# Month in Review

## March 2024

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

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Disclaimer

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# CEO's address

## Welcome everyone to our first edition of Month In Review for 2024.

We are now almost a quarter of the way through 2024, which is normally the point each year when the property market establishes its level. This year, our teams report that in most centres, the same drivers that dictated market direction toward the end of 2023 will continue in the near term.

There was some speculation that property price growth may slow this year, but that hasn't come to pass yet. Analysis to the end of February shows almost every capital city has seen values rise in the past three months with Perth, Adelaide and Brisbane recording some extraordinary results. The enduring strength of these markets is well illustrated by our monthly property clock. Brisbane and Perth have been firmly entrenched in the Start of Recover/Rising Market quadrant since October 2023, while Adelaide has moved from what appeared to be a market peak in September back to being a Rising Market now.

It's relatively easy to see why there are higher real estate prices across most centres—there's simply too little supply to meet current and growing demand.

One of the primary reasons for this has to do with the economics of producing new housing. There are too many pockets across this country where the cost to deliver a new home to market makes little sense if a developer expects a reasonable return on their investment.

A recent Herron Todd White presentation to the Mortgage & Finance Association of Australia showed the cost of building a home has increased dramatically in the past two years. We have reached a point where the disconnect between construction costs, property availability and established house prices is material, driving up the value of homes and acting as a disincentive to building new dwellings.

Unless the sizable gap between cost and value is addressed, there seems no short-term solution to the lack of supply. We need to either see prices increase by 20 per cent, or development costs reduce by 30 per cent if we want to incentivise developers toward creating more housing. And, of course, limited supply also feeds into low rental vacancies and increasing rents for most population centres.

The other factor is that we're unlikely to witness interest rates go up again anytime soon and if (or rather, when) they do come down, that will stimulate prices further.

This month, our residential section provides comprehensive coverage about investment opportunities throughout the country.

For our commercial property readers, it's time for predictions about Australia's industrial real estate markets. Our teams give a comprehensive wrap on where they feel major markets will head as 2024 unfolds.

Finally, this month's Agribusiness section delivers an in-depth analysis of the nation's horticultural markets and sector performance.

Please enjoy our March 2023 edition of Month In review.

Gary Brinkworth
CEO

It's relatively easy to see why there are higher real estate prices across most centres—there's simply too little supply to meet current and growing demand.

# Commercial

March 2024

# National Industrial Overview

In the final Month in Review for 2023, I wrote that the industrial sector in Australia had maintained its resilience, albeit not as strongly as in 2021 and 2022. This was largely expected due to escalated borrowing costs causing a slowdown across the broader market, particularly impacting commercial yields. The major concern has arguably been the rapidity of the interest rate rises and uncertainty as to when they might stabilise. Throughout the year, it became apparent that owner-occupiers were the predominant buyers, seizing opportunities whilst investors grappled with elevated debt costs and their returns on investment.

Research reported that from the second half of 2019 to mid-2023, the insatiable leasing demand for industrial property across the country saw the average industrial vacancy rate fall from circa 6.5 per cent to a mere 0.5 per cent. This sharp reduction in vacancy led to substantial and somewhat unprecedented hikes in rents.

David Walsh
Retail Director

> Despite the ongoing imbalance in supply and demand, the industrial market remains the preferred sector for many investors.

However, we consider that the intensity of rental hikes is now abating as developers continue to add to the supply with speculative construction and several pre-committed projects being delivered. Analysis from across our capital city markets would suggest that this extreme rental growth will return to more normal levels throughout 2024 and along with this increased supply, it is likely that we will see vacancy rates increase in 2024, albeit only slightly from their record lows.

Over the past three years, both prime and secondary assets have been in high demand. However, as supply expands, providing more leasing opportunities, we anticipate a greater variance in levels of demand for prime and secondary assets. Essentially, core fundamentals are expected to return, with strategically located assets near major transport hubs continuing to be highly sought after.

