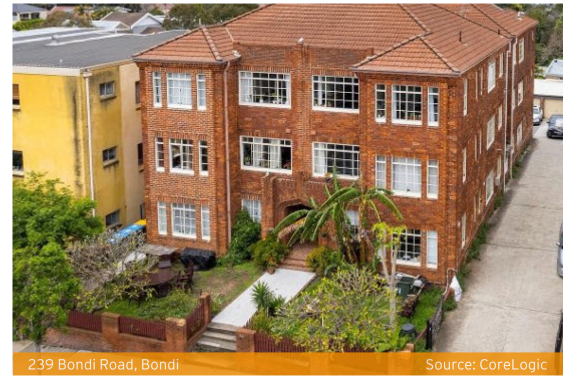
The rental market in the eastern suburbs was hard hit by the pandemic, as international students left Australia and many properties previously used for holiday accommodation switched over to the long term rental market. According to SQM Research, the vacancy rate in the region peaked at 6.1 per cent in May 2020, with a rapid improvement since, down to 1.2 per cent in January 2023.

The two suburbs which felt the brunt of the decline in demand from international students were Kingsford and Kensington, which are home to the University of New South Wales. Kensington's vacancy rate peaked at 8.7 per cent at the height of the pandemic, decreased to 2.9 per cent a year ago and is now down to 0.6 per cent. Kingsford peaked at 11.3 per cent, improved to 3.1 per cent a year ago and now sits at 0.8 per cent. A number of other popular rental suburbs also sit below one per cent vacancy rate including Coogee (0.5 per cent), Randwick (0.7 per cent) and Maroubra (0.8 per cent). In the past 12 months, Kensington's gross rental yield for units has grown from 3.5 to 5.3 per cent according to SQM Research, with Kingsford showing an even larger increase from 3.2 to 5.4 per cent as at early February.

Those with higher current vacancy rates include Bondi and Bondi Beach (1.8 per cent), Double Bay (2.7 per cent) and Vaucluse (2.7 per cent), likely due to these suburbs being less affordable for tenants than those mentioned above.

The tight rental market along with softening property prices has had a significant impact on gross rental yields. Kingsford's gross rental yield for units has increased from 3.2 to 4.9 per cent in the past 12 months (SQM Research), while Kensington's has increased from 3.5 to 5.2 per cent.

For investors looking at larger scale investment opportunities, the eastern suburbs provides a number of options, including flats buildings and boarding houses. A complex of 12 units on one title and 1005 square metres of land at Bondi sold in November for $15.6 million, with an advised annual gross market rent of $543,200, providing a gross yield of 3.5 per cent.


239 Bondi Road, Bondi Source: CoreLogic

Also in November in the neighbouring Bondi Beach, a complex of eight x two-bedroom units on 674 square metres sold on Wellington Street for $6.625 million with an advised annual gross market rent of $300,000, providing a gross yield of 4.5 per cent.

Both of these properties provide the opportunity to increase these yields through renovation, along with the potential to strata subdivide and sell off the units individually.

Shaun Thomas
Director

Lismore / Kyogle / Casino

"I said, "Land ho, you're sailing on a ship forever?

Oh, oh, I need some wind to take me to my goal

Land ho, will I be searching forever?

Oh, oh, I gotta find an anchor for my soul"

(Supertramp – Land Ho)

Following on from the end of 2022, it is not hard to understand how investors may have baulked at jumping back into the market and securing that property as their anchor for the soul.

Thanks largely to the ten consecutive RBA rate increments of the past 12 months to reach the current level of 3.6 per cent and coupled with finely tuned lending criteria ("why did you buy those Nickelback concert tickets when your credit card is nearly maxed out?" asks the curious lending manager), it looks increasingly awkward for the investor when debt servicing costs begin to soar to levels not seen since October 2012 when the RBA rate was above three per cent. The only problem is that property values have rocketed since 2012 which makes the debt servicing stress even more heightened.

Property managers for various real estate agencies have indicated there is now an increased supply of rental accommodation, which in turn may see rental levels soften or possibly reduce.

Year 2023 is when the first tranche of those three yearly fixed term loans expire from their ridiculously low fixed interest rate levels of sub two per cent, only to be flipped over to a variable loan with interest rates hitting around 4.50 to five per cent per annum.

Cue eyebrow raising, sweating and heart palpitations…expect a lot of lender hopping (definition: the deliberate act of clients or borrowers seeking more favorable terms and conditions with alternative lending sources) to occur.

Unfortunately, it would appear that the RBA has not given any suggestion that the interest rate hikes are at an end.... expect more to come over the course of 12 months due to ongoing inflationary pressures. How many? Who knows?

So, what is currently available that will draw the property investor into the Lismore/Casino/Kyogle region?

It is interesting to note that after the devastating flood of February 2022 in Lismore City and the surrounding towns, villages and rural areas, an investor opportunity arose in the form of flood impacted houses. Builders and those handy with the tools targeted stripped and cleaned high set dwellings in North or South Lismore with sale prices ranging from $150,000 to $230,000 early on in the three to six months following the February 2022 flood event.

Having the skills and experience to carry out repairs or renovations, this particular type of investor was able to utilise their already stored building materials and own labour to complete the project within a relatively quick timeframe and to have the property restored to a habitable standard and command a rental not too dissimilar to residential rental rates achieved prior to the flood event.

For example, a well renovated three or four-bedroom, one-bathroom highset dwelling in North Lismore PRIOR to the flood event was achieving a sale price in excess of $500,000 and a rental rate of around $500 to $550 per week. The investor/builder may spend between $50,000 and $70,000 over a one-to-two-month period to bring the dwelling up to a habitable standard and then lease out the property for a rental of around $500 per week. Not a bad return for an overall capital outlay of $200,000 to $300,000.

There are still some flood damaged houses available, however, many are waiting to see what transpires from the much-touted NSW Northern Rivers Voluntary Buy Back scheme.

It should also be noted that since the epic flood event of February 2022, a lot of the resident population vacated the region. In addition, the traditional influx of people coming into the area during November and December 2022 simply did not eventuate. As a result, property managers for various real estate agencies have indicated there is now an increased supply of rental accommodation, which in turn may see rental levels soften or

possibly reduce. I hear gasps from the real estate investor segment of society, but let's face it, rental levels have soared to heights not seen ever over the past five years, so a slight reprieve for struggling renters would be welcome and should not mortally wound the leather embossed wallets of the real estate investors.

Other traditional property investment options still exist, albeit somewhat more difficult to identify in the current market. In an environment of increasing interest rate levels, any real estate acquisition based on an income generating premise will be carefully analysed by the savvy investor to ensure there is a reasonable rate of return.

One example in the suburb of Goonellabah is 1 Phillip Street which comprises two blocks of units with a large carport for eight spaces. All seven individual studio units are self-contained and provide a total rental return of $61,007 per annum. This translates to 6.94 per cent based on the asking price of $879,000. Compared to a year ago, the gross yield rates were hovering around five to 5.50 per cent.

There is also the possibility of capital gain for this real estate investment vehicle by carrying out some internal modifications to the structure to create individual strata title units that can be sold separately. Think block of flats or units with internal party walls entering the roof space. Once again, one must consider the likely cost to do such work as a primary determinant of whether it is a successful investment option or not.

Then there is the increasingly rare option of finding a residential property with a large parcel of land where part can be excised or subdivided to provide a separate parcel. Lismore City has a minimum lot size of 400 square metres, so the option does exist. Just try to find an 800 square metre plus corner site with an existing dwelling jammed in one corner and all town services running nearby or along the boundary lines. Good luck Dennis!

There is a sense that prospective purchasers or investors are in a better position to negotiate rather than accept the asking price as the sentiment for property in the region has softened notably since May 2022. Real estate agents are reporting a slowing of enquiries from buyers with longer selling periods, pricing adjustments and more extensive negotiations between buyers and sellers required to achieve sales.

Property investment is a bold and proactive ambition and at times, can appear to walk a tightrope between success and failure, especially when market influencers are challenging (interest rates, lending criteria, product quality). The more researched and more informed we are, the better the result we can hope for, but still, a leap has to be eventually taken despite the fear of unknowns that eventually arise in property investing. As Aldrich Killian once said, "Failure is the fog through which we glimpse triumph."

Vaughan Bell
Property Valuer

Byron

Residential investment in the Byron Shire and Byron Bay in particular has in recent years followed a relatively non-traditional path. The usual drivers of income and return have been tempered by additional considerations such as lifestyle, affordability and capital gain or loss.

Investing in property purely for rental return and rental growth in the Byron Shire can be a very difficult goal to achieve given the high buy-in prices required, particularly given the current rising interest rate environment which is putting even greater pressure on properties to provide good rental returns.

The solution for many investors in the Byron Shire has been to turn to the short-term holiday rental market in which rental returns can outperform the permanent rental market. Such a strategy also achieves the goal of absentee investors (of which there are many) to have an income-producing residential property and a holiday home they can utilize for themselves at various times. Under these circumstances, the drive to own a holiday home is equal to, or for some, superior to, the drive to obtain a good rental return. With competition from lifestyle investors, it is difficult for many traditional investors to purchase an income-producing property at a price that offers a reasonable rate of return.

This leaves most investors requiring not just an income of some sort from their investment, but also the imperative to see a reasonable

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degree of capital growth to bolster their overall position. Capital gain was something that was unexpectedly easy to achieve during 2020 and 2021 but which turned negative in 2022 with the advent of a rising interest rate environment. This has left many Byron Bay investors with bruised egos and eroded personal wealth.

One option many local owner-occupiers and investors are turning to in an effort to leverage the maximum potential from their property is to add another income stream via the addition of a studio or granny flat. If completed within the legal framework provided by the local council, this can bring in an additional income of around $550 per week or $28,600 per annum in Byron Bay for an outlay of around $350,000 to $375,000. This reflects a rental return of 7.6 to 8.2 per cent for the outlay required. On the downside, there is the loss of privacy and the loss of a chunk of your back yard to consider.

Rising interest rates are having an impact on the ability of average Australians to afford a home. let alone have the equity available to acquire an investment property. This is putting downward pressure on property values and the Byron Shire is no different to most other locations. As mortgage rates increase and more and more borrowers face financial hardship, there will be opportunities for investors to purchase properties from owner-occupiers and investors in financial distress, provided of course they themselves have the capacity to borrow additional funds in the current climate. With increasing limits on the borrowing capacities of investors, most will be forced to focus on what they can afford, not on what they might want. In the Byron Shire, this will mean more affordable areas such as Ocean Shores and Mullumbimby will offer more options than the more highly desired but more expensive locations of Byron Bay, Brunswick Head and Suffolk Park.

Mark Lackey
Property Valuer

Clarence Valley

The Clarence Valley property market during the COVID period was not unlike other areas of New South Wales. The number one factor influencing investor activity unsurprisingly was interest rates and still is. As these were low during COVID times, this fuelled demand and prices escalated at a drastic rate. As interest rates have become less attractive recently, this has directly impacted demand. It appears that like the US, subsequent interest rate rises will be used by the government to curb the increase in inflation. Another major influential factor on investor activity is government expenditure on community facilities such as infrastructure. Some years ago, the Motorway development increased demand and values due to an influx of workers.

Clarence Valley Source: visitnsw.com

Other considerations for investors within the region are the environmental issues of bush fire and flooding. A large number of properties within the Clarence Valley can be subject to these issues. Purchasing properties under threat of these negative impacts can attract expensive insurance and associated costs. This is particularly the case since the catastrophic bushfires of the past few years and the 2022 flood event in the nearby suburb of Lismore.

The Clarence Valley is typically considered a cheaper option compared to areas to the south along the Coffs Harbour coast and to the north around the Ballina area. This may appeal to some investors seeking lower cost property in an effort to reduce capital decline that may be occurring more strongly in other more volatile areas.

Since October 2022, there have been six sales of dual-occupancy or multi-occupancy properties around the Grafton area. Prices ranged from $346,000 to $850,000. Gross income yields were between six and 7.3 per cent. Sales were typically via an auction process with a steady number of bidders reported, indicating still reasonable demand for this type of property. Another form of investment property in Grafton is the flip market. Builder or carpenter purchasers can obtain an older style cheaper dwelling for as low as $320,000. The renovation has to be quick and the property put back to market to reduce costs. The owner can benefit from their building expertise if they don't spend too much improving the property.

Simon Evans
Property Valuer

Coffs Harbour

There has definitely been a swing in favour of investors over the past six months who found it more challenging to compete with owner-occupiers during the COVID market. Prices skyrocketed given the sheer imbalance of supply and demand during this period, whilst the rental market was slow to keep up with this price shift. Basically, returns versus capital outlay was going backwards in line with the low interest rate environment at that time.

We have now seen a reversal of this scenario where demand has reduced, increased supply and rising interest rates have seen downward pressure on property prices, while rental demand has continued to rise which in turn has seen increasing rental returns. With the advent of the Pacific Highway bypass and construction tender process now complete, Coffs Harbour will soon experience significant economic benefits from this major infrastructure project which will only exacerbate the current rental shortage over the next two to three years.

What does this mean? It is a good time for investors to come back to the market. Yes, interest rates are on the rise which increases the holding cost, however these are tax deductible and any investment should be a long-term plan with capital gains to follow.

A good place for the first-time investor to start is at the entry level. You cannot go wrong with older units close to the beach and services such as Park Beach, central Coffs Harbour, Toormina and Boambee East which are well located to both beaches and major shopping facilities, schools etc. Entry level value for an older style two-bedroom unit starts at $350,000 to $450,000 with expected weekly rental of $380 to $480 per week.

Yes, interest rates are on the rise which increases the holding cost, however these are tax deductible and any investment should be a long-term plan with capital gains to follow.

Sawtell is arguably the most expensive real estate in town and one the investor may not particularly target given the high cost, however there is good value in smaller one-bedroom or bedsit style units close to the beach that are located on larger sites with some underlying development potential. Typically these are sold in the $300,000 to $350,000 range and rent for $320 to $350 per week.

As we move up the property chain, we get better quality product at a higher price which will also reflect a higher commensurate rental return, Realestate.com.au shows the median house price in Coffs Harbour at $820,000 whilst the median return sits at $600 per week. These median prices are somewhat misleading as they do not truly represent the current market. A quick search on Corelogic of dwellings for sale within the local Coffs Harbour area between $600,000 and $800,000 shows 37 properties for sale varying between three and four bedrooms with rental estimates from $500 to $600 per week. These rental estimates may also be undercooked as the vacancy factor continues to tighten in the mid north coast region and minor improvements such as a splash of paint and new floor coverings will also increase the appeal and rental achieved.

In short, the pressure has come off property prices but it's still foot to the floor as far as the rental market is concerned which translates to a good time for the investor to start looking around. There is no other coastal region that has the lifestyle benefits and major infrastructure projects to weather any potential future recession.

Grant Oxenford
Director

Tamworth

By nature, the regional residential property market operates in a sequence of recurrent events. That being said, the past two-year period has been influenced by more than normal demographic, economic and emotional factors. Following the height of the pandemic, most New South Wales regions experienced well above average population growth, property transactions and change in home values. Now that we are (ever so optimistically) returning to a more normalized property market, let's take a look at New England and the north-west and what the property investment environment looks like in our region.

Whilst many other larger regional centres have experienced declining annualized growth, the New England and north-west has largely bucked this trend. Corelogic's regional market update reports indicate that the main centres are seeing continued growth over a 12 month period up to January 2023 (Corelogic, Regional Market Update, February 2023).

- **Armidale:** 11.1 per cent increase (median house price of $469,911)

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The outlook for the next 12 months is for investor activity to stabilize and continue to operate in the affordable housing market segments.

- **Gunnedah:** 9.6 per cent increase (median house price of $360,507)
- **Tamworth:** 12.1 per cent increase (median house price of $459,185)

These increases throughout the previous 12 months are reflective of factors such as continuing limited available stock on the market and affordable median house prices. Investor activity is still prominent in new home construction and entry level residential markets. The newly passed stamp duty reform could influence an increase in first home buyers to the entry level market segment. This market segment remains between the $300,000 and $450,000 price range within locations such as West Gunnedah, South Tamworth, West Tamworth and East Armidale. Demand within this price range is largely driven by affordability, the potential to value add through renovations and the currently high demand for affordable rental accommodation in the region. Typically, mum and dad investors achieve gross yields of between four and six per cent.

New home construction eased during the back end of 2022 and continues to slow in 2023. This is largely due to rising interest rates, skilled trade shortages and volatile construction costs. Investor demand has eased within this market segment due to the declining market sentiment and uncertain project cost and build periods.

Multiple unit developments are also sought after within investor markets. With only limited stock available on the market, these developments attract the experienced investor. Typically, this style of asset is approximately three to six unit dwellings (Torrens Title). Acceptable gross returns sought by investors range from 5.5 per cent yield for blue chip property up to eight per cent for fringe location or higher risk residential assets.

Overall, the investor market has slowed slightly, in line with the pace of the broader market demand. Limited available stock has been a factor within local markets, with New England and the north-west showing a decrease in the number of sales transactions of 13.8 per cent from the previous 12-month period (Corelogic). The outlook for the next 12 months is for investor activity to stabilize and continue to operate in the affordable housing market segments, with an emphasis on maximizing rental returns as opposed to capital gains. Established residential property will dominate market activity, with new home construction to further slow (largely due to the headwinds such as the cost to construct new dwellings, uncertain build periods and volatile trade markets).

Nick Humphries
Property Valuer

Newcastle

Following the decision to try to slow rising inflation, interest rates began to increase in May 2022. This impacted the investment market throughout the region as investors considered the balance of higher mortgage costs in comparison to rental levels and return on their investments.

In simple terms, if mortgage payments go up faster than rental levels, the return is reduced and becomes less appealing. As interest rates rose monthly from May 2022 to the current date at a faster rate than rental increases, investors slowly backed away from purchasing their next investment and activity slowed down.

As property prices rise, yields fall, giving less attractive returns on the property investment.

A number of factors can influence the investment market, one being market competition – investors rely on less competition in the bidding process. As the market becomes very active, the chance of getting a bargain is less likely and higher property prices are paid due to a high number of bidders. Market rents are being outperformed by market values, therefore reducing the yield.

Older suburbs around the city are the key areas for investors to look, due to the ability to purchase an older property for renovation or an older property that may be cheaper than a renovated property resulting in the possibility of achieving a greater return on the investment.

The issue across the region however is the fact that property prices have been rising quickly over the past few years and an investment property entry level would be around $700,000 to achieve a weekly rent in the region of $550 per week. This would result in a yield of around four per cent, which after costs of management etc, would result in a net return of under four per cent.

For this reason, the investor needs to be patient and look to multiple regions to find the property with the best value for money whilst being aware of vacancy levels and the cost of correcting any likely maintenance issues.

As Newcastle grows at a rapid rate, Newcastle West and Newcastle have seen a constant stream of new unit buildings at a rate of two or three new buildings every two years. As these are primarily bought off plan, therefore two to three years in advance of completion, capital growth is the driving factor for the investor, but also a higher risk due to possible market changes.

Investors who bought a new unit in say 2018 for completion in 2021 have seen circa 30 to 50 per cent growth on their investment and the rent becomes less of an issue. Compare this to a purchaser buying off plan in 2021 at the peak of the market, with completion in 2024. In the intervening period, interest rates have risen ten times, the property market has become weaker and there is a threat of oversupply. What the purchaser thought was happening in the market and certain capital growth becomes a situation of their investment possibly having a value less than the purchase price, a mortgage that is far higher than expected and potential negative returns as rents don't cover the mortgage.

Over the past five years, the duplex development market has evolved particularly in the newer suburbs on the city fringes. These are two- and three-bedroom properties that provide good quality and more affordable homes for young and low-income families than a traditional four-bedroom dwelling. Due to a general lack of supply, they provide good rental returns with a lower vacancy risk due to lack of competition.

Over the next 12 months, the investment market will be very much on a knife edge as we transition to a weaker overall property market with further interest rate rises expected. When inflation is under control and interest rate rises become a thing of the past, we may see a correction that could result in the property market gathering strength and rising further.

Darren Sims
Property Valuer

Central Coast

The popularity of the Central Coast property market has mainly been driven by Sydneysiders looking for opportunities outside the metropolitan area. With the Central Coast geographically located between a capital city in Sydney and the largest regional city in New South Wales, Newcastle, growth prospects are appealing to investors of all types.

It has become evident through discussions with local real estate agents that investors are beginning to actively look to buy, with brokers in support, indicating increased investor loan applications. This increased activity is within a market that has now come off its peak and is in a steady decline. It's certainly been a change of gears after investors were challenged by a wave of demand from owner-occupiers when interest rates were at record low levels. Now with less competition around, investors do see opportunities as we transition from a seller's to a buyer's market.

The mindset of investors looking to acquire property across the Central Coast region needs to be recalibrated. The market boom period between May 2020 and December 2021 saw unprecedented capital growth rates with some areas of the Central Coast recording rates of growth exceeding 20 per cent per annum. This included Long Jetty with CoreLogic RPData recording rates of growth for house values of 31.79 per cent from October 2020 to October 2021 and 16.06 per cent between October 2021 and October 2022. The rates of growth combined equate to a change in median price of 47.85 per cent. For investors at this time, short term capital growth was driving the investor mindset, however now that we have entered a market in decline, a longer term investment strategy is beginning to prevail. What this means is that investors are looking into vacancy rates and the strength of the local rental market to assist in selecting the right investment property.

Although the local property market is falling, rental prices are continuing to rise due to a housing shortage. To add to this, the increased interest rates are now having a flow on effect with investors passing on increased loan serviceability payments to tenants. Discussions with local property managers has led us to believe there has been an increased number of rental property applications and insufficient supply to service this demand. This has created an interesting environment for investors, in which house prices are falling while rental prices increase, with gross yields becoming more favourable.

Typically, investors will seek to purchase property at the lower end of the property market, however there are still opportunities to invest in the upper market segments across the Central Coast region. An example of an interesting investment option is

This has created an interesting environment for investors, in which house prices are falling while rental prices increase, with gross yields becoming more favourable.

the activity within the Star of the Sea apartments in Terrigal.

Star of the Sea apartments in Terrigal Source: CoreLogic RPData

This unit complex is a resort style complex that has been a popular short term holiday rental for many tourists. The complex allows for both long term permanent accommodation for owner-occupier use and also the ability to holiday let on a short-term basis. The flexibility in the uses of the complex has seen owners either permanently rent out units for short term holiday use or live in the unit in the off peak and shoulder months whilst renting out the unit in peak season holiday periods.

Unit 50/8 Terrigal Esplanade, Terrigal was sold in October 2021 for $4.58 million. The marketing campaign indicates it achieved a holiday rental return in excess of $280,000 in the previous financial year. That equates to a gross yield of 6.11 per cent which is appealing when compared to other investment options in the region.

Unit 50/8 Terrigal Esplanade, Terrigal Source: CoreLogic RPData

The Gosford unit market has had a few new buildings reach completion with many investors and downsizers snapping them up. It has been reported recently that Aland's new Archibald project is due to commence construction soon with a scheduled Quarter 3, 2024 completion date. Featuring a total of 323 apartments, there have already been 104 pre sales in three months at time of writing. The project includes a 130-room hotel, ground floor pub, rooftop bar and restaurants. Investors have taken a keen interest in the project as it is unique for the local area and with plans for education and retail improvements and its accessibility to Sydney via the railway line, this landmark development may be what rejuvenates Gosford. The most recent data from realestate.com.au states that Gosford's median unit price is $540,000 which is up 1.9 per cent over the previous 12 months and rent is $465 per week, up 9.4 per cent.

Declining values and high demand for rental properties correlates to higher yields. Buyers have the negotiating power which makes an excellent opportunity for an investor to enter the market. Take a look at 14 Kathleen White Crescent, Killarney Vale which sold on 14 December 2022 (under contract at time of writing) for $808,000. The property is a dual occupancy dwelling comprising of an older two-bedroom, one-bathroom dwelling and a detached modern two-bedroom, one-bathroom granny flat to the rear. You could expect rental of roughly $430 per week for the front house and $450 per week for the granny flat, showing $880 per week total return at a 5.66 per cent yield, which is appealing for some. Given the expense and issues currently experienced in the building industry, a ready-made dual occupancy opportunity like this is a great find.

14 Kathleen White Crescent, Killarney Vale Source: CoreLogic RPData

14 Kathleen White Crescent, Killarney Vale Source: CoreLogic RPData

Declining values and high demand for rental properties correlates to higher yields. Buyers have the negotiating power which makes an excellent opportunity for an investor to enter the market.

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The southern end of the Central Coast has seen prices ease in recent months. The Peninsula has experienced some fluctuation in recent years, following the peaks and troughs of the property cycle, however remains a popular area for investors and developers due to the availability of amenities, proximity to beaches and accessibility to Sydney via the train or freeway.

Popular across the region are the dual occupancy products (ie. house and granny flat) that remain prevalent for investors seeking higher rental yields, while developers look for land opportunities in the form of original dwellings on larger lots to be demolished.

An example of a dual occupancy sale on the southern end of the Central Coast is 186 Ocean Beach Road, Woy Woy which sold for $940,000 in December 2022. The property comprises a two-bedroom dwelling with a detached two-bedroom granny flat, which may achieve a combined rental of $950 per week. While it is situated on a busy road and may not achieve strong capital growth, the property has a potential yield of approximately 5.2 per cent.

Alternatively, single dwellings close to the train station, shopping and schools provide a good opportunity for investors looking for capital growth with a reasonable yield.

An example of a recent sale is 15B Piper Street, Woy Woy, which sold in December 2022 for $696,000. It is now listed for rent for $550 per week. If it achieves this rental, the property will be achieving a yield of approximately 4.1 per cent. The dwelling is within walking distance of the train station, shopping and schools.

In summary, it is clear that opportunities do exist in the current market to secure an investment property. Adopting the right investment strategy could send you down a pathway to success in the future.

Todd Beckman
Associate Director

Illawarra

Traditional investment stock in the Illawarra market is CBD units, fringe suburb townhouses, older homes throughout the region and modern homes in the region's new estates. Often this is also the target property type and price point for first home buyers. Like most things, this market segment has taken a hit over the past eight months. Small scale investors have pulled out of the market as interest rates have started to rise and less demand has led to reduced prices.

When it comes to investment property, a key element is strong tenant demand for your property. Tenant demand in the Illawarra peaks around infrastructure, modern estates and areas with good public transport. Areas close to the University of Wollongong, Wollongong Hospital, Shellharbour City Centre, suburbs with good M1 access and the new West Dapto estates tick these boxes. For this reason, with the announcement of the new Shellharbour Hospital location in Dunmore, we suggest that housing areas within close proximity will make good investments once the hospital is up and running.

Another property type that gains the interest of investors is flats buildings. This segment of the market has been limited in recent months with minimal transactions. Traditional blocks of four to eight rental flats will be snapped up if they have a good rental history, are kept in good condition and are located in a suitable area that appeals to tenants. One of the more recent sales was a lake front property in Oak Flats that comprised six residential units and sold for $2.64 million in December 2022, showing a passing net yield of 3.37 per cent.

Chris McKenna
Region Director

Nowra / Shoalhaven

In March we saw the Reserve Bank of Australia hand down its tenth straight interest rate hike to lift the official cash rate by 25 basis points. This has resulted in the baseline rate increasing from 3.35 per cent to 3.6 per cent. Rising interest rates combined with high inflation, increasing pressures on the cost of living and global influences are likely to cause investors to make some tough decisions as we progress through 2023. This is likely to result in fewer potential investors in the residential property market in the Shoalhaven region and could also result in current investors looking to sell their property or increase rent in order to combat these increasing costs.

The Shoalhaven region has a unique section of the investor market in the region in terms of holiday and short-term accommodation. The investor market is unique in that many of the coastal suburbs such as Huskisson, Vincentia, Culburra Beach and Hyams Beach are reliant on use as short-term rental investments. These are not investment properties based on standard six- or 12-month lease arrangements. Many agents believe that these properties might be the first affected by the latest interest rate increase in terms of the investor being forced to sell. Properties based on standard six- or 12-month residential lease arrangements are in a slightly stronger position as vacancy levels are low

and there is still strong demand for rentals in the region, most notably around the Nowra CBD.

Some local agents are advising that as interest rates continue to increase as predicted, many owners may put their investment properties on the market. This may continue to occur as the year progresses and could result in an abundance of properties on the market at one time, causing supply to outweigh demand. This will continue to put downward pressure on property prices. As we move through the first quarter of 2023. we predict a slowing of the investor market in the Shoalhaven residential property market which is largely driven by increasing interest rates and high inflation.

Joshua Devitt
Associate Director

Victoria - Residential 2023

Melbourne

While property has remained a popular investment platform with both house prices and rents surging in the past couple of years, investors in the Melbourne market may be in for some tougher times in the short term from a capital growth aspect. However, with the region's low vacancy rate, investors will have no issues getting and retaining a tenant while also seeing an increase in rent.

With the well-known interest rate hikes hurting investors' borrowing capacity, the search for investment grade purchases becomes harder, especially combined with a shortage of quality stock on the market due to a decrease in overall market activity.

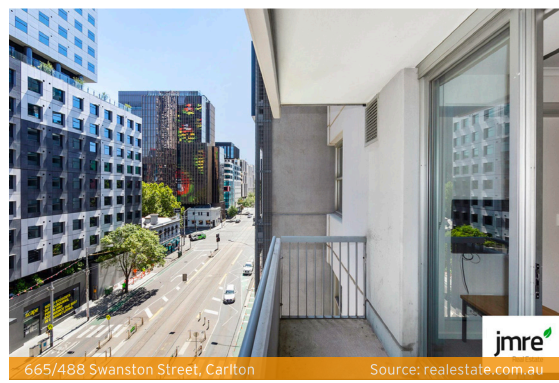
Melbourne Inner City

In Melbourne's Central Business District, there has been a high demand for rental properties. In the current market, investors can take advantage of the prevalent movement of workers coming back to the office and international activity starting to pick up.

665/488 Swanston Street, Carlton Source: realestate.com.au

Although the market has slowed, rental demand is still high in Melbourne creating a great opportunity for investors to make a profit from rental yields.

Units are in high demand in Melbourne as they make up 99 per cent of dwelling types in the city.



665/488 Swanston Street, Carlton Source: realestate.com.au

665/488 Swanston Street, Carlton Source: realestate.com.au

The rental yield is at 4.9 per cent and the median rental price is $490 a week. In Richmond, current rental yield is 3.7 per cent and the median rental price is $450 weekly.

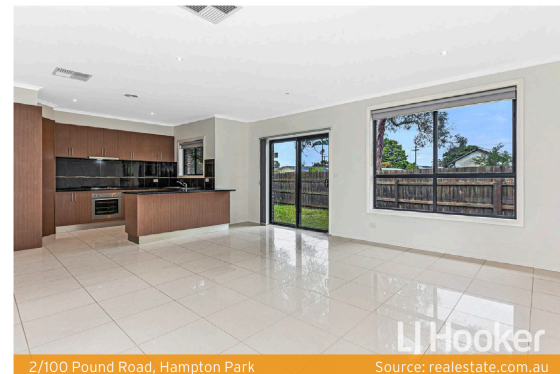
In Carlton, a two-bedroom and one-bathroom apartment with shared amenities is listed at $420 a week, down 30.7 per cent from last quarter. On average, units in Carlton will remain on the market for 51 days.

South-East

Although the market has slowed, rental demand is still high in Melbourne creating a great opportunity for investors to make a profit from rental yields. Metro Melbourne's average rental yield is currently at 3.4 per cent for unit properties. South-eastern suburbs such as Dandenong and Hampton Park have above average rental yields which are attractive to investors.

For instance, in Hampton Park the rental yield is at 3.9 per cent. A three-bedroom, two-bathroom unit is currently up for lease for $490 per week. Although the unit is located approximately 45 kilometres south-east of Melbourne's CBD, it is a popular rental area with the Indian and Sri Lankan communities as they require multiple bedrooms and living spaces to accommodate their multi-generation households.

2/100 Pound Road, Hampton Park Source: realestate.com.au



2/100 Pound Road, Hampton Park Source: realestate.com.au

Additionally, in Dandenong where unit rental yield is at 4.3 per cent, this unit is listed for $420 per week with three bedrooms and two bathrooms.

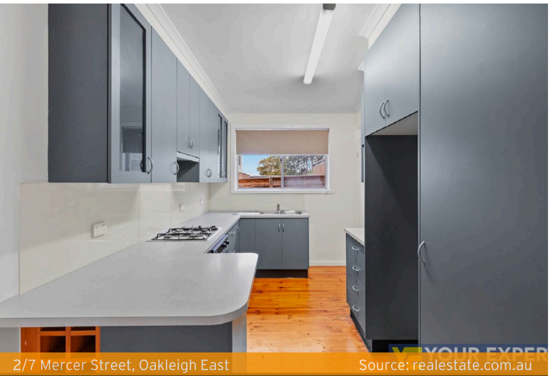
8 McFarlane Crescent, Dandenong Source: realestate.com.au

8 McFarlane Crescent, Dandenong Source: realestate.com.au

8 McFarlane Crescent, Dandenong Source: realestate.com.au

In regard to capital growth, investors can look at suburbs closer to Melbourne's CBD such as Caulfield, Oakleigh and Murrumbeena where units and townhouses are still affordable but have significantly increased in price in the past five years. Despite a slow market, a unit in Oakleigh East, with two bedrooms and one bathroom is currently listed at $590,000 to $620,000. Investors can take advantage of high interest rates to get lower prices on units as they are currently down 7.5 per cent from last quarter.

2/7 Mercer Street, Oakleigh East Source: realestate.com.au


2/7 Mercer Street, Oakleigh East Source: realestate.com.au

2/7 Mercer Street, Oakleigh East Source: realestate.com.au

East
With renters making up 55 per cent of its population, the key inner eastern suburb of Box Hill has always been a popular market for investors, many of whom are opting to invest in units and apartments which currently offer a median yield of 4.5 per cent. There are however several market indicators beginning to show signs of reduction in investor activity in the area, likely as a result of continuous interest rate rises.

Unit and apartment prices have seen a decline of 2.5 per cent over the past 12 months, with high over-supply and decreased demand being leading factors. In the past month alone, we've seen 200 units and apartments become available for sale in the area. Despite the drop in buyer demand, rent prices remain strong, demonstrating a 12-month price increase of 7.7 per cent.

In the outer east, suburbs such as Lilydale appear to be less volatile and affected by market pressures, demonstrated by continuous sale price growth and a faster absorption rate for both houses and units. This is supported by considerably less saturation of supply than we've seen in the inner suburbs. Despite being a predominantly owner-occupier market, rental prices and demand in Lilydale have remained consistent with the rest of Melbourne, with 12-month increases of 6.8 per cent and 3.9 per cent for houses and units respectively.

Over the coming months, pressures on investors such as further interest rate rises will likely be softened if rental demand remains strong, particularly in inner eastern areas. Recent changes which force some international students to study Australian university courses on campus as opposed to online could see a further influx in rental demand around the eastern university suburbs such as Burwood, with many students seeking accommodation close to campuses. Having said this, if economic pressures on investors do continue, we will likely see continued reductions in investor activity and sale prices.

At the moment the median price for an apartment in Coburg sits at $595,000, which is below the long-term average of $620,000.

Inner and Outer North
The suburb of Coburg has seen an overall decline in median property prices of roughly three per cent in the past 12 months. However, past trends highlight that Coburg is a suburb subject to virtually exponential growth. Realestate.com.au provides a visual representation of this growth, where the median house price in February 2018 was $996,000, peaking in March 2022 at $1.276 million to now displaying a drop to $1.2 million. Therefore, investors may see the Coburg area as an area for potential investment opportunity.

At the moment the median price for an apartment in Coburg sits at $595,000, which is below the long-term average of $620,000.

Mickleham offers a relatively affordable solution for investors looking to purchase a house. With near continuous growth in the past five years and a 7.3 per cent median increase in the past 12 months, Mickleham's median property value is now currently $678,000. Below is an example of what $660,000 can get the investor, highlighting that areas further north have the ability for greater price increases which in turn provides an opportunity to invest wisely in the area.

28 Callicoma Street, Mickleham Source: realestate.com.au

Western Suburbs
The western suburbs have been a part of the region's fastest growing suburbs with the area experiencing strong population growth as well as strong capital growth over the past few years. While capital growth has previously been attractive to investors, the western suburbs is now experiencing an oversupply of new housing with the development of multiple new estates throughout Tarneit, Truganina, Deanside and Fraser Rise.

The focus has shifted for investors as these areas are attractive for home buyers due to their affordability while a rental yield of only 3.5 per cent can be seen for investors. With the amount of building approvals in the west, the supply of new properties will be outweighing demand in the area, suggesting that there could be better opportunities for investors elsewhere. Areas closer to the CBD such as Yarraville whilst having a median price value of $1.2 million, don't offer great yields for investors with a rental yield of 2.7 per cent, while Essendon's median house price sits at $1.8 million while returning an even lower rental yield of 2.1 per cent.

A similar return can be seen for investors in the unit market with an average purchase price in Tarneit and Truganina of $440,000 to $490,000 respectively with Tarneit showing an attractive

rental yield of 5.4 per cent while Truganina shows returns of 3.7 per cent. Further west, Melton can return a 4.3 per cent rental yield on a median unit price of $367,500.

Geelong

The Geelong region experienced steady activity within the investment market throughout the past year. There appears to be high demand for rentals, with a 0.77 per cent vacancy rate and 23 per cent of the region's population opting to rent. This demonstrates that with the high demand for rentals, investors are able to gain a steady flow of income, with little fluctuation and turnover of tenants.

Detached, three- to four-bedroom dwellings appear to be the main target for investors. Developing suburbs such as Armstrong Creek and Mount Duneed currently have a median rental price of $490 per week, with a 3.4 per cent yield. Furthermore, the more established suburbs are recording median rents in excess of $500 per week, with Highton and Newtown recording prices of $517 and $500 respectively.

A key local element known to influence the Geelong investor market is the presence of both Waterfront and Waurn Ponds Deakin University campuses. With an influx of young adults competing for four-plus-bedroom dwellings to be occupied as share houses, investors are seeing rental earnings in excess of $550 with a constant demand. Furthermore, these large dwellings have the ability to be leased per room, allowing for further opportunities in rental return.

Mildura

While the property market in Sunraysia has slowed after the high growth during 2021 and early 2022, investors are still active in the local market, attracted by rental returns which remain higher than can be obtained in larger regional and metropolitan locations. Rising interest rates are impacting on returns, however local rents have increased at a similar rate as a result of a shortage of suitable rental accommodation.

The Sunraysia investor market has always comprised a mix of local and out of town investors, with out of town investors becoming more prevalent in recent times. Following the high capital growth over recent years and consensus that the property market as a whole is facing a downturn, investors are seeking high rental yields in the short term and accepting there may be little or no capital gain for the time being.

The typical investment property in the Mildura region comprises both two-bedroom units and older detached three- or four-bedroom homes. Current rents for a 1980s or 1990s unit range between $250 and $320 per week, with three-bedroom, one-bathroom detached dwellings ranging between $320 and $400 per week. In recent times some slightly older three- and four-bedroom dwellings with two bathrooms are asking anywhere from $400 to $500 per week depending largely on age, location and quality. The rental figures are up significantly from previous asking prices two years ago due to high value growth and more recently, interest rate rises.

The strong investor demand still evident in the $300,000 to $500,000 price bracket is making it difficult for many first home buyers to get into the local housing market. This is helping maintain values at this price point, while more expensive properties, which are nearly always purchased by owner-occupiers, are starting to lag.

How well the investor market performs will depend on the extent of future interest rate rises and how well the national economy performs throughout 2023. At this stage it is difficult to see anything which will reduce demand for rental accommodation, which means rents will likely hold up for the foreseeable future.

Warnambool

Opportunity exists for investors looking beyond existing housing stock. Given the noticeable softening of buyer activity in the residential land space, a fierce rental market and on completion valuations still stacking up or better, house and land packages or a traditional new build route show promise.

Location-wise, the suburb of Dennington affords an investor of detached housing with similar benefits to those in Warrnambool at a relatively discounted price.

If units are the focus, then all efforts should be on central Warrnambool as this grants a broader scope of the investment's use.

The Sunraysia investor market has always comprised a mix of local and out of town investors, with out of town investors becoming more prevalent in recent times.

Finally, if you have the vision and the nous to find and explore the possibilities of central properties comprising larger land areas, there is likely to be profit through subdivision. A recent example of this is the sale at 410 Raglan Parade, Warrnambool for $755,000.

410 Raglan Parade, Warrnambool Source: RPdata/CoreLogic)

410 Raglan Parade, Warrnambool Source: RPdata/CoreLogic)

This dual front property featured a renovated four-bedroom Edwardian era house sited on a little over 900 square metre allotment. The property was sold with much of the paperwork completed for a subdivision at the rear and was ripe for further development.

Jordan Mowbray
Valuer

If you have the vision and the nous to find and explore the possibilities of central properties comprising larger land areas, there is likely to be profit through subdivision.

Queensland - Residential 2023

Brisbane

Our capital and south-east Queensland more generally have historically been safe bets for most property investors. While not without challenges, property prices have always tended to move in a relatively undramatic fashion in our region. There will be a range of surprising events that can influence prices of course – for example, no one can predict the impact of a flood and most didn't foresee the vivid rise in interest rates in 2022 – but all in all, we're known to have reasonably stable price movements over the long term.

That means investors tend to follow the fundamentals in Brisbane around location, price point and property type if they want great long-term outcomes. Choosing well in each of these categories manages to yield good results over the years.

With that as our foundation, let's explore some of the areas that are worth watching in terms of investor activity and opportunity right now.

Inner-city

Our inner-city units are finding favour with investors – both local and from interstate. High demand for rentals means vacancies are low and rents are rising. Of course, the inner-city unit market was impacted by oversupply about eight years ago. There were just too many units being built compared to buyer demand. As such, many who bought off-the-plan investment stock saw their values retract below the original contract price and the plethora of available units for lease had renters in the box seat.

Investors tend to follow the fundamentals in Brisbane around location, price point and property type if they want great long-term outcomes.

Now, more than half a decade later, that's been flipped on its head.

There remains a reasonable level of available unit stock to buy (certainly things are more balanced on that front), but renters are struggling to find accommodation. Investors can enjoy a very healthy return on their purchase price and there are longer-term benefits from holding an inner-city asset too, particularly given increased infrastructure spending and the promise of an Olympic boost to the local economy.

A typical example would be the recent sale of an Auchenflower unit for $455,000 which we can't identify at this stage as it's not yet unconditional. While currently rented for below market, the tenants will be vacating in June and there's every indication it should fetch at least $480 per week when re-let. That's a solid 5.5 per cent gross return. Even in the world of rising interest rates, that's a handy outcome for the buyer.

And this result isn't unusual. That same unit has probably seen its market rent increase 10 per cent over the past 12 months – a situation that looks likely to continue at this stage.

In our inner-city addresses, units have been the asset of choice for investors because they are price accessible. Our advice however is for investors to select something that will appeal to both owners and tenants. Why? Because this helps drive capital gains and renter demand. In addition, it broadens your purchaser demographic when it comes time to sell.

An excellent example would be this property at 4/453 Montague Road, West End which sold in April for $445,000. It's a two-bed, one-bath, approximately 40-year-old unit with an oversized garage all positioned within near proximity of parks, the river and lifestyle amenities. It's also in a relatively small three-story walk-up block which is another element that would appeal to both owner-occupiers and renters.

4/453 Montague Road, West End — Source: realestate.com.au

We'd suggest looking through unit listings throughout Brisbane City, Bowen Hills and Fortitude

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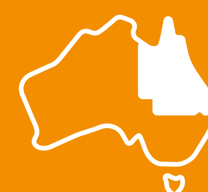

Valley to see what stock is available in those locations as well. Over the past few years these units have been purchased by owner-occupiers, particularly first homeowners, but investors are getting more active now.

If you do want a pure investment asset that delivers strong returns, then one-bedroom units with no car space can be purchased in the $300,000s and will deliver a gross yield of 7.5 to eight per cent. That's an outstanding cashflow that should increase as rents rise in the near future. The downside is that capital growth potential is very limited. This is not the sort of property you buy expecting its value to double in value every 10 to 15 years.

Northern Suburbs
Up until recently we'd seen very limited investor activity throughout middle to outer suburbs such as Bridgeman Downs and McDowall. Fringe suburbs such as Lawnton and Bray Park and even moving further through to the outer northern corridor such as Burpengary or Narangba are the suburbs where you'll traditionally see more investor activity.

However, there is strong demand from renters, so perhaps investors will be making themselves more known as 2023 progresses.

Typical investor stock in outer and fringe suburbs would be townhouses and basic-but-functional project homes in new estates. Attached housing tends to sell for approximately $450,000 while detached housing is priced up to $600,000. Recent transactions have been dominated by owner-occupier buyers who are chasing affordable housing. This isn't surprising given the price increases of 2021 and the interest rate rises throughout the past year or so.