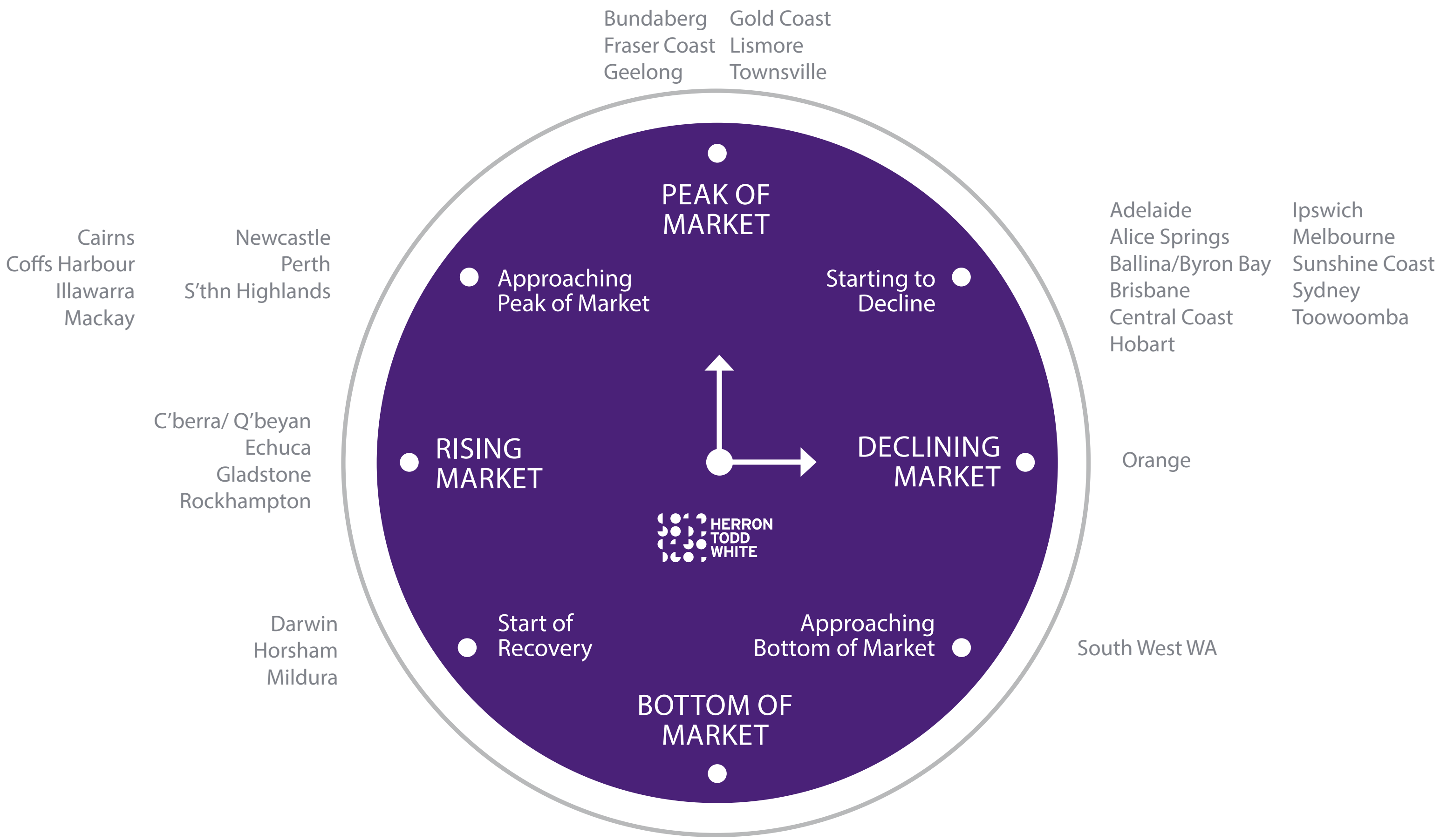
Last mile assets will also continue to be highly sought after by e-commerce users as a significant portion of tenants require proximity to densely populated areas as this facilitates more efficient supply chain logistics.

This normalisation notwithstanding, certain regions of the country, such as Brisbane and Sydney, still face significant land shortages. Coupled with challenges in construction costs and the feasibility of projects, delivering profitable supply remains a difficult task.

Despite the ongoing imbalance in supply and demand, the industrial market remains the preferred sector for many investors. With cautious optimism, I anticipate another robust year for the industrial market in 2024.

# National Property Clock: *Industrial*

Entries coloured purple indicate positional change from last month.