All that said, there are opportunities for savvy investors in the market right now. Look for the right fundamentals in suburbs such as Strathpine, Lawnton and Kallangur. It's likely rents will continue to go up this year and capital growth will be a long-term win for watch-and-wait landlords.

If it's an established house you're considering, this property at 43 Fox Street, Strathpine is a great example of what can be acquired. The home sold in February for $555,000. Set on a 607 square metre site, the house offers a well-presented three-bedroom, one-bathroom dwelling with basic landscaping. It's positioned within easy access of major facilities and would likely find good demand among the renter pool. This is a basic established house and while maintenance may prove challenging, with the right care and attention you would be on track to enjoy decent returns over a property price cycle or two.

43 Fox Street, Strathpine Source: realestate.com.au

One thing that has been interesting in this part of the Brisbane region has been the lack of dual occupancy and duplex sales so far in 2023. These properties traded strongly in 2021 and into early 2022. We have heard anecdotally from local agents that there are investors looking to offload these investments now and keep their funds in waiting. The idea is that when markets and interest rates stabilise, they'll look to buy back in.

Southern Suburbs
Detached housing has tended to have better capital growth potential than units or townhouses in our established southern suburbs. If you're looking for investor-level stock in these areas, check out locations such as Logan Reserve or Park Ridge. This is where you can purchase a modern low-set brick home for around $550,000. Along with having good long-term capital-growth potential, gross rental returns sit at circa 5.5 to six per cent which will go a long way towards helping to service a mortgage.

This home at 28 Mount Greville Way, Park Ridge is a good example. It's a low-set, three-bedroom, two-bathroom, single garage home on 300 square metres that sold in January for $490,000.

28 Mount Greville Way, Park Ridge Source: realestate.com.au

There are also those established communities in the south-west such as around Springfield Lakes, Spring Mountain or even down to Greenbank. You can purchase property from $600,000 to $750,000 and enjoy 4.5 to five per cent rental returns.

The good news for those who want to get a piece of this real estate is that rents look set to keep rising for this type of property. That should go some way to helping deal with any interest rate increases over coming months.

Our caution however is that with plenty of stock available, capital gains will be more limited than in areas closer to the CBD. Still, for long-term landlords, the capital growth picture remains bright.

Turning our attention towards the middle and inner southern suburbs and price gains in 2021 have shut out investors in favour of owner-occupiers. In suburbs such as Moorooka, Greenslopes and Mount Gravatt, there are detached houses to be had in and around the $850,000 mark that will have strong long-term potential and should garner interest from renters. Just make sure you have the means to service a mortgage if interest rates continue to rise.

The other consideration throughout Brisbane's south is units and townhouses of all ages, configurations and price points. You can find second-hand unit stock in Moorooka in three-storey walk-up complexes through to townhouses in large projects dotted throughout Calamvale or Parkinson. Townhouses are particularly interesting to watch at present. This is because they seem to be gaining interest from local investors rather than interstate buyers. That's a bit of a switch around from what was happening a decade or two ago.

Regardless of what you look to buy, our tip with attached housing is to purchase well-priced second-hand stock rather than new housing with a premium attached. Also, seek something that has a bit of unique appeal that might draw in an owner-occupier buyer as much as an investor. Being close to good services and amenities will help too.

Flats

Before we sign off, it's worth mentioning demand for multi-residential investments such as flats buildings.

Our teams have spotted a number of these transacting where the existing rental return is below market. For those investor buyers, there's the opportunity to do small cosmetic renovations and increase the rents quite substantially in some instances. If you buy flats within the inner and mid ring they may come at a premium, but the reasonably steady cashflow should help with loan repayments.

A good example might be something like this property at 3 Desgrand Street, Archerfield which sold for $951,000 in February.

3 Desgrand Street, Archerfield Source: realestate.com.au

The property was returning $60,320 per year at the time of sale, reflecting a strong gross yield of 6.3 per cent.

The building consists of three by one-bed, one-bath units and a two-bed, one-bath unit. While reasonably well maintained, there could be some scope for a light cosmetic upgrade that would yield more rent.

While there remains uncertainty in markets across Australia, there's little doubt that investment over the long-term has proved a savvy move. Among the many options on offer throughout the nation, Brisbane would have to be one of the more attractive for any investors seeking to hold on to assets and enjoy the benefits across multiple price cycles.

David Notley
Director

Seek something that has a bit of unique appeal that might draw in an owner-occupier buyer as much as an investor.

Gold Coast

Southern Gold Coast and Far Northern New South Wales

Driven predominantly by owner-occupier demand across the majority of market segments, the far Southern Gold Coast and Far Northern New South Wales areas are expected to remain stable throughout 2023. Nonetheless we are still seeing investor activity in our coastal locations with attractive yields and growth prospects still achievable despite rising interest rates. Agents have reported slightly weaker demand which has resulted in longer time on market for stock across all segments, creating more opportunity for astute buyers at a discount from peak periods.

Particular locations to keep an eye on in the area from an investor's perspective are the suburbs set back from the low yielding coastal pockets. Areas such as Tweed Heads West, Bilambil Heights, Banora Point and Tweed Heads South are great examples. These are areas where we are still seeing good comparative value in the sub-$1 million freehold segment and very low

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Investment in Robina and Varsity Lakes is still considered a sound decision, however we see a potential softening over the next six to nine months. It may be prudent to watch for distressed sales during this period.

vacancy rates. The above locations are expected to perform well over the short and long term as a result of scarcity of supply in the area and good fundamental indicators (eg. continued population increases to the southern Gold Coast and Tweed Shire, new infrastructure such as the new Tweed Hospital in Kingscliff and Stage 4 tram extension, gentrification and increasing development potential).

Duplex units in coastal pockets such as Kirra are also expected to perform well with attractive yields and no body corporates, keeping outgoings manageable. At this stage in the cycle, an investor may not see an abundance of positively geared options in the area, however there are strong growth fundamentals evident and long term capital gains expected.

As a result of rising interest rates, investor demand in the prestige market on the Southern Gold Coast and Tweed Shire is firming, with fewer qualified buyers noted from local agents, predominantly as a result of rising rates and decreases in borrowing capacity.

Central/Southern Gold Coast Suburbs

In the past six months, we have noticed that investors in the central and southern Gold Coast suburbs are being more cautious with further research and due diligence undertaken prior to making a purchase decision. This is due to the increasing cost of repayments and tightening of lending criteria. Other factors include deposit money not being available and equity in their own homes decreasing with the softening in the market. Some investors are also waiting for further potential downturns in the market.

Going forward, we see the central and southern Gold Coast market as continuing a slight decline over the next six to nine months, however we don't believe it will crash. This coupled with property prices peaking at an all-time high in March and April 2022 and higher costs of living are making investing in property all the more difficult for potential investors.

Traditional and favoured investor stock continues to include small walk-up units, low-rise units, townhouses and duplexes. These property types tend to provide uncomplicated investments and are still seeing good rental returns.

We are seeing a general slowdown in the detached housing sector, however at this point in time, we are seeing a good amount of investor stock in Merrimac. A detached house can be purchased from around $780,000 to $900,000 with rentals ranging from around $750 to $1100 per week. Merrimac provides a good investment choice due to the entry level detached housing, good local amenities and its easy access to major arterial roads.

We still consider there to be a lot of uncertainty in the market and we see a continued downturn in prices for the next six to nine months, however to counter this, we see the rental market remaining strong. After this time, we see a stabilisation in the market.

Investors are still very strong within all localities of the central and southern Gold Coast suburbs within the unit and townhouse markets including Mermaid Beach out to Robina and Varsity Lakes and down to Currumbin. We are still seeing investment purchasers ranging from around $450,000 up to $800,000 in Robina and Varsity Lakes and from approximately $600,000 to $1 million in the beachside suburbs.

Investment in Robina and Varsity Lakes is still considered a sound decision, however we see a potential softening over the next six to nine months. It may be prudent to watch for distressed sales during this period. The rental return is what is driving the investor market within these localities, but capital gains have already been realised at the top of the market and have fallen around five to ten per cent since then.

Central and Northern Coastal Suburbs

Similar to the surrounding central Gold Coast, the purchasing power of owner-occupiers is driving interest in the central and northern coast suburbs. Remaining stable to slightly softening thus far, investors are still drawn to this pocket by the higher achievable rentals in these beachside suburbs. With the continued interest rate rises we are yet to see an increase in stock in the area, which is also keeping demand levels relatively high. Agents have reported strong demand from local purchasers, owner-occupiers and those coming from the Brisbane area, looking for an investment, Airbnb rental or holiday home.

Suburbs to watch more closely from a buyer's point of view are those west of the Gold Coast and Pacific Highways, further removed from

the attractive beachside areas. Areas such as Carrara, Worongary and Ashmore are examples where there has been a more noticeable softening of prices. These areas are seeing longer selling periods, more competitive purchasing against still higher rentals and low vacancy.

The rural lifestyle properties set within areas such as Worongary and Tallai are seeing a more pronounced decrease, with properties requiring remediation works achieving prices well under asking and vendor expectations still requiring an understanding of the softening market conditions in the western suburbs.

The interest rate rises have seen a recurrence of some deals requiring multiple contracts in these areas, with lower value properties still attracting purchasers, although they are finding that their borrowing power is not meeting the level previously achievable for them. Many agents have been reporting across all price ranges that vendors are choosing contracts based on security rather than slightly higher quantum values of higher risk

Gold Coast Western Corridor

There has been a shift in the past six months through the M1 western corridor suburban areas with investors starting to come back into the market after the COVID pandemic, which saw little investor activity from 2020 to the beginning of 2022. As the market has softened due primarily to higher interest rates, prices have subsequently reduced and investors are taking advantage of lower prices in suburbs such as Pacific Pines, Oxenford and Maudsland. These areas comprise a mix of owner-occupier and traditional investor stock, being detached dwellings and townhouses and duplex units.

The next 12 months throughout these areas is likely to see continued investor activity as the demand for detached housing and townhouses and duplex units continues to increase which is being confirmed on the ground by local agents.

Surprisingly, there are cases where the longstanding tenant offered to pay a higher rent than what is being asked.

As the rental market continues to be buoyant for the foreseeable future, investors are likely to take advantage of high rental returns being offered in conjunction with potential future capital growth, especially for detached housing.

There have been two duplex pair (on one title) properties in Allington Circuit, Maudsland that have sold in the past five months for $810,000 and $855,000 – both with two adjoining units offering three-bedroom, two-bathroom and two-bedroom, one-bathroom units. Properties like these are showing good value for investors as they offer strong rental return (total rental amount of approximately $1100 per week for both attached units).

22 Allington Circuit, Maudsland sold for $810,000 Source: realestate.com.au

Northern Gold Coast Growth Corridor

In line with market sentiment, investor activity appears to have slowed drastically in the past six months in the northern Gold Coast region, however there is still some interest coming from both local and interstate investors, as rental rates are on the rise. There are still many houses and units in the area that have potential for market corrections, i.e., those with longstanding tenants where the landlords have been reluctant to raise the rents too much for fear of losing a good tenant. A buyer of such property has the opportunity to realise a significant rental adjustment to match the higher price of the property that one would expect to pay in this present market. Surprisingly, there are cases where the longstanding tenant offered to pay a higher rent than what is being asked. This can be attributed to the limited stock of rental properties available in the present market and tenants like these may have scouted the market but found nothing that is better than what they currently have. An increase of $100 per week is now not uncommon and more and more renters have come to terms with the higher rents. However, many tenants are unhappy with the rising cost of living and readjustments to spending. The investors have the gain, however there are fewer investors with the borrowing capacity to pay for the higher price of investment properties, let alone the higher interest rates that lenders are now imposing.

Despite everything, the values of investment properties for traditional townhouses and duplex units are not falling much, unlike detached houses. If anything, the level has been stable since experiencing a tremendous rise in 2021/2022. The buyer demographic has not changed.

The detached housing sector of the market is seeing investors competing with owner-occupiers and therefore, the main push for buying is

future capital gains rather than rental returns. Purchasers can expect to pay between $600,000 and $800,000 for a four-bedroom house in the northern region of the Gold Coast. Gross yields are between 4.5 and 5.5 per cent if the purchase is at current market price and rents have been corrected to market levels. Otherwise, the opportunity to raise rents will have to wait until the current lease expires, hence a lower yield is the norm. Rental levels are around $500 per week for a three-bedroom property and around $600 per week for a four-bedroom property.

Capital and rental growth were the two factors encouraging investors to buy a house in this region. Nevertheless, the supply of land for new houses is not limited unlike the Central Gold Coast. Even at this time, the rise in land prices has resulted in new residential subdivisions with developers trying to sell vacant lots around $400,000 and $500,000. This price expectation may be a bit too late as second-hand homes have fallen in value, so we may soon see discounts and incentives offered to prospective buyers in the short term.

There are currently many opportunities for investors within the northern Gold Coast localities. There are a number of properties currently listed for sale in these areas.

At this time, vacant lots in new estates appear to be overpriced or not in line with falling market values. This is due to the developers trying to pre-sell when the market was stronger, but to date, few have reduced their prices. Buyers who committed to these prices are unlikely to make any capital gains on completion. The more likely buyers are those from out of town who are not aware of how the local market has changed. As for building costs, there are early signs that costs are coming down even as the number of new houses to be built starts to fall.

Upper Coomera remains the most active market for investment properties, particularly for duplexes and townhouses. There are detached houses and units spread across Coomera to Pimpama and the older districts of Eagleby and Beenleigh are still the areas for the lower end of the rental market insofar as affordability and quality are concerned.

Affordability is the main criteria driving investors to buy here. Where else can you find a unit priced around $200,000 to $300,000 other than Eagleby or Beenleigh? The price level in the traditional areas of Coomera and Upper Coomera has gone up to a higher level at around $400,000 to $600,000. Negative gearing was one of the driving forces for interstate investors to buy here, however those who bought years ago are now positively geared thanks to the tremendous increase in rents.

Recently some owners of duplex pairs had to divest their investments due to Council clamping down on those that were not properly approved for renting purposes. Although the rental returns seem very attractive, buyers are now better informed about the pitfalls should they invest in such properties. Nevertheless, there would be some willing to take the risks whilst negotiating for a better price.

There are still some good investment purchase opportunities in these localities, as there are many who want to sell and it is a great opportunity to look for potential bargains.

At this time, rental return is the strong reason for an investment rather than capital growth. The imbalance between supply and demand has given investors the opportunity to realise higher rental returns. Those who bought during the low market a few years ago may now be enjoying positive gearing or capital gains if they sell. Nevertheless, there is the threat of rising interest rates which could impact net returns.

The outlook for this sector is for sustained demand and there are no signs of any significant market corrections.

There is a shortage of larger lots of 600 square metres and above with big yards that could allow for the addition of a self-contained granny flat, but not all lots are suitable. Due to the shortage of rental houses, there is opportunity to build a separate unit in the back yard to provide a good rental income and increase the value of the property (subject to Council approval).

Jerusha King
Associate Director

There are a number of properties currently listed for sale in these areas. At this time, vacant lots in new estates appear to be overpriced or not in line with falling market values.

Sunshine Coast

There is little doubt that there has been a slowdown in the Sunshine Coast property market with it becoming more segmented. Sure, there are some areas and property types that have still been performing well but the majority of markets have seen a decline in values. The decline is very much

dependant on what the property is and where it is situated but generally the falls are somewhere between five and 15 per cent.

When we look at the investment market, it is becoming a little hard to decipher. There are investors active but when you get down to the detail, a fair portion are purchasing with a view to moving to the area and into the property at a later date, so when we take that into account, there is little doubt that the true investor market has softened over recent times.

The main driver for investors who are around is rental yield. This is being ably assisted by the current rental market which is currently one of the strongest in Queensland even though there has been a slight easing. The hard thing is to find a property providing a good yield given the recent strong increases in values.

Units in beachside localities still provide good opportunities with locations around Coolum Beach, Mooloolaba and Caloundra all providing good access to tourist amenities and good rental returns at this level. Smaller complexes with lower body corporate fees continue to remain the best performing in terms of rental yields. An example of this can be found at Mount Coolum in Jarnahill Drive, a three-bedroom, one-bathroom renovated unit that sold for $627,000 and was leased at $525 a week, which is a rental yield of 4.35 per cent.

Modern freestanding four-bedroom, two-bathroom dwellings in hinterland townships such as Glass House Mountains, Beerwah and Landsborough continue to be sought after given their access to transport and services. A rental return of four to five per cent can be expected for properties in these areas purchased in the past six to 12 months.

As with most investments, time in the market will be the key.

Multi tenanted properties or flats would provide a larger yield given their nature, but it is acknowledged that they are pretty hard to find. The yield achieved by these property types is reflective of the income, age, number of flats and location. Properties underpinned by development potential or situated in unique and sought after locations tend to be at the lower end of the yield range. A yield at the higher end of a yield range indicates there would be limited development potential with the current use being the highest and best.

As mentioned, it is hard to find a good rental yield with the recent increases in property values. Yes, the current strong rental market will assist but that will have a limit. Also, some softening in values will help the yield equation. As with most investments, time in the market will be the key. The significant investment in south-east Queensland surrounding the 2032 Olympics, if you take a long-term view, should hold investors in good stead.

Stewart Greensill
Director

Cairns

In general terms, the residential markets in Cairns and Far North Queensland are currently maintaining their highs of 2020 in terms of price although sale volumes are easing and the number of active buyers appears to have reduced.

Typically, investors should be looking for solid rental returns and longer-term capital growth. While Far North Queensland gets a big tick for rental returns, capital growth is a little uncertain due to the price increases experienced in recent years and increases in interest rates and holding costs.

Rents have been rising strongly in recent years, however affordability issues must come into play at some stage on the back of the high inflation environment.

Apart from being a little boring and buying a well-located property with the intention of holding it over the longer term, a few opportunities come to mind including:

- Council appears to be supportive of blocks already improved with a dwelling being further split and there may be some potential for investors to buy a property and add on an additional dwelling in the backyard;
- Tourism accommodation properties have been performing strongly due to the bounce back in domestic tourism. Holiday apartments should provide a reasonable return. Demand from domestic tourism may fall away although the return of international tourists should offset any decline.

Craig Myers
Director

Gladstone

Investors remain active in the Gladstone property market. There is no real stand out location or suburb where they are more active than others; it's more about the property type. Inner city units and suburban townhouses are always popular with investors. An important

check for any investor looking at this type of property is a body corporate search. There are several townhouse complexes in the region where the body corporate fees are exorbitant. Units in these complexes will often sit on the market for longer and experience some sort of price discounting to achieve a sale. Other than units, low maintenance, reasonably modern homes in fringe suburbs such as Kirkwood or New Auckland are also popular. Duplexes of any age also remain popular with a good number of sales over the past 12 months. Gross yields currently sit roughly between 5.5 and 7.5 per cent for duplexes and between 7.5 and 9.5 per cent for blocks of three or four flats. Lastly, in more recent times, there has been significant investor activity for new builds in a number of the small lot estates still active in the region. Both the land prices and build prices are overinflated in these estates but only for investor product. Pricing seems to magically get lower when an owner-occupier is looking to build in the location!

The main driver of Gladstone's market continues to be its affordability and this will likely remain the case for the foreseeable future. The fundamentals of our market remain strong and so despite the stabilisation that appears to be occurring, we still predict minor capital growth for the region over the course of 2023.

Regan Aprile
Director

Mackay

Currently the rental market in Mackay is extremely tight, with the vacancy rate sitting at just under one per cent which it has been for several years. Rental values have also increased significantly in line with demand for housing. Mackay has had increased migration on the back of employment opportunities in the region in mining, mining services and infrastructure works which has put increased pressure on an already tight market.

At present though, investors are not that active in detached housing, with the majority of purchases being by owner-occupiers. Values have risen over the past few years driven by owner-occupiers. Prior to the interest rate rises seen recently, it was actually cheaper to pay off a dwelling than to rent it in Mackay. That has shifted though in recent times with the rise in interest rates, however even after the rises, it is still pretty even. Gross yields for investors on a $500,000 four-bedroom home are around the five to six per cent mark. These returns are quite good for detached housing compared to other localities, however the prospect of significant capital growth has diminished with the recent rises in value.

The most active markets for investors are flats, whether that be duplex properties or larger blocks of flats. Gross yields for duplexes currently sit at between 6.5 and 7.5 per cent with larger blocks of flats (four or more) showing anaylsed gross yields of between eight and 9.5 per cent gross. The popularity of flats appears to be because the increase in rentals has occurred at a faster and higher rate than the increase in capital values.

All the economic fundamentals in Mackay are currently strong, with a buoyant resource sector, large infrastructure projects and good employment opportunities meaning that strong demand for housing should continue into the short to medium term.

Mick Denlay
Director

Bundaberg

With affordable coastal and rural residential lifestyles, enviable climate and some iconic brands including Bundaberg Rum, Bundaberg Brewed Drinks, Macadamia Australia, Kalkie Moon and Bundaberg Sugar, Bundaberg is a great place to live and invest. Bundaberg's biggest drawcard is affordability... with a median house price of $450,000, half the average of that in Brisbane.

There is no real stand out location apart from the coastal suburbs. The coastal lifestyle is popular however over the past few years, working from home during COVID has highlighted the desire for a more rural residential lifestyle with many opting for a tree change over a sea change.

The local area is also experiencing tight rental vacancy, with rental vacancy rates below one per cent. Increases in rental values are being experienced on the back of strong rental demand.

All the economic fundamentals in Mackay are currently strong, with a buoyant resource sector, large infrastructure projects and good employment opportunities meaning that strong demand for housing should continue into the short to medium term.

Duplexes, triplexes and flats are currently showing gross yields of between six and eight per cent. Duplexes show a higher volume of sales than larger triplex and quadplex properties.

Selling periods are starting to lengthen, however a variety of buyer profiles remain active across the residential market (i.e. first home buyers, upgraders, retirees and local and interstate investors). Recent consecutive interest rate rises coupled with increasing inflation appear to have cooled the market, with prices and demand steadying.

The Reserve Bank of Australia started increasing the official cash rate in May 2022 with economists forecasting increases over time. The current cash rate is 3.6 per cent (as at March 2023). We caution that the market is considered to be at its peak (at least in terms of activity) and it is expected that the market may continue to slow as a result of contracting affordability and cost of living pressures dampening sentiment in the short term.

Fraser Coast

From the start of 2021, all sectors of the property market on the Fraser Coast experienced strong demand from local, intra and interstate buyers. This demand continued throughout 2022 and now into 2023. However, recent consecutive interest rate rises coupled with increasing inflation appear to have cooled the market, with prices and demand steadying. Selling periods are starting to lengthen, however we are still seeing first home buyers, upgraders, retirees and local and interstate investors active in the market. The supply of available housing stock is relatively low with most estates that offer house and land packages sold out prior to titles being issued. There are now various new land estates across numerous suburbs being developed, which will alleviate demand once fully completed.

The rental market in Hervey Bay has been tight for an extended period now. There is 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, however prices also increased during the same period resulting in similar returns being achieved. Most semi-modern dwellings with three to four bedrooms can achieve over $500 per week at a minimum with gross yields typically above five per cent per annum. Brand new dwellings are returning over $550 per week for a four-bedroom, two-bathroom and two-car built-in garage property. Flats and duplex investments generally show gross yields in the five to seven per cent range however with the high level of tenancy demand, there is some scope for increases in rental rates for older properties to achieve a higher return.

Tight vacancy rates in Maryborough are continuing with a 0.2 per cent vacancy rate at the last quarter. This trend looks set to continue due to a number of owner-occupiers purchasing property at present. There is very high rental demand in the area which has led to increases in rental returns over the past two years. The average three-bedroom home can achieve $425 per week with gross yields typically above six per cent per annum gross.

The significant lift in interest rates since May 2022 doesn't appear to have impacted values at this stage however buyer urgency has definitely eased. With more rate rises predicted, we may start to see downward pressure in some asset classes over the next six months.

Doug Chandler
Director

Emerald

Investors have begun to return to Emerald's residential market driven by a tight rental market, strengthening median rental prices and supply of new housing being constrained by high construction costs. Additionally, there has been an increase in local investors as some homeowners have upgraded and decided to hang on to their initial properties due to the good returns in the rental market.

Risk is the name of the game in Emerald and the most recent mining downturn and its subsequent effect on the Emerald property market is still front and centre in the minds of many. Many people remain disinclined to take on the risk of owning their own home in Emerald, avoiding the potential risk of buying in a historically volatile market where median house prices remain comparatively low compared to other markets. The demand for rental properties is high and rental prices are increasing steadily. Therefore this market is generating

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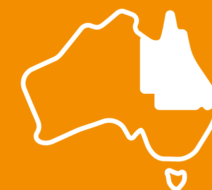


improving returns. This is very attractive to out of town investors who are simply looking for a good return on investment. Capital growth is possible but due to the volatile nature of coal mining towns, rental returns are the key driver of investment. Investors are primarily interested in new to near new properties under $400,000.

Important local elements that will influence investment decisions in the Emerald market during 2023 include coal prices and Queensland government coal royalties and how these affect the expansion and development decisions of the big miners.

Kellie Blomfield
Valuer

Townsville

As is the narrative with the rest of the country, rental demand remains high and vacancy rates remain low throughout Townsville. As a result, there is significant opportunity for prospective investors to see returns in Townsville's property market.

Detached residential properties continue to be a safe choice for investors, with modern housing in developing estates being a common investment choice to be listed for rent, achieving solid return on the purchase price or build cost.

As for attached properties, there has been little construction of new units in the recent past, with many unit complexes, particularly in high rise buildings, approaching the end of their current life cycles and likely being ready for refurbishment in the coming years. This could create an opportunity for investors looking for capital gain, however the current strata unit market does not seem to be the most popular as a rental investment.

Duplexes and residential flats buildings are likely the best bet for the investment market across Townsville. Recently, investors have sought higher returns on their purchases, resulting in a softening of prices in these assets. In the past six months, it has been rare to find sales of flats which return under eight per cent gross yields. One example of this is a five-unit flats building on Nathan Street, Cranbrook, which sold for $635,000 at a gross passing yield of 9.33 per cent. This is not an isolated example, displaying the desire for solid rental returns held by local investors.

It is still unknown if and when the Townsville market will be affected in a similar fashion to the major cities by the interest rate rises announced by the RBA. Despite this, Townsville continues to act as a popular base for much of the mining industry from Mount Isa to the Central Highlands, which is the major driver for our local investment market.

Connor Bryant
Valuer

Rockhampton

It is fair to say that the past six months have seen a steady number of non-local investors active in the Rockhampton and regional investor market. We have been seeing investor activity dramatically increase since the initial surge in the market, post-COVID-19 in early 2020.

Local elements considered to have a profound influence on investment decisions for the majority of investors active in the region can be clearly defined at present. The Rockhampton region (including the Livingstone Shire) continues to have major infrastructure projects either starting construction, continuing from 2022 or due to reach an expected completion date by the end of 2023. These projects have an estimated value of close to $6 billion (source: Capricorn Enterprise) and provide unparalleled opportunities for business and employment opportunities, driving population growth for the region. The region's unemployment rate is currently sitting at 2.5 per cent which is below the state average of 3.8 per cent (source: labourmarketinsights.gov.au). These infrastructure projects will continue to drive population growth for the region in the short to medium term as skilled workers continue to relocate to the region to support these projects.

Traditional investor stock in the region has always been detached houses and sets of flats or duplexes. The unit market in Rockhampton is relatively small. The demographic for this type of investment has not seen any significant change. Over the course of time, the number of non-local versus local investors fluctuates between the two groups, largely depending on the property cycle of the major metropolitan markets across the country. Regionally, we have historically been counter-cyclical to these larger markets.

Investors are typically most active in the $250,000 to $450,000 price bracket in Rockhampton. The Capricorn Coast is very different with significantly higher price points,

These infrastructure projects will continue to drive population growth for the region in the short to medium term as skilled workers continue to relocate to the region to support these projects.

generally $600,000 plus for traditional detached housing. Gross yields for detached houses vary and are generally in the order of seven per cent for a property worth around $250,000 and under five per cent for something around $450,000 in Rockhampton.

The region is experiencing strong capital gains, with rental growth and tight vacancy rates. These factors combined with relative affordability (compared to the metro markets) are attracting investors to our market. Continued strong demand from a tenancy perspective is forecast for the next 12 months. Should an investor be chasing capital gains more so than rental return, opportunities may be found by purchasing a property in need of cosmetic renovation if they have the skills or contacts to complete the work. This is because there is currently a real preference from buyers for new (modern) or fully renovated older-style dwellings that require no immediate maintenance. This is largely due to building cost escalation and difficulty engaging qualified builders and other tradespeople within a reasonable time frame. At this point in time, demand outweighs the available supply.

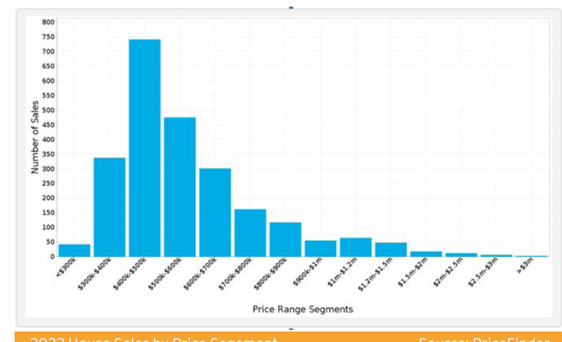
Duplexes and other sets of flats are also enticing property types for investors with better returns than traditional detached housing. Duplexes have a typical return of 6.8 to 7.8 per cent gross in the current market with rents continuing to rise upon lease renewals. Larger sets of flats tend to provide a greater yield, however there is not much available with a yield in excess of 8.5 per cent at present.

Cara Pincombe
Associate Director

Toowoomba/Darling Downs

Investor activity in Herron Todd White Darling Downs' coverage region throughout Toowoomba and its environs continues to remain relatively strong with low housing stock and high rental yields and returns underpinning this confidence. Toowoomba continues to be listed as one of Queensland's most affordable cities, particularly for interstate buyers seeking good value for money and to stretch their investment dollar further.

Toowoomba continues to experience expansion and according to realestate.com.au, Toowoomba's median house prices have risen by 7.5 per cent in the past year to $467,500, while unit prices have risen by 42.6 per cent to $385,000. The vacancy rate in December 2021 was 0.5 per cent and was still very low at 0.8 per cent in December 2022 while Brisbane recorded 1.1 per cent. There were approximately 2372 house sales in 2022, with the most common price range being $400,000 to $500,000 with 740 sales, followed by 475 sales in the $500,000 to $600,000 range and approximately 10 sales in the $3 million and above range.



2022 House Sales by Price Segement — Source: PriceFinder

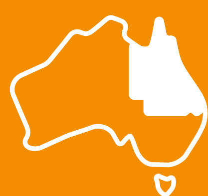
An example of this median price point for a detached dwelling is 2 Albion Street, Kearneys Spring which sold on 31 January 2023 for $465,000. The property is a three-bedroom, one-bathroom and two-car accommodation dwelling on a 642 square metre parcel.

2 Albion Street, Kearneys Spring — Source: realestate.com.au

On the prestige end of that price range spectrum is 52 East Street, Redwood which sold on 25 October 2022 for $3.675 million, being a five-bedroom, four-bathroom, four-car accommodation dwelling on 1.01 hectares with scenic mountain and valley views towards the Lockyer Valley.

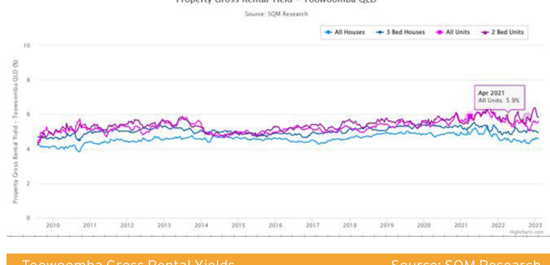
52 East Street, Redwood — Source: realestate.com.au

Local real estate agents are remaining positive that the market will continue to be steady for detached housing, similar to 2022, especially over the first six months of 2023 with continued good buyer demand



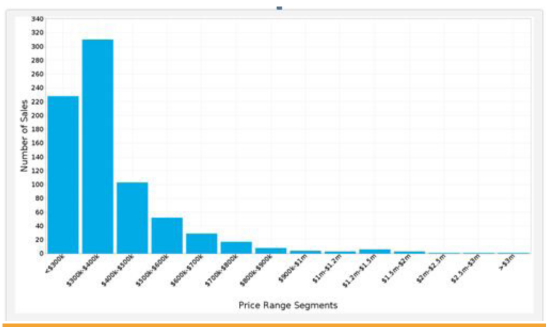
which has been compounded by limited stock levels. This demand is being experienced in a number of suburbs across the Toowoomba region, especially in the highly sought after East Toowoomba and Middle Ridge localities.

Overall, depending on the property, gross returns of 4.6 to 5.6 per cent for detached housing and residential units are currently being achieved with residential housing development and investment continuing, especially in the Glenvale area. Valuers report numerous to be erected inspections being undertaken in this suburb to the west of the Toowoomba CBD where new builds on subdivisions are largely being undertaken by investors.



Toowoomba Gross Rental Yields Source: SQM Research

With a 42.6 per cent increase in the past twelve months, Toowoomba's unit market is a standout performer. Local agents have observed that the stock of units is still in demand at various price points and localities. To put this into perspective, 732 units were sold in 2022 for a median price of $385,000. The highest price group included 310 units sold between $300,000 and $400,000, followed by 230 sales in the under $300,000 range and approximately 100 properties sold in the $400,000 to $500,000 bracket.



2022 Unit Sales by Price Segement Source: PriceFinder

A unit in this median price range is 5/9 McCook Street, South Toowoomba which sold on 16 January 2023 for $390,000 being a two-bedroom, two-bathroom and one-car accommodation property with 107 square metres of living area.

5/9 McCook Street, South Toowoomba Source: realestate.com.au

Not to be outdone, the wider regional coverage areas of the Herron Todd White Darling Downs entity are also showing affordability in locations such as Warwick, Stanthorpe, Goondiwindi, Dalby, Chinchilla, Miles and Roma. Dwellings and units are showing greater levels of capital growth than they typically have (based on longer term averages) and at this stage this capital growth appears sustainable due to coming off a very low and affordable base. The capital growth appeal appears to be more of a focus for locals rather than non-local investors. Some local investor interest is evident, particularly where the local investor is speculating on existing rental shortages combining with likely demand increases due to proposed and current energy sector projects to stimulate further capital growth or at the very least, sustainability of existing values.

As alluded to, strong rental demand is also a factor throughout most southern regional Queensland markets and as has been the case long term for both dwelling and unit markets, this continues to provide rental investment opportunities with strong yields well in excess of five per cent common. The relatively common availability of such strong yields on residential property remains the key driver of demand for investors, both local and non-local.

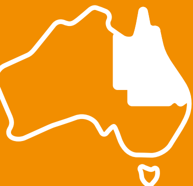
Over the past 12 months, sales activity for duplex, triplex and flats buildings has been increasing and generally yields have firmed. Yields from five to 10 per cent are generally common though reflective of the asset, while some yields from 10 to 16 per cent have also been noted though are not the norm and are also reflective of the asset, market profiles and risk. Demand has been driven by both local and non-local investors and more supply has been brought to the market to take advantage of this demand. By comparison, in recent years, some of these assets had previously been experiencing extended selling periods. It has also been noted that some of these assets which were acquired during the previous mining and gas boom (only in applicable locations) were being held in negative equity positions and an increased percentage of these vendors have now taken the opportunity to offload these assets.

An example is a duplex at 33 Skewis Street, Chinchilla which sold on 8 December 2022 for $420,000. The property is a six-bedroom, four-bathroom, two-car accommodation multi tenanted property on an 804 square metre parcel located on the western fringe of Chinchilla.

33 Skewis Street, Chinchilla Source: Elders

Generally speaking and moving forward to the year ahead (or at least for the first six months), our outlook for housing and residential investment property in Toowoomba and the regional areas remains positive. We are cheap by comparison to our coastal and capital city cousins and consequently represent good value for money. We provide sound prospects of sustainable values and some potential for continued growth. Our rental demand remains very strong and rents are continuing to increase which underpins our existing strong rental yields, which are available across many locations and market segments.

Marissa Griffin
Director



South Australia - Residential 2023

Adelaide and regions

Broadly, national investor activity has been in steady decline since the early stages of 2022 as the larger eastern markets began to stutter and the RBA sounded the warning signs that rate rises were on the horizon. February data released by the Australian Bureau of Statistics indicates investor loan commitments nationally declined 4.4 per cent in December, with the value of new borrower investor loans down 28.3 per cent year on year to $7.89 billion.

South Australia bucked this trend in December, recording a 2.3 per cent increase in new investor loan commitments which is the first increase in this metric since June 2022. With a strong rental market and long history of short lived and marginal downward property cycles, South Australia may provide a safe haven for investors in 2023.

Source: ABS

South Australia bucked this trend in December, recording a 2.3 per cent increase in new investor loan commitments which is the first increase in this metric since June 2022.

Depending on proximity to the CBD, the investor market has historically been driven by rental returns within the outer ring and capital growth within the middle and inner rings. Rental returns have tightened in the outer ring as price levels increased sharply however demand for rentals remains at historic highs with Adelaide currently having the nation's lowest vacancy rate at 0.4 per cent. Gross yields of three to six per cent are common within the established suburbs in the outer ring. Advertised rents range from $300 to $600 per week with suburb median house prices ranging from the mid $300,000s to mid $700,000s.

25 Brimsdown Road, Davoren Park Source: realestate.come.au

Representative of typical investor stock in the outer ring are the sales of 25 Brimsdown Road, Davoren Park, a circa 1960s contemporary style dwelling which was being tenanted at the time of sale for $310 per week and achieved a sale price of $310,000 and 13A Dalkeith Avenue, Morphett Vale, a circa 2013 courtyard style dwelling which was being tenanted at the time of sale for $450 per week and achieved a sale price of $508,000. These sales were generating gross yields of 5.2 and 4.6 per cent respectively at the time of sale.

Popular within the outer ring are multiple occupancy properties, typically comprising pairs of former housing trust maisonettes. We have seen strong demand for this style of property over the past 12 months with sale prices continually exceeding expectations of both agent and vendor. Providing its purchaser with multiple options was the sale of 7 and 9 Yarnsbrook Street, Davoren Park which recently achieved a sale price of $570,000.

The property comprised two maisonettes on a single allotment of 1100 square metres. At the time of sale both maisonettes had tenancies running till mid 2023 generating a combined weekly rental of $670, indicating a gross yield of 6.1 per cent.

7 & 9 Yarnbrook Street, Davoren Park Source: realestate.come.au

24 Verco Avenue, Campbelltown Source: realestate.come.au

2/10 Wemyss Avenue, Hawthorn Source: realestate.come.au

Rental returns within the inner and middle rings are eroded as values increase and achievable rentals reach a ceiling. Advertised rents range from $400 per week and cap out at $1500. Suburb median price levels vary through the inner and middle rings ranging from the high $400,000s to $1.5 million plus. The high value to low rental ratio produces gross yields of sub five per cent. Investors are typically seeking capital growth with holding income being an added bonus. Investor stock can be characterised by low maintenance character dwellings and townhouses in the inner ring and modest family homes and infill development in the middle ring. Examples include 32 Porter Street, Parkside, a semi-detached bluestone cottage disposed as three bedrooms and two bathrooms which had been marketed with a rental appraisal of $680 to $720 per week and 24 Verco Avenue, Campbelltown, an attached townhouse disposed as three bedrooms and two bathrooms which sold tenanted at $490 per week. These properties achieved sale prices of $1.14 million and $615,000 respectively.

Strata units provide an affordable entry price point for those making their first foray into the market. These properties can be seen as a steppingstone and provide a forced savings style of investment for younger investors. Gross yields can be eroded by additional fees and charges associated with strata levies. Strata units range in value between $200,000 and $600,000 across the metropolitan area with gross yields of around four to five per cent. Selling for $437,500 and let at $365 per week is the recent transaction of 2/10 Wemyss Avenue, Hawthorn. The unit comprises two bedrooms and one bathroom with a secure single car space. The sale reflects a gross yield of 4.3 per cent.

Higher density flat buildings are popular with sophisticated investors given the multiple income streams and entry price point. This style of accommodation can be found throughout metropolitan Adelaide and is typically characterised by 1960s to 1980s complexes of brick construction with accommodation over one and two floors. Recent examples of this type of offering include 1-4/7 Edie Street, Mansfield Park which achieved a sale price of $980,000 and 1-4/12 Guilford Avenue, Prospect which achieved a sale price of $1.587 million. Both properties provide four flats which are each disposed as two bedrooms, one bathroom and one bedroom, one bathroom respectively. The properties both sold fully let and generated gross returns of 5.04 and 3.69 per cent respectively.

1-4/12 Guilford Avenue, Prospect Source: realestate.come.au

The South Australian market has historically provided purchasers a more stable option than the larger metropolitan markets around Australia. As we move into a national downward property cycle, investors should have confidence in the South Australian market given the strengthening rental market and track record of marginal downward cycles.

Nick Smerdon
Property Valuer

Mount Gambier

The Mount Gambier residential property market has seen continued strong interest from investors. In the past six months, we have not seen too much of a change in investor activity in the market, despite increased interest rates. The median house price in Mount Gambier is currently sitting at $380,000 which is a large increase from this time last year when the median house price was $300,000. Even with this large increase in median house prices, Mount Gambier is still very affordable compared to other regional towns.

Median price ⓘ
$380,000
March 2022 - February 2023

Past 12 month growth ⓘ
Up 26.7% ↑

5 year median price trend

$385k
$330k
$275k
$220k
MAR '18 MAR '19 MAR '20 MAR '21 MAR '22

Mar 2022 - Feb 2023
$380,000
Median price based on 513 sales

Mount Gambier median house price Source: realestate.com.au

The median unit price has also increased in the past year from $205,000 to $242,000. Investors are seeking out most property types and strong yields with a typical unit and dwelling achieving five to six per cent return. 22 Doughty Street, Mount Gambier is a two-bedroom cottage located on the fringe of the CBD. This property sold for $285,000 and is currently leased at $320 per week. This is a yield of 5.8 per cent.

22 Doughty Street, Mount Gambier Source: Corelogic

We are also seeing modern houses on the outskirts of the CBD peaking investor interest in the past six months. 9 Peppercress Court, Worrolong was built in 2019 and sold in 2022 for $550,000. It is currently leased at $570 per week, a yield of 5.38 per cent.

9 Peppercress Court, Worrolong Source: Corelogic

The next 12 months in Mount Gambier at this stage still have a positive outlook with supply still constrained and demand still strong. For what the region has to offer and with the market still being very much affordable, we expect to see continued interest from investors.

Lauren Kain
Property Valuer

The next 12 months in Mount Gambier at this stage still have a positive outlook with supply still constrained and demand still strong.

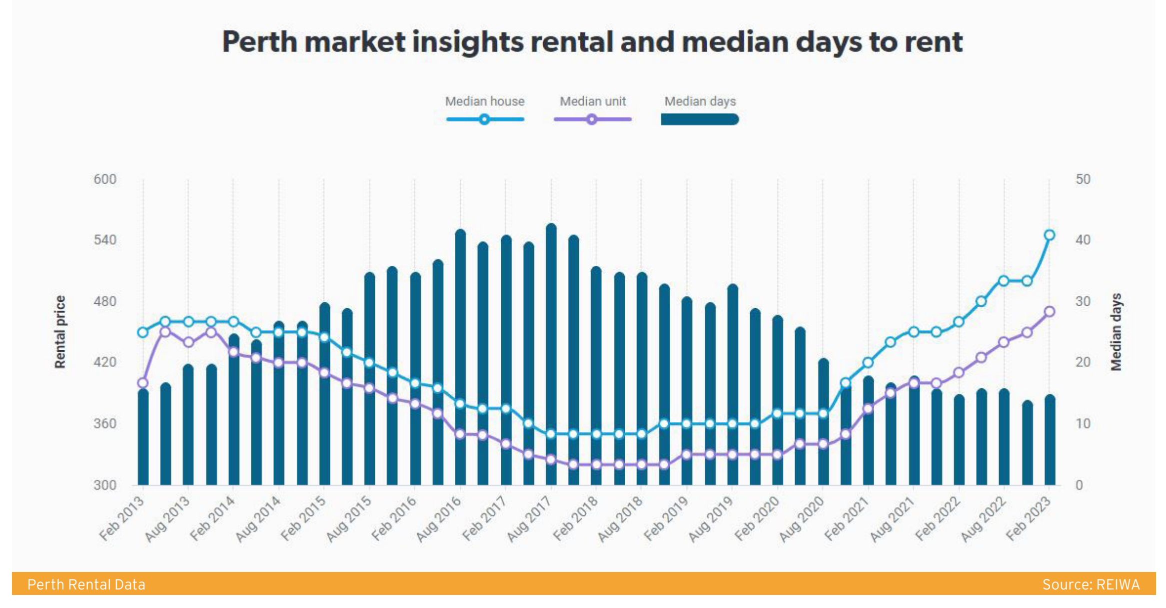
Western Australia - Residential 2023

Perth and regions

With Perth being the cheapest capital city to buy property in Australia, it is certainly a market constantly under consideration by investors. Affordable stock, low vacancy rates and a strong economy are all factors that have made the Western Australian property market an attractive proposition in recent times and due to these factors, investor activity has certainly been present throughout the length and breadth of this great state. In this edition we are going to break this down to see where investors are active, what property types are catching their attention, what factors are driving or slowing investor activity and how these factors may influence the market moving forward.