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# New South Wales - Industrial 2024

## Sydney

The industrial market was once again the strongest performing asset class for 2023. Capital values growth slowed but rental rate increases continued throughout most of the year. This increase in demand can be attributed to the lack of supply. Following such strong growth in 2022 there were signs last year that the market was slowing down and looking ahead to 2024 there are some potential headwinds.

The market is still largely underpinned by demand outstripping supply due to a lack of stock, particularly for Torrens title property and land. However, the increase in interest rates over the last year and the weakening of economic conditions have seen the market slow and demand soften.

It is likely that we will see the market continue to slow this year. There have been fewer transactions and feedback from agents is indicating that this trend will continue.

Rents in the industrial sector remained stagnant for quite a few years, particularly for secondary stock. Throughout most of 2023 we noted a distinct uplift in industrial rental values and demand. We consider inflationary pressure to also be a factor in increasing rental rates with some agents achieving rental rates higher than asking price. Our outlook for 2024 is further growth in rental rates albeit at a slower rate than 2022 and 2023. We forecast that rents are going to continue growing beyond 2024. Location is considered to be a prime factor in determining the demand and rate of rental growth.

We are now starting to see yields increase as demand

It is likely that we will see the market continue to slow this year. There have been fewer transactions and feedback from agents is indicating that this trend will continue.

slows and values start to come back. It is possible that this may result in some investors returning to the industrial market, but this could be hindered by weak economic conditions. Again, location is playing a big part in this market.

2024 will bring some headwinds to the industrial sector. The underlying supply issue will remain, but the lack of confidence in the market and the economy will see buyers hold back. It is very much a case of wait and see.

Angeline Mann
Commercial Director

## Newcastle

The industrial market in the greater Newcastle region continues to be directly impacted mostly by supply. In short, there is not much in terms of supply. Agents are telling us this throughout the region. The inner-city precincts continue to turn over, albeit more slowly than they have in the past, but again this is a supply issue. The demand is certainly out there.

As we progress further into 2024 it's worth taking the time to look more to the outer precincts, in particular those with direct freeway access. As the region becomes a true secondary hub for transport operators, the outer precincts (such as Morisset and particularly Heatherbrae) are becoming increasingly attractive to prospective investors. The extension of the M1 from Hexham to Heatherbrae is a significant infrastructure project that plans to take out the bottleneck between the end of the M1 and the Pacific Highway northbound. There has been a significant industrial land release in Heatherbrae with most lots taken up immediately after being released. Over the last two years land rates have almost doubled, and in some cases more than doubled.

We note a mix of stand-alone and strata developments in this new section of this precinct. The issue that developers face now is that the cost of building has gone up across the board. It is easy to anticipate that once building commences in Heatherbrae it will not take long to be filled with users looking for prime freeway access, and that will likely come at a premium.

Regionally, we are still seeing small strata units and small stand-alone buildings selling at a 4.5% to 5.5% yield. For the larger style properties, we are seeing that assets offered with longer WALEs are in high demand.

The industrial market in the region continues to gather steam and push forward. The lack of stock is not dampening the appetite for investors to get into the Newcastle market, and we expect these conditions to continue.

Scott Beker
Valuer



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## Wollongong

We expect to see some stabilisation in the industrial segment as the market simply runs out of steam after an astounding period of growth over the last five years. The pace of price and rental growth is simply expected to taper.

While some heat is projected to come out of the market, we certainly don't expect to see declines in this asset class as there is no significant new supply hitting the market. Options for purchasers and tenants will continue to be limited while a strong local economy will ensure the demand side remains intact. Pressure will continue to be on the upside while the fundamentals are clearly so skewed.

Scott Russell
Director

# Victoria - Industrial 2024

## Melbourne

Now the Australian community has moved past the COVID-19 pandemic, it has since been hit with slight economic unrest with severe inflationary pressures, meaning sustained interest rate hikes have lowered the outlook for growth across the board.

This current environment of higher interest rates and inflated construction costs has led to a slowing in sales volumes. Much of the current available industrial warehouse space is still under construction with very limited existing stock on hand. In saying that, the market did see a record year for development completions in 2023, meaning we did see that imbalance somewhat corrected, solving the undersupply and in turn lowering levels of demand. The flow on effect meant we saw industrial vacancy rates rise for the first time in five years in the second half of 2023 and they are expected to climb further in 2024 due to a combination of weaker demand and more warehouse supply becoming available in most markets. It is important to note that despite this increased supply, most markets remain well below historical vacancy levels.