Towards the back end of 2022, the Western Australian property market appeared to be far more resilient than many areas in the eastern states, particularly on the back of interest rate hikes throughout 2022. This resilience appeared to be largely driven by investor activity from both local and interstate investors as owner-occupier activity slowed, so let's start by taking a look at the factors that are driving investor activity in the Western Australian market.

A key factor worth mentioning first is the vacancy rate in Perth. In December 2022, the vacancy rate for the Perth metro region was just 0.6 per cent (as per REIWA), the lowest recorded since 1980 when REIWA began keeping these records. With a balanced rental market believed to show a vacancy rate in the range of 2.5 to 3.5 per cent, it is clear to see that landlords are in a great position right now. Given the record low vacancy rate, getting a rental at the moment in the region can be very difficult and this is allowing landlords to increase rental payments as many tenants are not in a position to look elsewhere as there is no certainty of finding a new rental. This cycle actually started well before the impact of COVID-19, but was exacerbated significantly by the pandemic.



Perth Rental Data — Source: REIWA

The above graph demonstrates the effect the vacancy rate is having on rental values. We can see the steady increase in rental prices for both houses and units as well as the decrease in time for rentals to be snapped up after coming to market. The latest figures have the Perth median rental amount for houses at $545 per week (this was only $370 per week in mid-2020), while for units the rental amount per week sits at $470, a large increase on the median price of $340 per week in mid-2020. These figures demonstrate why the Perth market is seeing good activity from investors at the moment. The situation is not helped by the slowdown in construction throughout 2022 due to an escalation in construction costs and supply issues, meaning an increase in new stock on the market to relieve vacancy rates could be some time away and, in the meantime, new housing starts are not keeping up with net migration figures.

Another key driver of investor activity is the relative affordability of the Perth market in comparison to the eastern states.

Another key driver of investor activity is the relative affordability of the Perth market in comparison to the eastern states. The median house price in January 2023 across Australia's combined capital cities was $849,666, however for Perth this was only $585,326. For houses, this makes Perth the most affordable capital city in Australia, and it is this affordability that has driven activity from eastern states buyers who have likely been priced out of the market in their home states or see Western Australia as an opportunity to get more bang for their buck. Our valuers in the field are reporting high levels of eastern states buyer activity when sighting contracts of sale. This is particularly evident in some of Perth's outer suburbs where dwellings are very affordably priced, however the rental returns are often still solid. Suburbs such as Armadale, Gosnells, Baldivis and Midland all have good levels of stock available for under $400,000 and you can pick up a solid brick home on a 700 square metre allotment - almost unheard of in key eastern states markets.

Net migration is another key point to mention when assessing the investor market in Western Australia. Across 2021-22, Western Australia's population grew by 35,448 with a natural increase of 16,179, net interstate migration of 10,791 and net overseas migration of 9,502 (as per Government of Western Australia). For the following two financial years, the state government is forecasting population growth of 1.5 per cent. As previously discussed, the state is already seeing record low vacancy rates and data like this will only place further strain on the housing shortage across the state. But what does this mean for investors? Well it places some certainty on achievable returns. A shortage of supply means a strong rental market which places landlords in a better position. It just remains to be seen when construction issues ease allowing for an increase in new stock to potentially ease the pressure on a very tight rental market. We don't see this occurring in 2023.

The discussion so far largely revolves around rental returns, but many investors are also interested in capital growth on their properties. In the last edition of the Month in Review, we discussed how we expected the market to track throughout this year and we anticipated a steady year with potential for marginal growth in most areas. We stand by this call and believe the lack of supply on the market and cost to build will continue to drive up values at a steady pace. The thing holding the growth back is the key factor of interest rates. Demand from owner-occupiers appears to have eased on the back of significant rate rises, so the capital growth levels of 2021 and early 2022 appear to have eased. However, with supply issues still prevalent and many people put off the idea of building due to substantial construction cost increases, we believe there is still potential for capital growth within the metro market moving through 2023, particularly as renters try to escape the rental cycle or are forced to buy a home just to secure accommodation.

What returns you can expect and whether they are largely driven by yields or capital growth is heavily influenced by the market in which you buy, so let's look further into some specific markets within the Perth metro region to see where investors are active and what is driving investors in these areas.

We'll start our analysis in the Peel region, south of Perth. The Mandurah region has been a real hotspot for investor activity of late. Investor activity in this region has largely been driven by purchase activity on affordable stock that offers above average returns. Areas such as Greenfields, Lakelands and Coodanup all offer a wide range of affordable stock on the market. Meanwhile in the oceanside suburb of Halls Head where typically more of a premium can be expected, there are still some great options for investors to be found. 7 Napier Close in Halls Head is one example of this. The property comprises a 1986 built, four-bedroom, two-bathroom dwelling on 850 square metres of land. The property sold for $478,500 in October 2022 and was leased not long after the sale for $580 per week, which equates to a yield of 6.3 per cent.

7 Napier Close, Halls Head — Source: RP Data

Mandurah is also a fast-growing area and there is a large amount of new land coming to market in areas such as Madora Bay, Lakelands, Dawesville and South Yunderup. Our valuers are noticing large volumes of eastern states activity when completing construction valuations in this area, which shows investors are not only looking for established stock. Building in Western Australia has become a far more expensive option in the past 12 to 18 months

due to significant supply and labour shortages, however it appears eastern states investors are less deterred by this, potentially due to the fact it still represents a far more affordable option than purchasing on the east coast. It remains to be seen how effective this is for investors, with current market conditions likely to generate good returns on a new build in these areas, but with good levels of new stock expected to hit the market later in the year, supply issues may ease and this may result in rental relief for tenants and potentially a drop in capital values.

The Rockingham region is a similar story to the Mandurah region. Affordable stock and strong rental demand make this region a popular investment location. As per 2021 census data, 36.8 per cent of dwellings in the suburb of Rockingham were used as rentals. Cooloongup is a suburb to the south-east of Rockingham and has proven to be a popular area in recent times. REIWA data shows this suburb has a median sale price of $390,000 and a median rental of $450 per week, making yields of above five per cent common in the area. 9 Helena Road is an example of this having sold for $357,000 in November 2022. This three-bedroom, one-bathroom property currently rents for $420 per week which shows a yield of 6.1 per cent.

9 Helena Road, Cooloongup Source: RP Data

Mandurah and Rockingham have both had good levels of development sites hitting the market in recent times, however this form of investment activity has been relatively subdued due to the escalation of construction costs, with investors appearing to be wary of high costs limiting profits. Another factor limiting this activity is concern from investors that the market may have turned by the time their product hits the market, particularly due to the current lag in construction times. An example of a typical development site in this region is 35 Cooper Street in Mandurah. The property is a 1012 square metre rectangular lot zoned R60 in close proximity to the Mandurah foreshore. The property sold for $355,000 in September 2022.

Moving to Perth's south-east corridor, investor activity has eased of late. Areas such as Gosnells and Armadale have good levels of development sites available however activity in this sector appears to have significantly eased. These areas are typically characterised by smaller developers whose potential profitability would be taking a hit following the rise in interest rates and construction costs. It is likely many investors purchasing this stock now would be focused on locking up this stock while it is available and sitting on rental income from the single dwelling on the site until we have relief on construction costs allowing them to develop the site and achieve a greater profit. Corner lots in the Gosnells region are a popular product with the dual street frontage and zoning benefits making these a desirable choice for investors.

Bentley has long been a popular investment location due to its proximity to Curtin University. As per REIWA, 59.4 per cent of properties in this suburb are used as rentals and this rental market is largely driven by students. This is an area that has seen strong rental and capital growth in recent times. At the start of 2020, the median rental for Bentley was $380 per week. This is now up to $440 per week, while the median sales price has risen form $430,000 to $528,000 in the same period. Sales volume has been very strong in the region, however has dipped in recent times, however this is likely largely due to a lack of supply and not a lack of demand. Investment properties in this area are seen as a strong investment option particularly with the return of international students to Perth after the easing of border restrictions. Areas like this potentially provide a safer investment option in the longer term with student housing always necessary in comparison to the outer suburbs of the metro region where demand may weaken once supply increases on the market. 32 Mckay Street is a three-bedroom, two-bathroom survey strata dwelling located within walking distance of Curtin University. The property sold for $430,000 in October 2022 and has since been leased for $450 per week which is a return on investment of 5.4 per cent. This sale represents a typical purchase for the area and these purchases are usually driven by the long term rental returns that investors can expect, with demand in this area generally reasonably strong.

32 Mckay Street, Bentley Source: RP Data

In the north-western suburbs of the metro region, investors and owner-occupiers are largely competing for a similar product. Suburbs such as Karrinyup, Carine and Duncraig are the types of suburbs where investors are competing for a similar product, with these properties generally being well-kept dwellings on decent land holdings where rental returns are solid and there still appears to be room for capital growth. We consider capital growth to be a driver for investors in these regions given the lack of supply available which is continuing to drive prices up despite the heavy gains of the past 24 months. Areas like these have strong demand due to the proximity to the city centre, Perth's coastline and amenities available, which makes them likely to be a more resilient investment option in the longer term in comparison to some of the fringe suburbs where demand may drop once supply increases. Current rental rates in these areas for a four-bedroom, two-bathroom dwelling are typically between $700 and $900, which is a handy additional income stream for those buying for capital growth.

Moving to the outer northern suburbs, we have noticed this area has been quite popular with eastern states investors. Housing stock in the area is dominated by family houses on 300 to 550 square metre lots.

Just like the southern suburbs, we are seeing a large amount of construction valuations coming through from eastern states buyers, who still see value in constructing new dwellings despite the construction cost increases, but we are also seeing several contracts come through for existing dwellings being purchased by east coast investors as well. Agents and investment consultants in the eastern states appear to be driving a lot of activity in this area and this heavily influences the trends in the local market. We have had discussions with agents who claim particular suburbs are achieving sale prices above the surrounding area and inconsistent with the usual pattern because of the hype that agents and investment consultants are giving a particular suburb. Local research is extremely valuable!

There has been an increase in dual key dwellings being constructed in the far north-west metro area as well. This activity is being driven by east coast investors who see the increased earnings potential from having the two dwellings on one title. We have noticed that some of these are in slightly out of place locations or areas we wouldn't expect to see this product. We note that these products have a limited buyer profile and are unlikely to sell for a strong price compared to a typical five-bedroom, two- or three-bathroom product as they mainly appeal to the investor market. There has traditionally been weak demand for this product due to the limited buyer profile, however with greater activity appearing in this sector of the market, it will be interesting to see how capital values of this product perform moving forward.

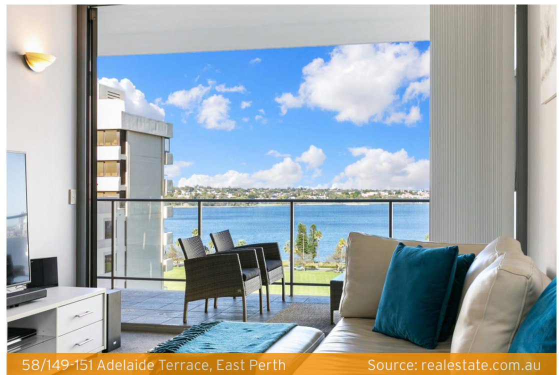
The Serene. Home Design by New Choice Homes Source: New Choice Homes

Investors in the outer northern suburbs are mainly yield driven as opposed to seeking capital growth. With the rental market remaining in a pretty dire situation for tenants, good yields are still achievable for investors.

Now let's move to the units and apartment market in the CBD and surrounding area. We have noticed that in particular, older units and apartments have started to attract interest from interstate investors, mainly due to the good rental returns on offer as opposed to the potential for capital growth. Investors are beginning to be attracted to the affordability of inner-city units through East Perth offering returns of six to seven per cent and above in some cases. For example, a circa 2008

Agents and investment consultants in the eastern states appear to be driving a lot of activity in this area and this heavily influences the trends in the local market.

built, one-bedroom, one-bathroom apartment in East Perth which sells for around $300,000 would have potential rental income of $400 per week, demonstrating a yield of 6.9 per cent. Another example of a recent sale is 58/149-151 Adelaide Terrace in East Perth. This is a circa 2008 built two-bedroom, two-bathroom apartment with river views which sold for $470,000 in November 2022. We would expect this property to provide a rental income of circa $550 per week, which demonstrates a return of 6.1 per cent.


58/149-151 Adelaide Terrace, East Perth Source: realestate.com.au

We are starting to see a lot of interstate buyers purchasing these properties sight unseen, which indicates that they are just attracted to the rental returns on offer and are not so concerned about the condition or features of the property. With record low rental vacancies and almost no supply of inner-city apartments hitting the market in the first half of 2023, we can't see this demand slowing down in the short term - barring some unexpected drastic economic changes.

Now let's have a look at what's happening throughout the regional areas of Western Australia, starting in the north of our state in Broome, where we have seen a decline in investor activity. This is mainly due to the capital growth that Broome has enjoyed over the past two years which has resulted in a high entry cost and rents appear to be reaching an affordability ceiling. Whilst the gross returns on offer appear good, once other holding costs such as insurance and council rates are taken into consideration, the net return available is not as appealing as what can be achieved elsewhere.

With record low rental vacancies and almost no supply of inner-city apartments hitting the market in the first half of 2023, we can't see this demand slowing down in the short term.

If capital values start to trend lower over the next 12 months, then investing in Broome may become attractive to investors again, as rents are unlikely to decrease anytime soon. A lot of the Broome market is also influenced by the tourism season. We have noticed some businesses have reported cancellations for peak season due to the road damage that has occurred in the area. If cancellations are occurring in peak season, this will mean the businesses may not need the staffing requirements they expected, which will have a flow on effect to the rental market.

Traditional investor stock in the market is mostly lower to mid-tier, newer style smaller houses and units. Low maintenance is always preferred for investors in harsh environments such as the Kimberley. That being said, there is slightly more stock on the market now than there was six months ago, meaning investors have a bit more choice of what they want to invest in. The lower end of the market is getting snapped up quickly due to it being a more affordable proposition to owner-occupiers as opposed to renting. This means investors looking to get in at the lower end of the market will be competing with owner-occupiers. We have noticed there are still a few near new houses for sale that are being marketed below replacement cost, so these appear to be representing okay value within the current market conditions.

Moving to the town of Port Hedland, we have noticed that investors from over east are still active in the area, especially for properties with an existing lease longer than 12 months. Capital values have stabilised while rents have increased, so yields are certainly growing for investors. Properties with an existing lease are generally fetching more of a premium from investors with anything with a lease of 12 months or longer seeing strong demand in the current market. The investors in the area are definitely seeking good yields more than capital growth. Generally modern properties are outperforming older stock on the market.

The City of Karratha has not seen a notable change in investor activity over the past six months or so. The most active investors are still locals who are generally purchasing multiple properties using the equity from their own homes.

There are a few major projects kicking off this year in Karratha, with one being Woodside's Pluto Train 2. A lot of locals are hoping this will potentially lead to an increase in capital growth due to the number of jobs this project will bring in, however this is always contingent on the size of workers' camps and whether companies in town maximise the use of their existing housing stock.

The typical investor stock in this market is basic houses, generally three-bedroom and one-bathroom and small survey-strata developments.

Any units that have large strata fees are not as sought after by investors. There is still some reasonably priced stock on the market with good yields being achieved, mainly three-bedroom dwellings which can offer gross yields in excess of eight per cent.

An example of this is 20D Kallama Parade, Millars Well. The property is a survey-strata, three-bedroom, two-bathroom dwelling which sold for $430,000 at the back end of 2022. At the date of sale the property was being leased for $700 per week, which represents a yield of 8.5 per cent.

20D Kallama Parade, Millars Well Source: RP Data

Investors are seeking both good rental return and capital growth in this region. Some investors are trying to find good houses to park their money in for a couple of years that offer a better return than other investment opportunities such as shares. Other investors are waiting for the next supposed boom when the projects that are kicking off are in full swing in a few years.

There is a good opportunity for investors who are quite handy, as there is stock available that can be tidied up and sold later for a profit. There is an extreme lack of trades in the area and therefore it is extremely hard to rely on people to complete renovations. It is much more cost effective to do it yourself and potentially make some profit.

Moving to the Geraldton and mid-west region, there is still a large undersupply of housing. Rental vacancies are still incredibly low and good returns are available to investors. As with most of the state, there is a real lack of labour available in the region. Properties requiring work may suffer in capital value as construction costs are still increasing and time delays also provide more uncertainty. This may present an opportunity for investors who are quite handy and can renovate a property themselves to potentially generate a profit.

As discussed in our previous Month in Reviews, there are a few projects that may get underway this year including the Oakajee Strategic Industrial Area. Locals are hoping this will help bring more people to the region and potentially lead to an increase in capital growth.

Similar to Geraldton, Kalgoorlie is also experiencing an undersupply of rental properties, leading to strong investor activity in the market. Demand is expected to remain strong for the foreseeable future with local businesses continuing to try to attract workers to the town and this demand will likely continue throughout the course of this year.

It is common in the area to see rental yields in the range of eight to ten per cent, however investors should be cautious given the fact that Kalgoorlie is a mining town and long term stability of the market is not guaranteed. A great example of this is 7 Buller Street, Kalgoorlie. The property is a circa 1945 renovated four-bedroom, two-bathroom dwelling that sold for $345,000 in December last year and has since been rented for $700 per week, which is a return on 10.5 per cent.

7 Buller Street, Kalgoorlie Source: RP Data

We next take a look at the south-west region of Western Australia. In the wake of several interest rate increases since May 2022, the market in the south-west has remained buoyant. There is still a large amount of demand for affordable housing in the area. Capital values have continued to increase in most areas and rental vacancies remain very low which has seen rental values at record highs in most areas. The typical investor stock in the region is relatively newly built three- or four-bedroom, two-bathroom project style homes on 350 to 600 square metre lots in the outer areas of the major centres.

In the more affluent coastal towns such as Dunsborough and Yallingup, there has been some investor activity, however mainly from Perth investors with an eye to moving to the region at some stage in the future. The high capital values are limiting the potential return on investment in these areas and limiting appeal for investors. The heat in the rental market appears to have come off slightly in these more affluent areas where some long-term rentals are becoming available, having switched back from Airbnb use due to a forecast potential drop in demand for short term accommodation, particularly over the winter months. An example of typical investment stock in

the area is 12 Cabot Close which is located in the Dunsborough Lakes development. This project style 2018 built four-bedroom, two-bathroom dwelling sold in December last year for $780,000 and has since been rented out for $780 per week. This represents a yield of 5.2 per cent which is a strong return on investment, or as discussed above could be a handy income stream while holding the property for future use.

12 Cabot Close, Dunsborough Source: RP Data

In the more affordable areas such as the outer areas of Bunbury, Margaret River and Busselton, investor activity is slightly higher with better return on investment and some investor activity coming from the eastern states. Affordability as well as return on investment are both considered to be factors for investor activity in these markets, particularly in comparison to the high values in the Sydney, Melbourne and Brisbane residential markets. 3 Silvereye Street, Kealy recently sold for $505,000. The property represents a typical four-bedroom, two-bathroom dwelling for the area, situated on 404 square metres of land. A property like this would be expected to generate a weekly rent of $600 per week. This represents a yield of over six per cent which shows why this cheaper stock is seen as a more popular investment option.

3 Silvereye Street, Kealy Source: RP Data

Further north, there has been significant investor activity in Australind (Treendale), Millbridge and Eaton recently with much of this coming from eastern states investors. Again both affordability and return on investment seem to be the reason for investor activity on the back of good employment opportunities in the area. Projects include the lithium processing plant in Kemerton, the construction of the Bunbury outer ring road and increased activity in the Bunbury Port. Interestingly some of the investor activity appears to be coming from investor groups which have earmarked this locality as a potential hot spot. Project homes selling in these suburbs are likely to generate yields in the six per cent range with strong demand being shown from tenants due to the lack of supply. This is slightly higher than the other areas in the region, hence there is more investor activity in these suburbs.

Moving south to Esperance, it has become extremely difficult for eastern states investors to get hold of quality stock at their desired return (despite the strong rental market) due to the level of competition from owner-occupiers and local employers looking for staff accommodation.

The market in Esperance is heavily influenced by the strength of the local economy and performance of the agricultural sector. Some of the larger local employers and government agencies (such as Freight Lines Group, Minerva and GROH for example) require staff accommodation and are currently willing to pay attractive rents to house their employees. Farmers with spare cash will also look to invest in the local market so there is likely to be more or less activity from them as a result of how they have performed in any given year.

Traditional investment stock in this market is units. Those close to the beach in the Esperance town centre and in Castletown also provide opportunities to generate short stay income (Airbnb, Stayz etc.). Family homes (three and four bedrooms, two-bathrooms in good locations) have been targeted more heavily over the past 18 to 24 months due to the strong rental demand for these products. We have heard stories of exorbitant rents being asked and subsequently being achieved for these products.

Investors are typically seeking rental returns for this area. The fringe suburbs of Nulsen and Sinclair offer cheaper properties which are generating higher yields presently due to the strong rental market and high rents being achieved. These areas have been targeted due to that factor but previously investors have left those areas alone. For example, 10 McCudden Street in Nulsen is a renovated duplex that provides two two-bedroom, one-bathroom units on a 998 square metre block that sold in November 2022 for $268,000, with both units having a long term lease in place. This duplex provides a total rental income of $480 per week, equating to a yield of 9.3 per cent.

10 McCudden Street, Nulsen Source: RP Data

There are potentially some opportunities still for investors at present. Green titled duplex and triplex unit developments do go to market every now and then and provide opportunities for investors to generate a diverse income stream between standard residential leases and short stay tenancies, however there is no quality stock at present. There are some beachfront serviced apartments on the market at present, but it does not appear these are being targeted at the moment. Two in the same complex sold very quickly last year so maybe these aren't as desired now due to the rising cost of money and with income likely to be seasonal.