The average national vacancy rate rose to 1.1 per cent, from 0.6 per cent over the first half of the year, whilst in the second half of 2023 the vacancy rate in Melbourne was the highest in Australia with a rate of around 1.6 per cent. As these rates rise further in 2024 it Is hard to see them reaching four per cent which is seen as the market equilibrium where demand meets supply. As such we expect we'll continue to see capital values rise. Alongside the tightening of vacancy rates, prime industrial rents have surged as occupiers have competed for limited available space close to urban centres.

Rents are likely to further rise in 2024, albeit at a more moderate pace, providing relief to tenants who have dealt with rental increases of close to 40 per cent over the last two years. When looking at other economies and their prime industrial markets it's evident that when comparing Australia's industrial markets on a like-for-like basis, Melbourne sits in the middle of the range, indicating scope for continued rental rate increases on the back of further population growth and ongoing supply shortages.

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

Nick Michael
Director

> Alongside the tightening of vacancy rates, prime industrial rents have surged as occupiers have competed for limited available space close to urban centres.



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# Queensland - Industrial 2024



## Brisbane

Throughout 2023, the Brisbane industrial sector once again outshone its retail and office counterparts. Activity was quite a bit down on the previous two years which was no real surprise when considering the macro challenges that influence our markets. Throughout the year, owner-occupiers emerged as the primary buyers, capitalising on opportunities while investors grappled with high debt costs and diminished returns.

Like the rest of the nation, Brisbane faced a significant shortage of available space, driven by strong uptake and limited new developments. Looking ahead, we anticipate a slowdown in uptake relative to previous years, signalling a return to more typical levels. As market conditions stabilise, we expect to see varying levels of demand for both prime and secondary assets.

However, Brisbane continues to face a land shortage, with new estates commanding rates exceeding $600 per square meter. Despite considerable rental gains, the feasibility of such projects is in question.

In 2023, Brisbane witnessed a market adjustment, with yields softening due to increased debt costs. While larger players adopted a cautious approach, private investors, including wealthy individuals and family offices, were keen to find reasonably priced assets. Yields in the Brisbane market have settled in a range between 5.75% and 6.75%, depending on factors such as asset type, lease structure, and potential reversion. There are of course exceptions either side of this.

The TradeCoast remains the dominant industrial precinct, with rents for modern prime buildings typically ranging from $175 to $250 per square metre in the sub-5000-square-metre market. The opportunities within the market tend to centre on assets that are under-rented with short term reversion upside and those with a low site coverage allowing further development potential. These are few and far between and are often traded in off market environments.

Despite persistent supply-demand imbalances, the industrial sector remains the preferred investment choice for many. With cautious optimism, we anticipate another strong year for the industrial market in 2024.

David Walsh
Director

## Gold Coast

After a period of rapid growth, industrial land value rates across the central Gold Coast have shown signs of stabilization, however challenges persist as elevated build costs continue to exert pressure on project feasibilities. Notwithstanding this, we expect to see the industrial market across the central region maintain its robust stance throughout 2024, buoyed by restricted supply and sustained demand.

One of the defining features of the industrial landscape in the region is the anticipated stability in the rental market. Following two years of rapid growth propelled by an undersupply of rental accommodation, rental rates have reached historically high levels. Small modern industrial units are fetching impressive rates of $300 per square metre net, while small to medium-sized modern freestanding industrial buildings are commanding rates upwards of $200 per square metre net.

Despite the overall strength, there are notable shifts within specific sub-markets. The demand for new strata industrial products, including warehouse and self-storage units, witnessed a moderation in 2023 after years of robust performance. This trend is expected to persist into 2024, with the rate of sale for several new projects reportedly slowing down. Economic headwinds and costly borrowing conditions have contributed to this slowdown, particularly impacting the investor market segment.

The industrial market on the southern Gold Coast and Tweed Shire reached unprecedented heights in 2023, characterized by record levels of activity. As the market matures, indications point towards a slowing growth rate, however we are still hearing reports of record sale prices on almost a weekly basis.