So there you have it! There is an abundance of opportunities for investors within our great state. The fundamentals of low vacancy rates, an undersupply of housing and a strong economy leading to positive net migration are continuing to drive investment activity within Western Australia. Many investment options are showing that strong returns are there to be had, particularly in the rental space, however there are still opportunities for capital growth in the right markets. As always, we advise any investors to do their own due diligence, however our team is always here to help provide some local knowledge if required.

Chris Hinchliffe
Director

Many investment options are showing that strong returns are there to be had, particularly in the rental space, however there are still opportunities for capital growth in the right markets.

Northern Territory - Residential 2023

Darwin

The broader market in Darwin remained stable throughout the latter stages of 2022 and into 2023. The market peaked in 2015, bottomed out in 2019 and has recovered in the past four years. The latest interest rate rises have not had the same effect on the market as in the southern states and prices remained stable throughout the previous nine interest rate rises. How these rises will affect the market moving forward is a talking point; many commentators believe it may start to pinch later in the year once more mortgages come out of their fixed terms, serviceability becomes harder and homeowners facing difficulties refinancing at new higher rates may be forced to sell.

It needs to be noted however that Darwin and Palmerston are still relatively affordable compared to other major capitals. Here, a three-bedroom home on an 800 square metre allotment can still be purchased for under $400,000. Yields are still strong with properties showing passing gross rental yields of eight per cent plus not uncommon in the market. I do not believe the rental market to be as tight as some other capitals, however the vacancy rate has hovered around the two to three per cent for the past 12 months, with agents reporting strong demand and multiple applications on well-presented properties.

Darwin has always been a city dependant on large infrastructure projects, mining and defence. The horizon looked very prosperous 12 months ago with major projects in planning or underway, however in recent months and for different reasons, four major projects all have either been stopped, stalled or have gone into administration. Projects of note are the Santos Barossa Gas Project, Sun Cable, Seafarms' Project Sea Dragon and Darwin's $515 million ship lift. The loss or potential loss of these projects will have a flow on effect on the wider economy and property market however we are yet to see the effects with all the announcements being recent.

Agents are advising that investors have re-entered the market with local investors prominent and interstate investors returning to the market chasing high yields. Units and townhouses have always been popular for investors due to lower maintenance and higher yields. New build detached dwellings with long term leases are attractive with yields on offer of between five and six per cent gross with the benefit of depreciation also.

Demand for inner-city apartments appears to be strong and demand for short term, Airbnb style rental accommodation is high with returns in some cases eclipsing ten per cent gross. Speaking with operators, demand from investors can range from an affordable two-bedroom, two-bathroom unit ($400,000 to $450,000) to luxury units at $750,000 plus. Investors looking to enter this space are chasing the higher rental returns with positive cash flow and not necessarily purchasing with the intention of strong capital gains. What can be seen as a positive sign is that prices for CBD units are still 20 to 30 per cent off the 2015 peak, so there is potential for capital growth given there is limited further supply on the horizon.

Currently as other markets around Australia are seeing declines in values, Darwin has not overall. With high rental yields and relative affordability, it continues to be a market that will always attract investment.

Terry Roth
Director

Yields are still strong with properties showing passing gross rental yields of eight per cent plus not uncommon in the market.

Alice Springs

Alice Springs has historically shown strong yields on residential property. Looking into the factors behind this, the relatively transient nature of the population base is a major influence. Many people relocate to Alice Springs for work and given the relatively short nature of some of these work contracts, people are happy to rent rather than buy. Housing here is also quite expensive to purchase and people who are only planning on being here for a short period are reluctant to enter into a property market that historically does not offer even mediocre capital growth.

Despite all these positives, the investor market in Alice Springs is quite dormant and a large proportion of investment properties are tightly held, predominantly by locals.

A fair proportion of people arriving in Alice Springs are employed at Pine Gap, which until recent years basically provided accommodation for its employees in dwellings and units owned by the Joint Defence Facility. They are gradually moving away from providing housing for employees and over the past 10 or more years have been gradually selling off their residential housing portfolio. This has meant more participants in the rental market, which has guaranteed continuing low vacancy rates and high rental returns as demand outstrips supply. The latest vacancy data for dwellings reveals a 2.2 per cent vacancy rate, whilst for units the vacancy rate is slightly higher at 3.2 per cent.

The most recent data from the REINT reveals that rental yields are sitting at 5.6 per cent for both houses and units as at the end of December 2022. Over the past 12 months, dwelling yields have been steady at around 5.5 to six per cent whilst unit yields have eased somewhat, having been sitting at seven per cent a year ago.

Despite all these positives, the investor market in Alice Springs is quite dormant and a large proportion of investment properties are tightly held, predominantly by locals. Professional investors from interstate have shown interest in the Alice Springs market, lured by the high yields and low vacancy rates, but these are the exception rather than the rule. For those who venture out here, the higher rental returns are more often than not tempered by the lack of capital growth. It seems the old adage is true (at least in Central Australia) that you can't have your cake and eat it too.

The majority of valuations that come across our desks in Alice Springs are for impending owner-occupiers, indicating that the investment market is only a small proportion of all residential sales, or alternatively that the investors are cashed up and not needing finance. We suspect that the former is the case. We have also noticed a trend towards existing tenants of properties negotiating to purchase the property they are renting, which of course takes some investment properties out of the rental market.

It will be interesting times ahead for investors interested in Alice Springs, with a 70-unit multi-storey complex nearing completion, which will provide accommodation for hospital staff. Upon its completion, it is likely to have an impact on the local rental market, with doctors and nurses relocating to this development and vacating private rental accommodation. It is expected that vacancy rates will increase, which may lead to a slight downturn in yields.

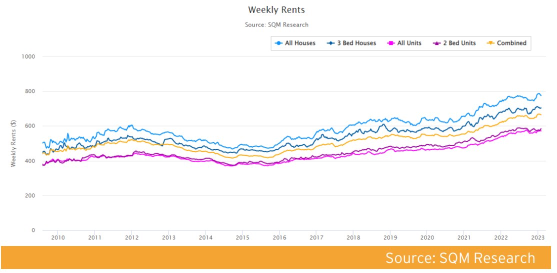
Peter Nichols
Valuer

Australian Capital Territory - Residential 2023

Canberra

Canberra, like most other cities around Australia, found that rentals were hard to come by as rental prices increased and the supply of rentals was low. It is typically hard to find rentals in Canberra however throughout the past year, it has been even more difficult due to the demand for rental properties and the supply of rental properties being low which has caused rental properties to reach new rental price highs.

WEEKLY RENTS
CITY: CANBERRA



Source: SQM Research

Within the past six months, we have seen a slight change in investor activity. Like most property buyers, investors in the past six months have been less active in the market due to the interest rate hikes which have caused markets to slow. With interest rate hikes, investment activity is typically slowed due to a buyer's borrowing power decreasing. When this happens, people aren't able to borrow as much money from the bank and therefore the value of property they can buy is lower.

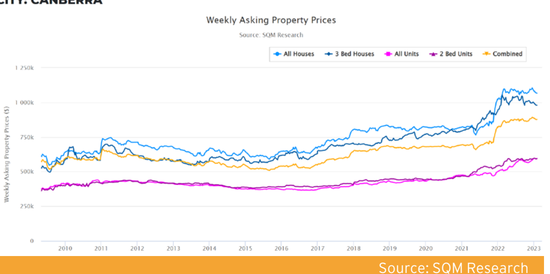
In 2023, property demand and rental prices will influence the decision for investors to buy properties. If rental prices and property demand start to decrease, then investors may become less likely to buy into properties and may buy into other assets as rental yields decrease.

In Canberra, houses have been the traditional investor stock as there was a lack of apartments.

In Canberra, houses have been the traditional investor stock as there was a lack of apartments. Recently however with many new unit developments coming into the market, many of these new units, especially apartments, are being bought by investors and being put on rent when they settle. New apartment developments are being bought by investors off-the-plan and offered for rent once the apartments settle.

The housing market is driven mostly by capital growth due to Canberra being a fairly stable property market compared to other parts of Australia. James Carter of Carter and Co Agents stated in a report by AllHomes that "The lack of land supply will increase the demand for new builds, or established homes, and even the knockdown rebuild market." In 2023, Dr Nicola Powell, Domain chief of research and economics, stated in this report that while property prices will continue to soften in 2023, it is unlikely they will erase all the growth seen during the pandemic boom. Overall, entry-priced homes and units will hold firmer, particularly in our most expensive capital cities. During 2022, we saw that the homes that were priced higher than entry price homes were affected the most whereas entry price homes and units haven't been affected as heavily. Properties at the high end however are very rarely traded and much like entry price homes, haven't been heavily affected.

WEEKLY ASKING PROPERTY PRICES
CITY: CANBERRA



Source: SQM Research

In Canberra, typically for houses, investors are buying in the districts of Belconnen, Gungahlin, Tuggeranong and Queanbeyan. This is due to the price point being lower than suburbs in the inner north and south of Canberra. SQM Research states that the median house price in the region of Belconnen currently sits at around $875,000, Gungahlin sits at around $925,000 and Tuggeranong sits at around $845,000. The region of Queanbeyan-Palerang sits at around $975,000 (Higher than Average Growth, 2022). SQM Research states that the median rent for Belconnen sits at $680 which equates to a yield of roughly four per cent. All the other areas around Canberra came to roughly the same rental yield

with Gungahlin being 4.2 per cent and Tuggeranong being 4.1 per cent. Queanbeyan-Palerang however had a yield of roughly 3.25 per cent.

The townhouse market is driven by capital growth however the apartment market is driven by rental returns. With the current influx of new apartment developments, apartments have been going up in value at a slower rate than the housing and townhouse market. SQM Research states that the median unit price in the region of Belconnen currently sits at around $520,000, Gungahlin sits at around $545,000 and Tuggeranong sits at around $650,000. The region of Queanbeyan-Palerang sits at around $365,000 (Higher than Average Growth, 2022). SQM Research states that the median rent for Belconnen sits at $555 which equates to a yield of roughly 5.5 per cent. All the other areas around Canberra came to roughly the same rental yield with Gungahlin being 5.3 per cent and Tuggeranong being 4.2 per cent. Queanbeyan-Palerang however had a yield of roughly 6.6 per cent.

Kush Sen
Assistant Valuer

Tasmania - Residential 2023

Hobart and regions

Well, this Month in Review topic is a tricky one with interest rates and inflation still on the rise. According to national media we may have another two to three rate rises for the year (let's all hope not). Each interest rate rise reduces the borrowing capacity of every purchaser (as detailed in my submission last month) which will in turn further reduce price pressures in the property market.

This news tends to scare the pants off investors and rightly so, however there is a dire shortage of rental properties in Hobart and the vacancy rate still sits below one per cent. Weekly rentals are still rising even though wages are not and everyday living expenses don't stop climbing.

Here lies the dilemma, folks. Do you buy a rental in a lowish socio-economic area where the weekly wage is stretched already? You can pick up a property in the northern suburbs (Brighton, Glenorchy, Claremont, Moonah, West Moonah etc) for under $600,000, but your weekly rental for a three-bedroom house in Glenorchy is currently around $480 to $550 per week. I searched to see what listings are available. I found one that has recently been listed at $480 per week; it's very dated and RPData pegs the value at $520,000 (the property has not resold recently). The gross return, assuming you get the full $480 per week based on the RPData assessment is 4.8 per cent. Take out all your costs and further possible retractions in the market and your return soon diminishes.

Don't buy an investment property you want to live in. Buy an investment property that provides the best return.

So what do you do? If it were me, I would line all my ducks up with my financial institution and get ready for a great deal based on the return. As an investor, I don't buy on emotion, I buy based on the return. Don't buy an investment property you want to live in. Buy an investment property that provides the best return.

Look for dual or multiple income properties (duplexes, multiple flats etc). Your land tax will be lower as it is one title. The buy-in price may be slightly higher but the return can far outweigh the capital investment.

Sure, your maintenance cost will be higher but hey, you can claim that back on tax. Don't forget to get a Tax Depreciation Schedule organised (I know a great company (Herron Todd White) that can organise this) so you can also claim that back from the tax man. There are implications when claiming this so have a chat to your accountant before doing so.

Good luck and happy investing in the Hobart and surrounding areas property market and don't forget to seek independent advice as this information is general in nature.

Mark Davies
Valuer

Rural

March 2023

Central Tablelands / Central West NSW

Presently we find ourselves referring to rising interest rates as a key factor when discussing the outlook of the rural property market.

We note the recent sale of Hillcrest, 210 Hillcrest Lane, Canowindra for $4.025 million on 16 December 2022. Located 12 kilometres south-east of Canowindra, this is a well-improved 240 hectare mixed farming property showing an overall rate of $16,770 per hectare. This is open undulating country, part cultivation and part grazing land with road access to three sides and it would indicate that the strong rates we saw in 2022 are being maintained.

Craig Johnstone
Valuer

Echuca/Deniliquin

The current rural market remains relatively strong, however there are signs of a steadying in the market with agents reporting reduced enquiry and a couple of recent sales below general expectations.

The rising interest rates and costs of production appear to be a factor in the steadying levels of value. The wet spring in 2022 did impact on yields and quality, however the overall result was better than expected.

Recent sales in December 2022 and early 2023 are indicating that values are holding.

The general outlook in northern Victoria and the broadacre irrigation areas of south-west New South Wales is for the market to continue to rise albeit at a much lower rate than the past two to three years.

We note the continual trend of highly improved irrigated dairy farms reverting to mixed irrigation farms. A 220-hectare irrigated dairy farm in the Berrigan/Barooga district has just been sold for $13,600 per hectare (dry). The property was improved with a dwelling, 50 cow rotary dairy and a feed barn covering 3,600 square metres. The last five sales in the district of mixed irrigation farms have ranged in value from $11,100 to $15,100 per hectare dry.

The sale is indicative that the added value of high quality dairy infrastructure in the irrigation areas of south-west New South Wales is negligible.

John Henderson
Director

Mildura

Harvesting of the table grape crop is now progressing well following a much later than normal start as a result of the cool and wet spring weather. Fruit quality is mostly good and export prices appear to be higher than last year, in part due to reduced shipping costs. This is good news for the district, as many growers endured lower returns in 2021 and 2022 and so are looking for a good outcome this year.

Not surprisingly there have been very few table grape vineyard sales in the past six to 12 months. Two large vineyards in the Red Cliffs district remain unsold after a lengthy marketing period.

It is a similar situation across much of the local horticultural sector, with few recent sales occurring. Lower commodity prices over the past two seasons have affected confidence in the citrus and almond industries. The citrus industry is forecasting improved returns for the upcoming citrus crop, however almond prices of around $6 per kilogram are expected for the 2023 crop which will be harvested in early March. This is less than the long term average price and some in the industry are reported to be suggesting prices may be even lower in 2024.

Meanwhile the wine grape industry is running at two speeds. White varieties will likely perform okay this season, however the prices on offer for red varieties are at rock bottom. Many growers have also been impacted by high disease pressure and when combined with the poor outlook for red varieties, we expect to see a number of wine grape vineyards mothballed in 2023.

In contrast, the dryland sector remains bullish. A recent sale of two small Mallee cropping properties in the Birchip district demonstrates ongoing strong demand in this sector. The sales showed rates of over $6500 per hectare for land in a 370 millimetre rainfall belt. This strong demand is likely to continue while commodity prices remain positive. There are few current listings and this lack of supply will also influence the market.

Graeme Whyte
Director

Shane Noonan
Director

The general outlook in northern Victoria and the broadacre irrigation areas of south-west New South Wales is for the market to continue to rise albeit at a much lower rate than the past two to three years.

Darling Downs

The southern Queensland property market remains strong following a period of value growth over the past three to four years where in many cases, property values have doubled. With a general lack of properties available and strong buyer competition assisted by previously low borrowing costs and strong commodity prices, particularly in the beef industry, the market has continued to strengthen though has begun to show signs of peaking since the end of 2022 and into the start of 2023.

As of 10 February 2023, the Eastern Young Cattle Indicator (EYCI) was 756.59 c/kg cwt, down again from 775 c/kg cwt the same time in January 2023 and a record high of 1191.52c/kg cwt the previous January in 2022. At the start of February, the Reserve Bank of Australia again raised the cash rate another quarter of a per cent to 3.35 per cent with economists predicting another two more cash rate rises this year. Inflationary concerns, rising costs and the possibility of a global economic recession contribute to this waning of confidence. Rural property markets will be sensitive to any downward trend in cattle prices or further increases in interest rates which further signal this peaking of the rural property market.

With regard to ongoing rising costs, a feature of our rural valuation commentary for the past twelve months has been the effect and the uncertainty of the war in the Ukraine on global economies, in particular to southern Queensland rural economies and property markets.

It has been a year since Russia invaded Ukraine on 24 February 2022 in a major escalation of a Russo-Ukrainian conflict which began in 2014. Since that time, the invasion has caused tens of thousands of deaths on both sides and instigated one of Europe's largest refugee crisis situations since World War II. It has furthermore caused economic and energy instability in Europe and globally.

The southern Queensland property market remains strong following a period of value growth over the past three to four years where in many cases, property values have doubled.

As part of the sanctions against Russia, the European Union and United Kingdom banned the seaborne imports of crude oil from Russia on 5 December 2022, by far the biggest step to date to cut off the fossil fuel export revenue that is funding and enabling Russia's invasion of Ukraine. This ban targeting Russian energy will affect planes, cars, trucks and machinery. Previously, 750,000 barrels a day of Russian oil was entering Europe with the continent now seeking new clients in Asia, the Middle East and USA. This will cause upward pressure on fuel prices with global oil markets bracing for more upheaval in the next couple of weeks.

For the agri sector and farmers and graziers, the implications of the EU sanctions are likely to cause further elevated input and energy costs for fuel, fertiliser and other goods. The ongoing uncertainty makes it difficult to predict how local economies and property markets will perform in the short to medium term, although market fundamentals suggest an increasing likelihood of a stabilisation in values.

The strong southern Queensland rural property market up until now has been able to absorb such globally influenced increased costs with a recent sale showing the strength that still exists.

Auburn Station sold on 8 February for $25.1 million which comprises an 11,465.53 hectare aggregation containing 6262.91 hectares freehold and 5202.63 hectares rolling term lease, located in the very north of the Western Downs Regional Council Area, approximately 100 kilometres north of Chinchilla and a similar distance south-west of Mundubbera. It is operated as a cattle breeding holding and is reported in the marketing material to have a carrying capacity of 1500 breeders plus progeny. The country is influenced by the Auburn River which forms the western boundary and bisects the southern area through to the central-east. The country ranges from good quality Box flats adjacent the Auburn River and rising to well-developed Ironbark forests with areas of harder granite hills and forests generally to the leasehold portion and is improved with a main large semi modern brick homestead, three separate accommodation dwellings, sundry farm shedding, two sets of cattle yards, feed mill complex and three feeder pens. Purchased by a neighbour, the contract price appears to be setting a new benchmark value for the locality.

Auburn Station Source: listing agent Colliers

Auburn Station Source: listing agent Colliers

Other upcoming sales set to test the strength of the southern Queensland market are Leinster, an 18,191 hectare grazing property located approximately 60 kilometres south of Mungallala on four freehold titles featuring a mostly non remnant PMAV map watered with 34 dams, one bore, three creeks and numerous water holes and improved with cattle yards, sheep yards, a main dwelling, workers' quarters and sheds. It is listed with Ray White Rural with expressions of interest closing on 13 March 2023.

The property Alice, located approximately 41 kilometres west of Wandoan, is a 1637 hectare backgrounding and fattening property featuring developed Brigalow, Bottle Tree, Bauhina country growing Buffel, Bambatsi, Gatton Panic with 1029.8 hectares being blade ploughed and 283.28 hectares pelleted. It is watered by five dams and a metered share bore supplying three tanks and concrete troughs and is improved with two sets of steel portable cattle yards and income producing gas wells and a quarry. The property is also listed with Ray White Rural and is to be auctioned on 10 March 2023.

Expressions of interest are offered for a Balonne region aggregation closing on 16 March 2023 for properties Hooloovale, Ooraine and Somerset. The aggregation comprises over 18,000 hectares and is a diverse mix of soil types comprising predominantly black/grey Coolibah plains well-grassed with Mitchell, Bluegrass and seasonal herbages interspersed with brown and red responsive soils throughout.

Another listing of interest is Tabooba, North Talwood which is located approximately 130 kilometres west of Goondiwindi. The 5674 hectare property on three freehold parcels offers Red Box, Currajong, Wilga and Belah type soils suitable for grain farming or pasture production and presents as a mixed farming and grazing operation with 1457 hectares currently cultivated. The property is watered by dams and bores and improved with a four-bedroom timber homestead with open verandahs, shedding, yards and silos.

These properties either recently sold or listed from across the Darling Downs coverage region show a broad spectrum of quality properties on offer to the market. We will be keenly observing these and other new listings to scrutinise where the local property market sits among the influences of broader international economic factors such as the war in Ukraine with its associated rising costs and inflationary pressures and the localised pressures of interest rate rises and cattle prices.

Bart Bowen
Director

Northern Tablelands

It is anticipated that the rural market within grazing localities throughout the Northern Tablelands (or New England Tablelands) and the north-west slopes regions will soften slightly throughout the first half of 2023 on the back of interest rate rises (with predictions of more increases), potential lower price forecasts for livestock due to increased sheep and cattle herd numbers, increased production costs and predictions of a return to average or normal seasonal weather conditions.

The strength of the market for larger scale grazing properties will be tested with the recent listings of Emu Creek at Walcha (approximately 3000 hectares), 91 Gill Road at Walcha (approximately 2300 hectares), Braemar at Manilla/Klori (approximately 1870 hectares – re-listed), Khancoban, Glen Innes (approximately 703 hectares), Stony Batter, Camerons Creek (approximately 1600 hectares – re-listed), The Downs at Glen Innes (approximately 930 hectares), Midlands at Guyra (approximately 1000 hectares) and The Glen at Inverell (approximately 1237 hectares). The majority are offered to the market with expressions of interest through various agents.

At the end of 2022 there were a number of high-end sales in the New England Tablelands including Dalveen at Walcha, which was sold through Pitt Son's Walcha for $11.25 million. This highly improved grazing property was purchased by a local landholder expanding their operations in the area and reflected $20,024 per hectare improved or $8105 per acre for the 561.83 hectare (1388 acre) holding. In addition, it is reported that Kentucky Blue/The Flags at Niangala (3645 hectares) was sold mid-December 2022 on delayed settlement for an undisclosed figure.

Angus Ross
Director

North and North West Qld

The law of diminishing returns is certainly playing out in the Camooweal, Gregory, Burketown and Normanton districts. A little rain is good, a bit more is better and then too much is not too helpful at all. Risk ratings are rising as to what impact this recent weather event will have. In some areas, there may end up being a protein drought or no grass at all from waterlogging, not to mention cattle and production losses.

For the Mitchell grass downs country, the grass growth this season is a ripper. There are good mixes of herbages and grasses. There are some areas where the Flinders grass is knee high mixed with hoop and curly Mitchell with herbages.

The forest country from say the Belyando River up to Georgetown has enjoyed an exceptional season. In some paddock rotations, the Kangaroo, forest Mitchell, blue and spear grasses are prolific.

To see the Gilliat and Diamantina Rivers flowing from the rain that fell in the McKinlay area is just top stuff. The kilos of weight gain will be phenomenal this year. A client said to me last year, "When McKinlay has its season, the weight gains outstrip those of an oats crop down south."

With dry conditions starting to prevail in southern Queensland and into New South Wales, 2023 may very well turn into a cracker of a year which may uphold existing value parameters and possibly see an increase on last year's values.

Despite the profit margin squeeze and rising interest rates placing a dampener on some property acquisition decisions, there is another line of thinking that not all is doom and gloom for north and north-west cattle producers. This includes:

A little rain is good, a bit more is better and then too much is not too helpful at all.

- positive seasonal conditions while southern districts are drying off. The dry in the south has contributed to the general softening in the Eastern States Young Cattle Indicator since about November last year by about 30 per cent. Trade opportunities may arise with the rain falling in the north. Certainly, the option to hold cattle off the market may be a positive for northerners.

  US slaughter rates may drop as the industry turns towards a rebuilding phase. The US Department of Agriculture statistics indicate that the beef cow tally has softened by 3.6 per cent in the past year, heifer inventory is down 5.8 per cent and steer/bull counts are also down 3.4 to 3.8 per cent. The 2022 calf drop was back 3.2 per cent. Cows and heifers were just over 50 per cent of the slaughter last year up from being just under 45 per cent in 2016.The drought-declared areas of the US are reducing. This may be of benefit as areas of the US seek to retain heifers and enter a herd rebuilding phase.
- MLA reports that Australian domestic demand for beef remains high in the post COVID era.
- Chinese trade relationships appear to be improving. MLA information indicates that in 2022, beef exports to China increased by seven per cent and live cattle exports increased by 14 per cent. This is in contrast to the overall 2022 MLA data indicating a softening by four per cent.

Certainly, the cattle margin squeeze is on and interest rates are rising, however there are pieces of information that indicate that the property market value trend may overrun this shift in fundamentals. Grazing property purchaser motivation and demand has other reasons for buying: new entrants to grazing, taxation, family restructuring, enterprise and supply chain expansion and in some areas, a positive season. The buyer pool is deep.

There are a number of cattle stations coming onto the market this year. At this stage, this does not look like an oversupply of offerings due to the healthy demand.

Strong market demand in the Charters Towers area saw Southwalk (467.66 hectares about six kilometres from town) sell within the first day of offering.

Ophir is a well-respected Mitchell grass downs property well located to Richmond and Hughenden. This is the first offering in the district this year. Ophir is about 9631 hectares, so it will be interesting in the current environment to see how the market receives the block at auction on 13 April.

Roger Hill
Director

Property Market Indicators

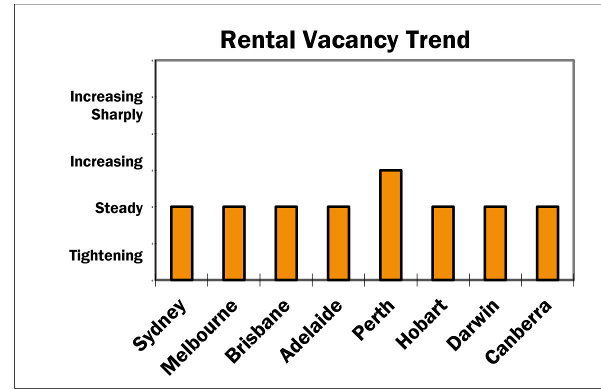
March 2023

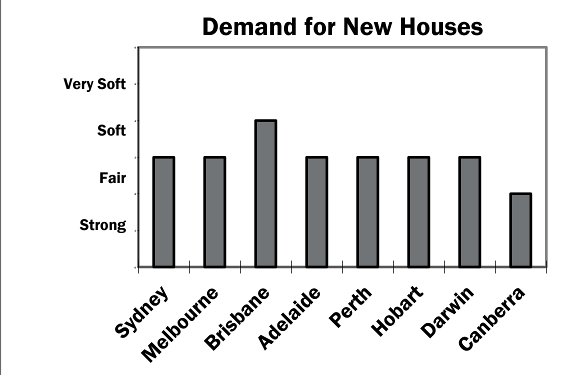
Capital City Property Market Indicators – Houses

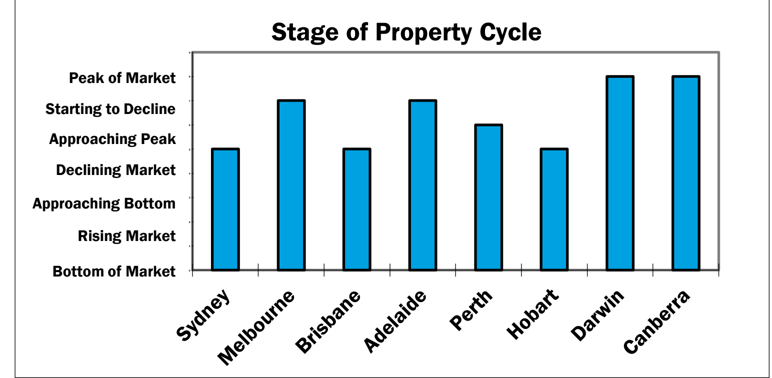
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	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	Severe shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening	Steady	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

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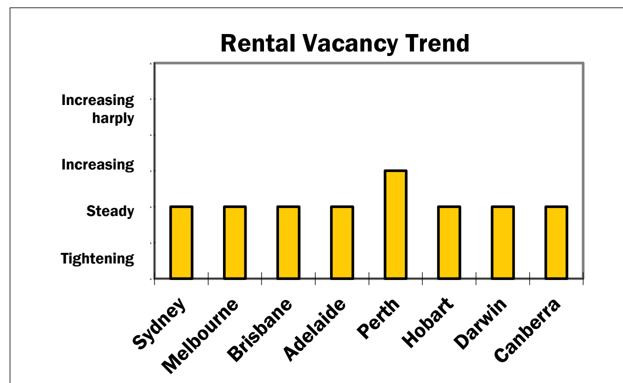
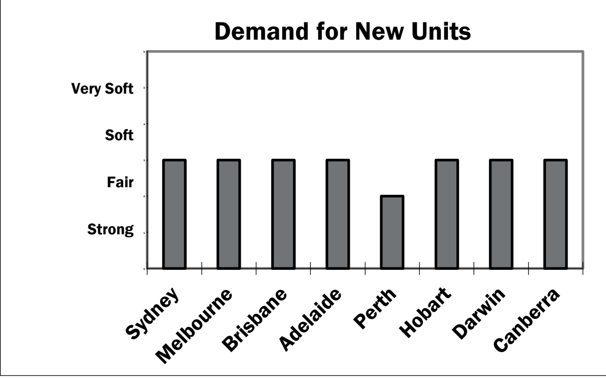
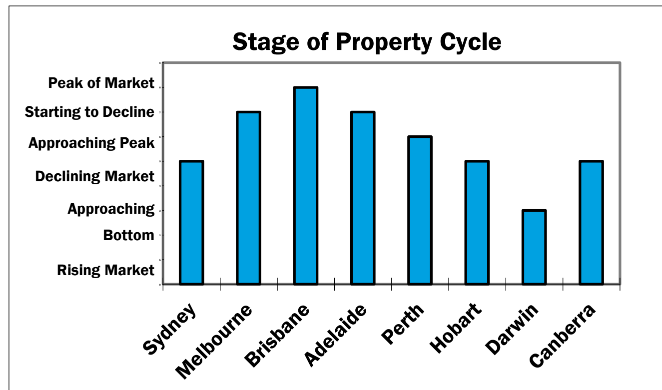




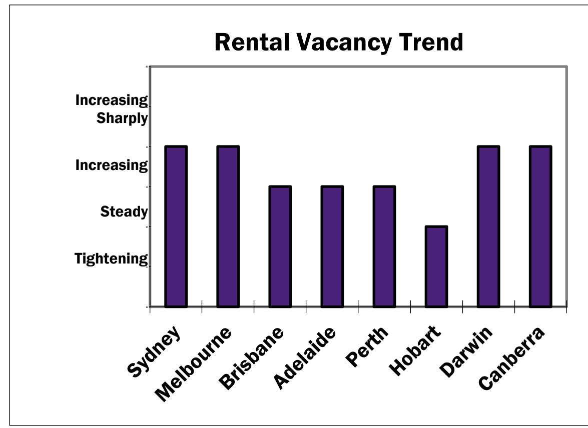


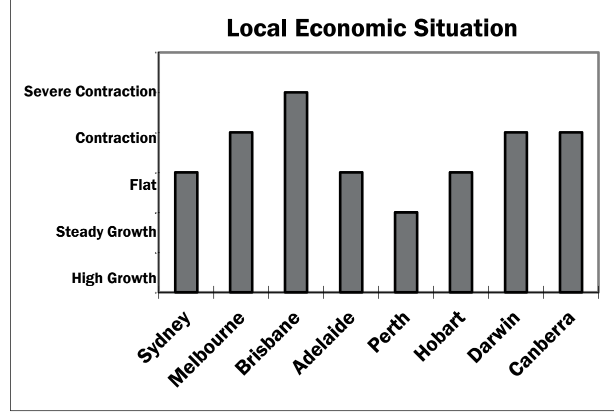
Capital City Property Market Indicators –Retail

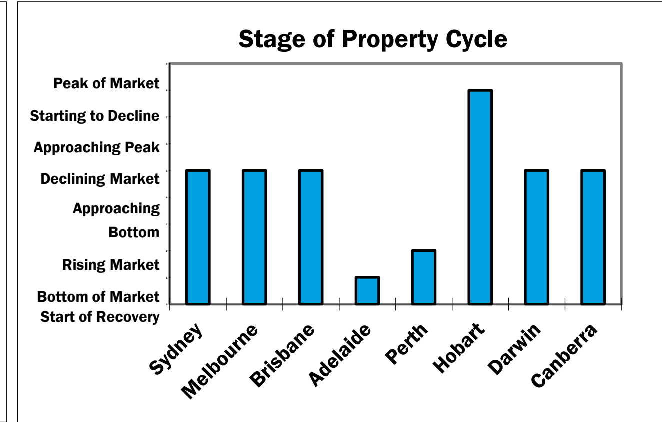
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Over-supply of available property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

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

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







East Coast New South Wales Property Market Indicators – Houses

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand
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	Declining market	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

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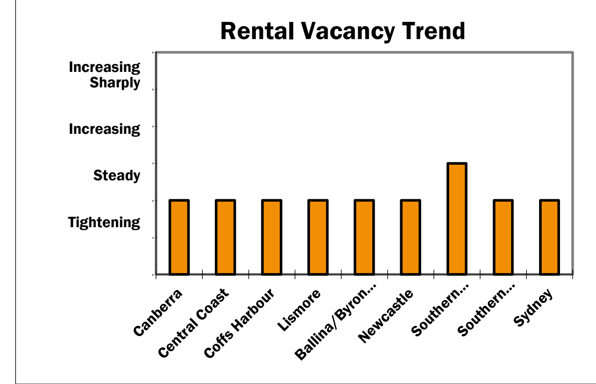
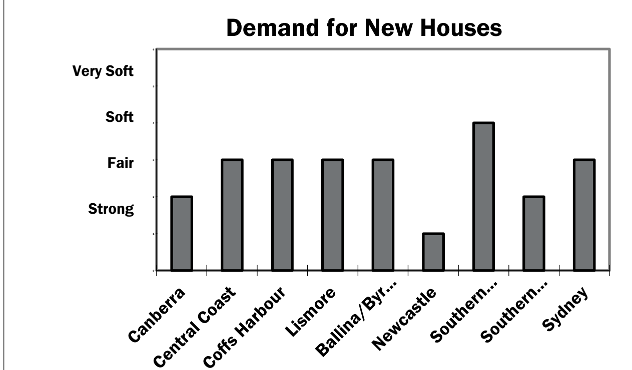
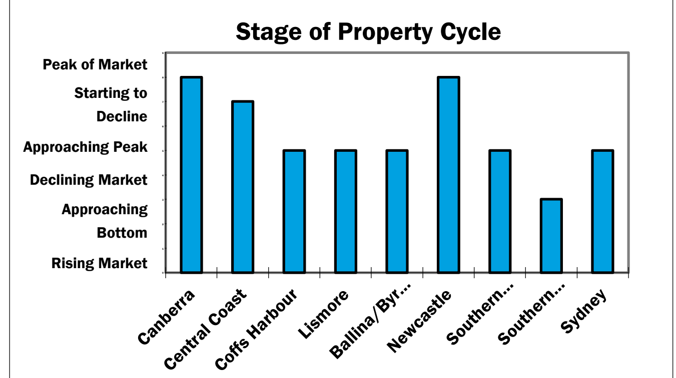


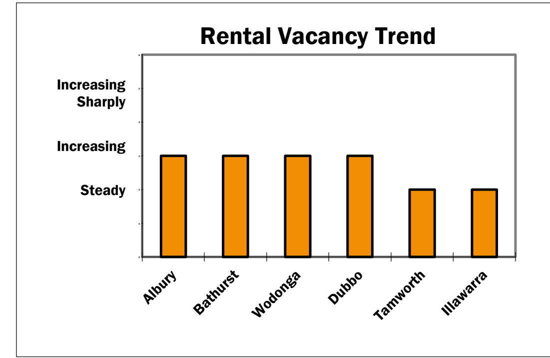


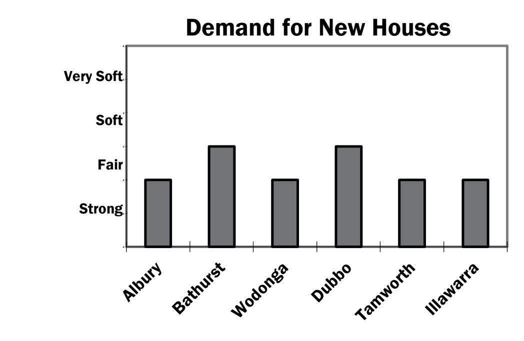


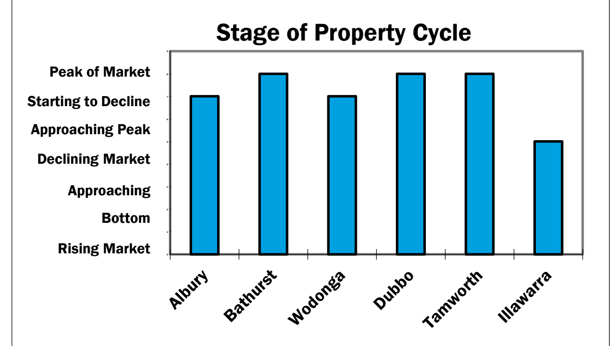
Country New South Wales Property Market Indicators – Houses

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*





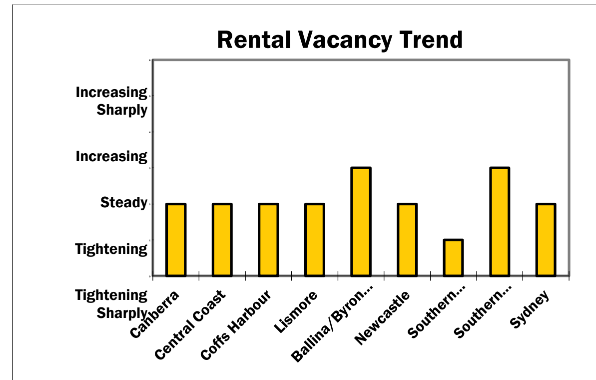


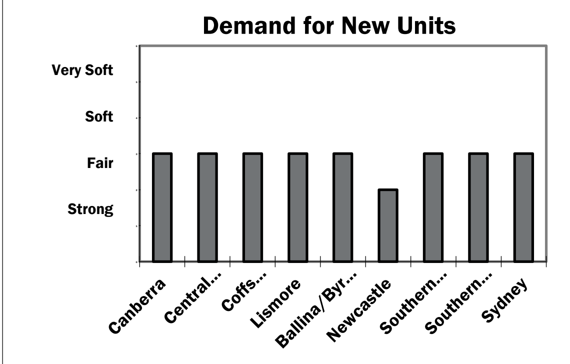
East Coast New South Wales Property Market Indicators - Units

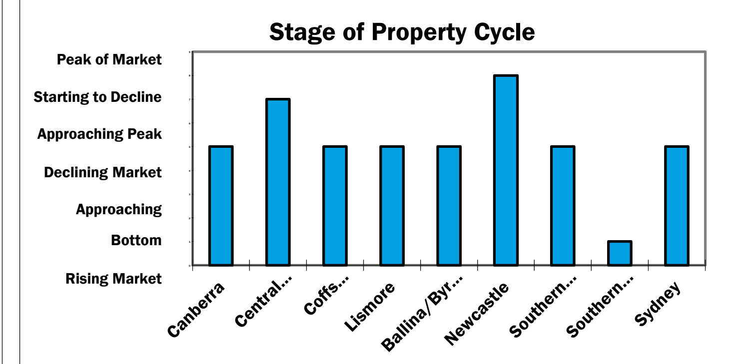
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available 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	Balanced market	Severe shortage of available property relative to demand
Tightening	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Tightening sharply	Steady	Tightening
Fair	Fair	Strong	Fair	Fair	Strong	Strong	Fair	Fair	Fair
Declining	Declining	Declining	Steady	Steady	Declining	Declining	Declining	Steady	Steady
Steady	Steady	Increasing	Declining	Declining	Steady	Increasing	Declining	Steady	Steady
Declining market	Declining market	Starting to decline	Declining market	Declining market	Declining market	Peak of market	Declining market	Start of recovery	Declining market
Occasionally	Occasionally	Occasionally	Almost never	Almost never	Almost never	Occasionally	Frequently	Occasionally	Frequently

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

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







Country New South Wales Property Market Indicators - Units

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

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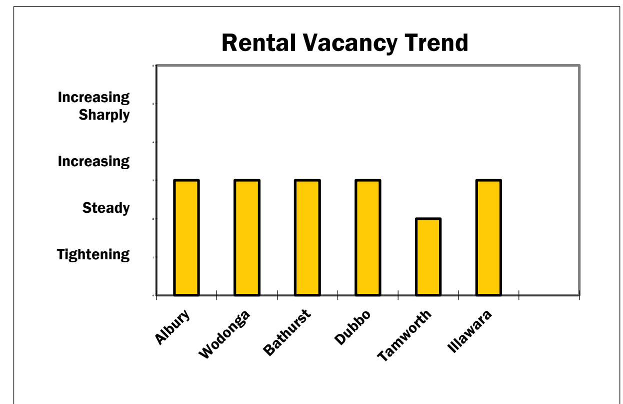
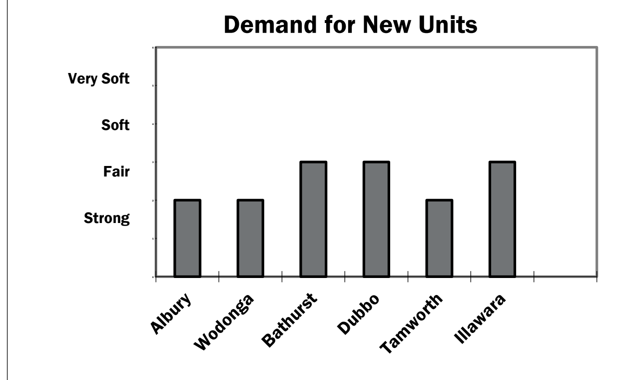
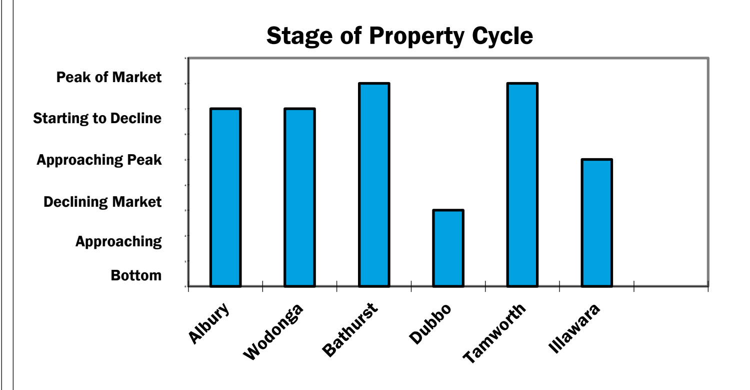


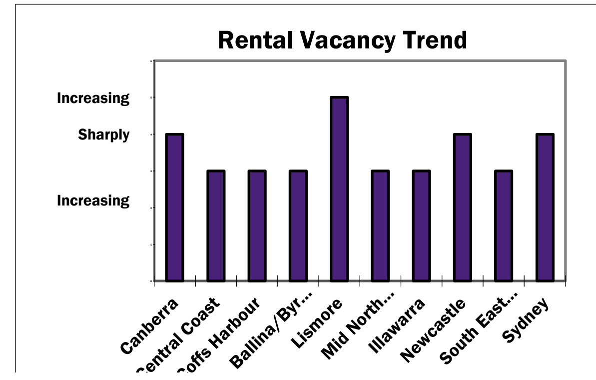


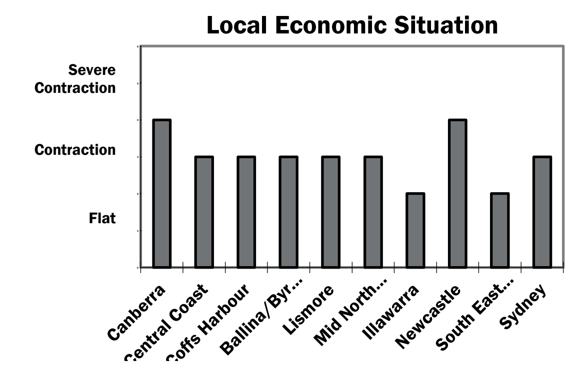


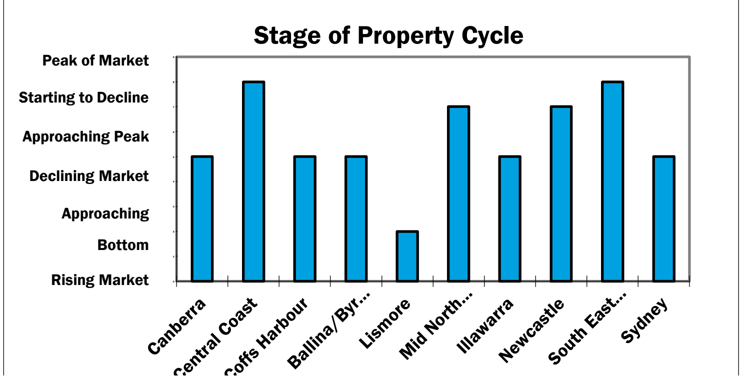
East Coast & Country New South Wales Property Market Indicators – Retail

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







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	Soft	Fair	Strong	Fair	Fair	Fair
Trend in New House Construction	Increasing	Steady	Increasing	Increasing	Steady	Increasing	Increasing	Increasing
Volume of House Sales	Declining	Declining	Declining	Steady	Steady	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

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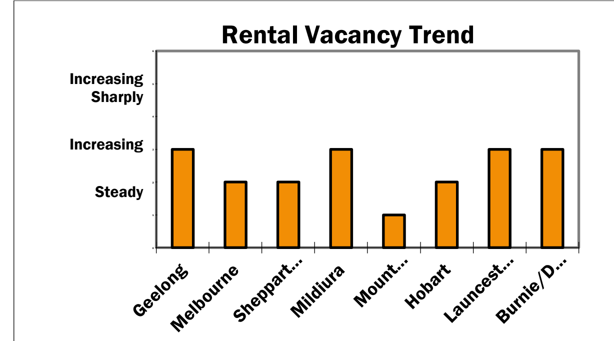
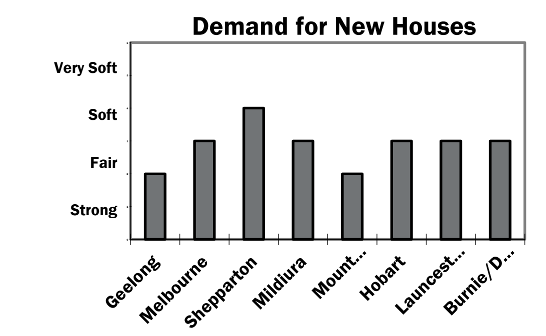
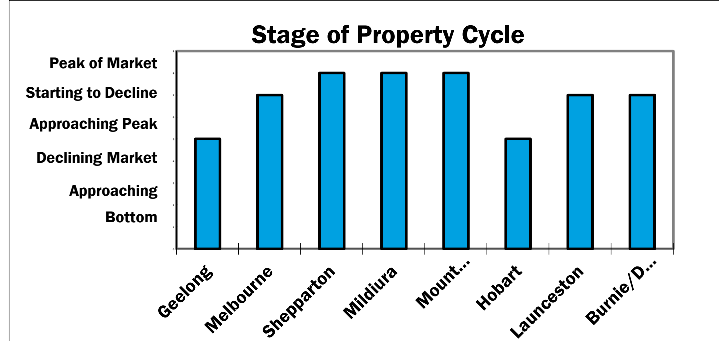
Blue entries indicate change from previous month to a lower risk-rating







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

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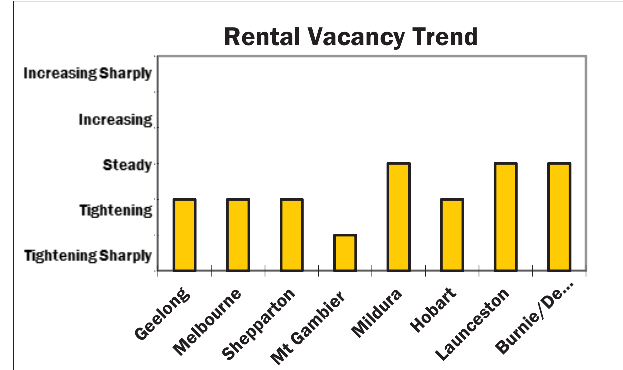
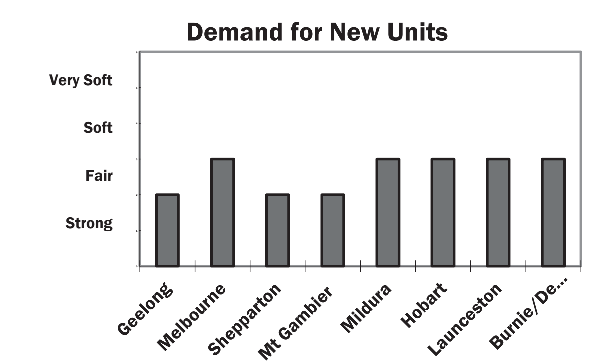
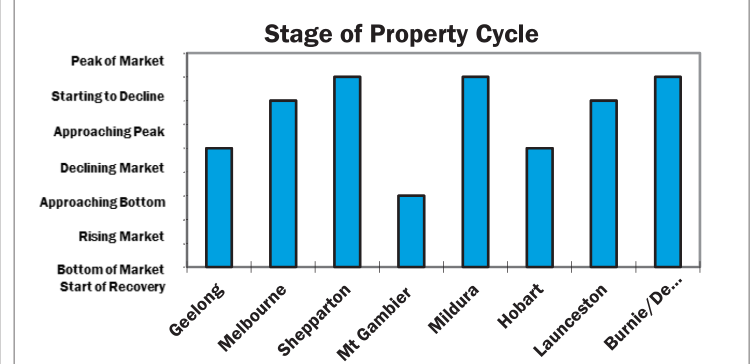
Blue entries indicate change from previous month to a lower risk-rating







Victorian and Tasmanian Property Market Indicators – Retail

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

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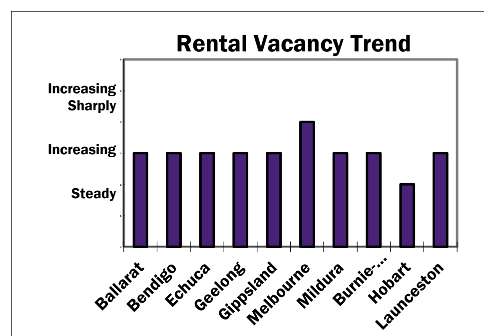
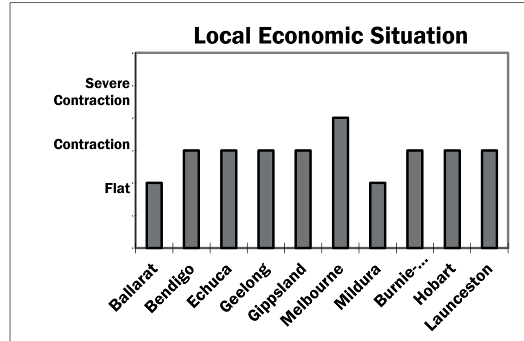
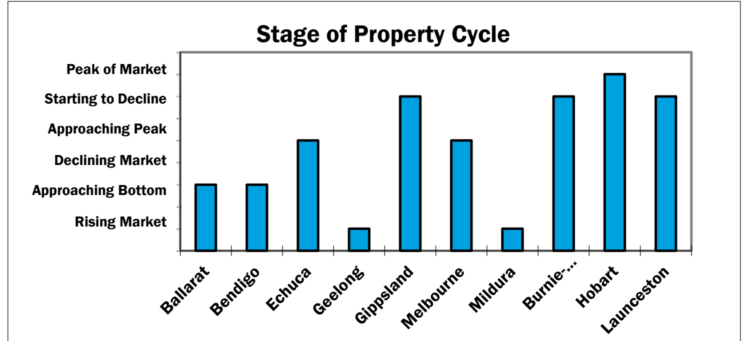


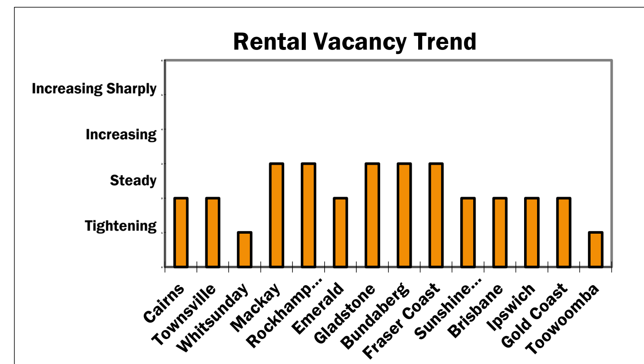


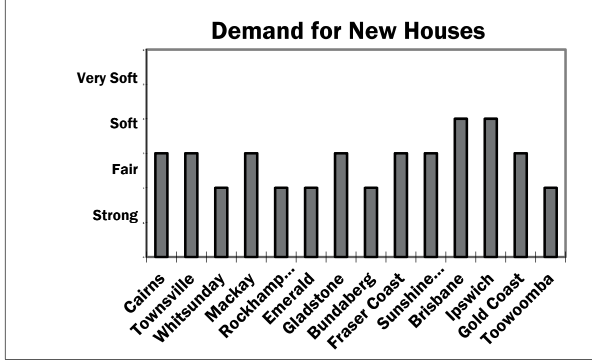


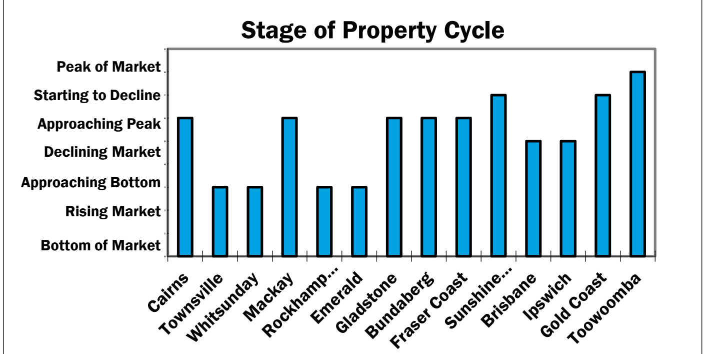
Queensland Property Market Indicators – Houses

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Fraser Coast	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	Steady	Steady	Tightening	Tightening	Tightening	Tightening	Tightening sharply
Demand for New Houses	Fair	Fair	Strong	Fair	Strong	Strong	Fair	Strong	Fair	Fair	Soft	Soft	Fair	Strong
Trend in New House Construction	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady
Volume of House Sales	Declining	Increasing	Increasing	Increasing	Increasing strongly	Steady	Declining	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

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







Queensland Property Market Indicators – Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rock-hampton	Emerald	Gladstone	Bundaberg	Fraser Coast	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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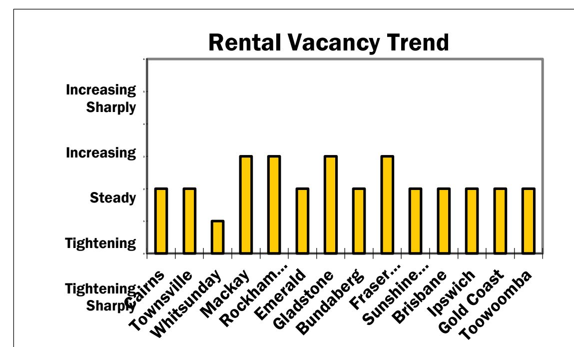

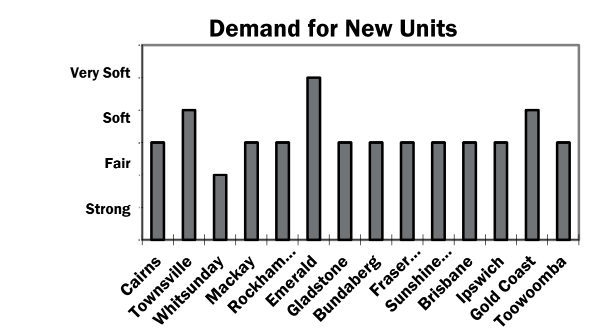

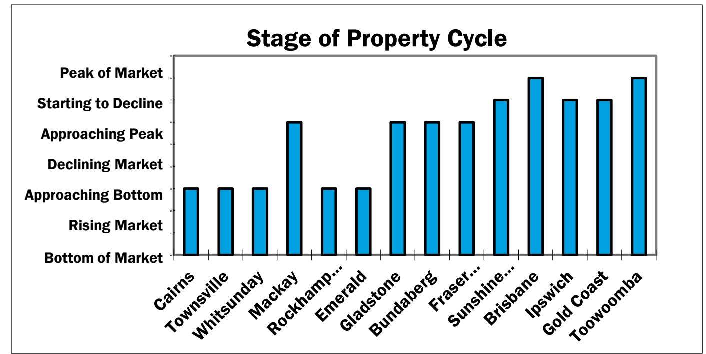

Queensland Property Market Indicators – Retail

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

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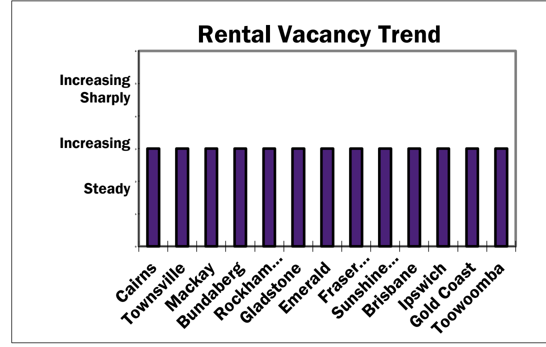
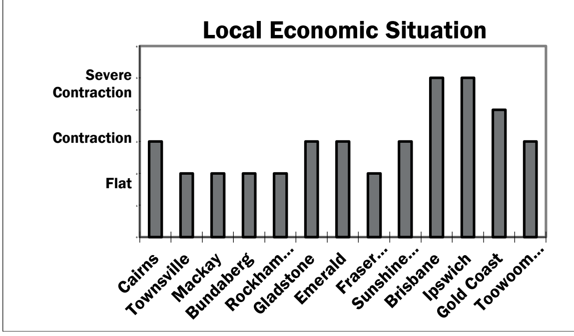
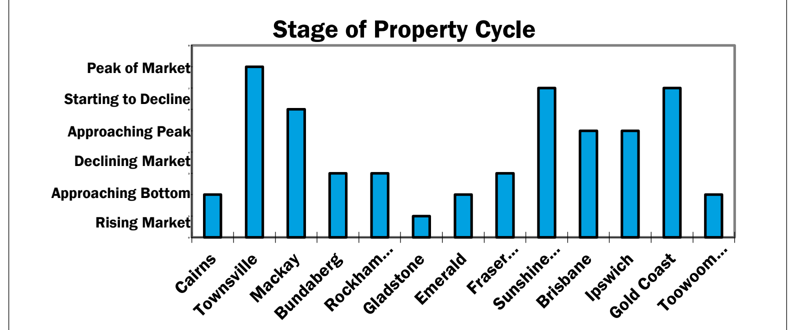




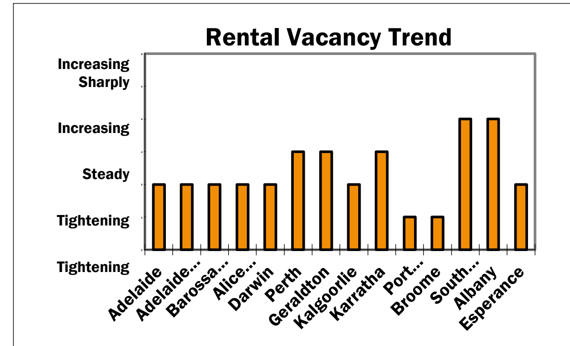


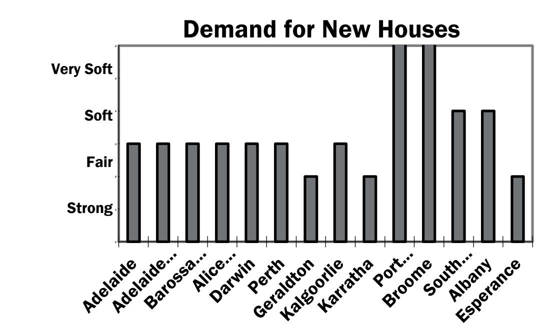
SA, NT and WA Property Market Indicators - Houses

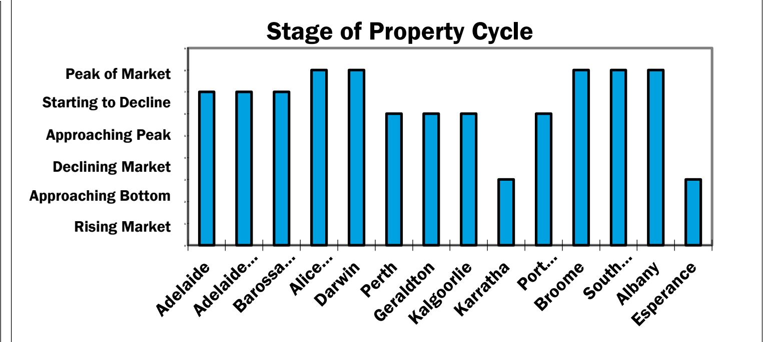
Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	Esperance
Rental Vacancy Situation	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage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

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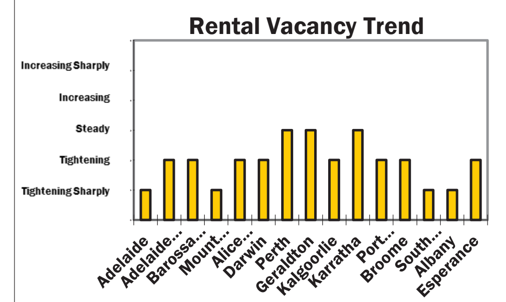
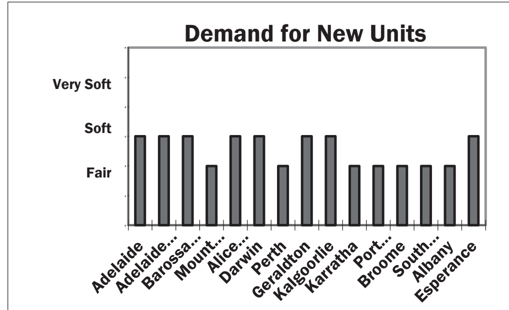
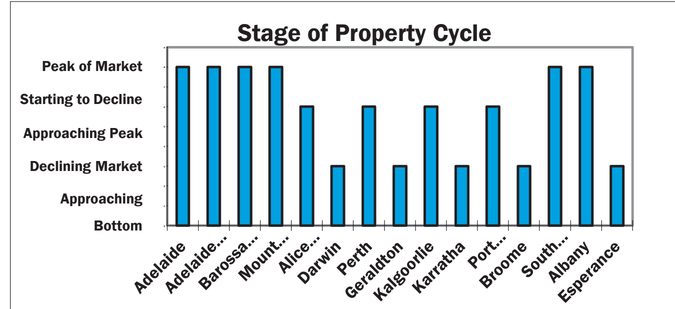
Blue entries indicate change from 3 months ago to a lower risk-rating







SA, NT and WA Property Market Indicators – Retail

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

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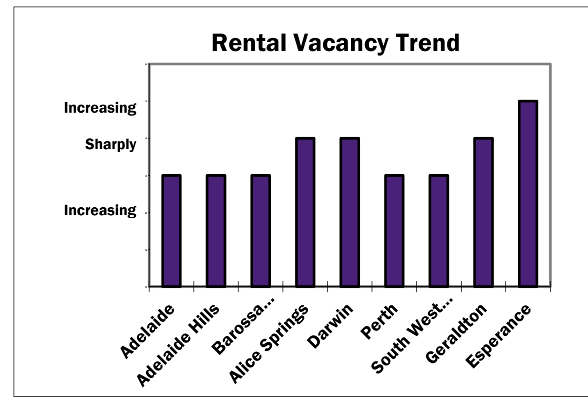

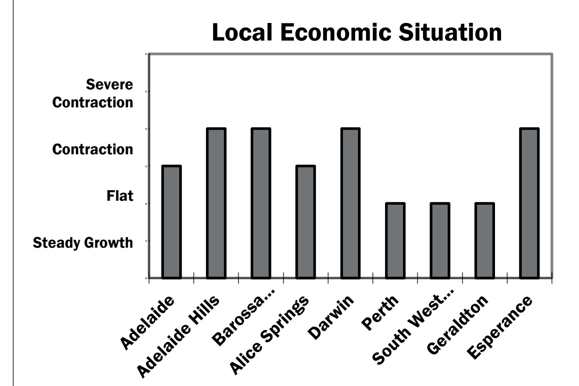

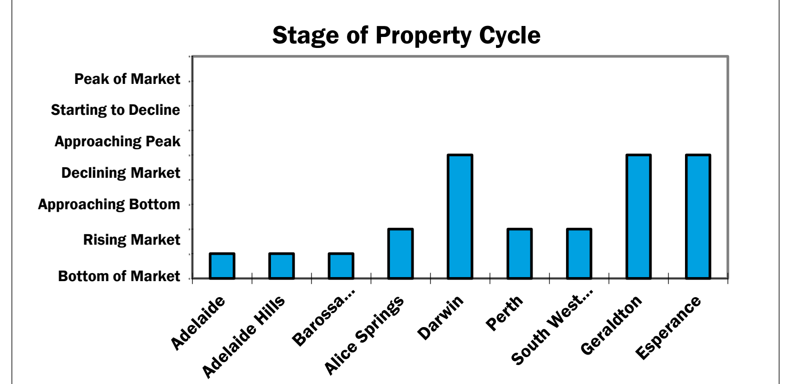

TALK TO YOUR LOCAL EXPERT

Commercial

NT	Terry.Roth@htw.com.au
SA	Chris.Winter@htw.com.au
QLD	Alistair.Weir@htw.com.au
ACT	Scott.Russell@htw.com.au
VIC	Jason.Stevens@htw.com.au
WA	Greg.Mullins@htw.com.au
NSW	Angeline.Mann@htw.com.au
TAS	Andrew.Peck@htw.com.au

Residential

NT	Will.Johnson@htw.com.au
SA	Jarrod.Harper@htw.com.au
QLD	David.Notley@htw.com.au
ACT	Angus.Howell@htw.com.au
VIC	Perron.King@htw.com.au
WA	Brendon.Ptolomey@htw.com.au
NSW	Matt.Halse@htw.com.au
TAS	Andrew.Peck@htw.com.au

Rural

NT	Frank.Peacocke@htw.com.au
SA	Graeme.Whyte@htw.com.au
QLD	Will.McLay@htw.com.au
ACT	Scott.Fuller@htw.com.au
VIC	Graeme.Whyte@htw.com.au
WA	Luke.Russell@htw.com.au
NSW	Angus.Ross@htw.com.au
TAS	Graeme.Whyte@htw.com.au

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