Currently, opportunities to purchase industrial assets at a reasonable return based on prevailing borrowing rates are scarce. This scarcity has prompted buyers to shift their focus towards investment strategies centred on capital growth. While this trend reflects a strategic response to market conditions, it also highlights the growing emphasis on long-term value appreciation within the investor community.

As the landscape evolves, boutique developments of smaller sizes are expected to gain prominence. With

**With cautious optimism, we anticipate another strong year for the Brisbane industrial market in 2024.**

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medium and large sites becoming less readily available, developers are pivoting towards smaller-scale projects to capitalize on available opportunities. The exception to this would be the Yatala Enterprise Area in the city's north, where there is a steady supply of land being delivered to the market catering for larger floor plates; this market remains dominated by owner-occupiers and "build to hold" investors .

While the overarching market remains strong, stakeholders are navigating a landscape marked by shifting demand patterns, evolving rental dynamics, and persistent cost pressures. As the year unfolds, stakeholders will need to remain agile and responsive to emerging trends to capitalize on opportunities and navigate challenges effectively.

Ryan Kohler
Director

## Sunshine Coast

One thing that is set to remain unchanged in 2024 is the lack of supply in the Sunshine Coast industrial market. As demand soared throughout 2021 and 2022, a lack of available land became a concern. Supply of industrial land is likely to remain constrained in the short to medium term which is likely to bolster values for both vacant land and improved properties.

As interest rates have increased, investors have generally re-calibrated their appetite for yields based on higher borrowing costs. New/modern facilities with strong lease covenants to national tenants appear to have remained highly sought after by the investment market. Yields have however softened for second grade assets that have weaker lease profiles and/or compromised physical attributes. Owner-occupiers are likely to remain the dominant buyer profile in light of current interest rates and lack of supply, often paying premiums over

> The Rockhampton industrial market continues to experience growth, driven by ongoing civil and construction projects in the region.

and above investors.

Low levels of supply and persistent demand have also placed upward pressure on rental rates. Rental rates are likely to remain strong however the rate of increase may ease as rental affordability is put to test.

Various agents have begun to report an uptick in activity and certainty from potential purchasers which aligns with early commentary that the RBA may look to cut interest rates in the latter part of 2024/early 2025. Although this remains an uncertainty, the lack of supply across the Sunshine Coast industrial market is likely to underpin values and rents throughout 2024.

Jaydon McDowell
Associate Director

## Rockhampton

The Rockhampton industrial market continues to experience growth, driven by ongoing civil and construction projects in the region. Factors such as rising replacement and construction costs, coupled with a limited supply of industrial assets, are contributing to the upward trend in property values. This trend is expected to continue throughout 2024.

Rents have been increasing and remain robust for high-quality industrial accommodation, with the rise particularly evident in established industrial areas such as Kawana and Parkhurst. Alternatively, emerging decentralised industrial areas such as Gracemere, offer more affordable rental rates.

Owner-occupiers continue to be active in the market, particularly in transactions valued up to $2 million. This activity is anticipated to persist as businesses recognise the long-term benefits of establishing operations in the region. Investors, both local and interstate, are also showing interest due to the region achieving higher yields when compared to comparable assets in larger cities. There are notable properties under contract, which demonstrates the continued interest from owner-occupiers and investors alike.

Richard Dunbar
Valuer

## Cairns

The industrial market has seen significant value increases over the past two years and values are now at record levels with the market very heated overall.

There is pent up demand for all forms of industrial property and very limited stock available either in the prime industrial precinct of Cairns or industrial estates to the north and south of Cairns.

The smaller and more affordable commercial market is dominated by owner-occupiers with agents advising strong buyer activity and pent-up demand in the sub-$2 million market (particularly the sub-$1 million industrial space).

Pure investment stock is limited, however properties in the sub-$2 million space typically achieve higher value levels if sold with vacant possession unless offered to the market with a quality lease covenant.

New small industrial strata complexes are being advertised and reportedly obtaining interest at

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$3500 per square metre with settled sales upward of $3100 per square metre. There is no stock available at present in the Cairns region however there are several developments in various stages which should ease demand in this sector to some degree in the coming six-to-12 months.

Site values have increased substantially over the past 24 months due to a near total lack of vacant land stock, and it is assumed this will correlate to higher unimproved values (and associated land tax) moving forward. This along with increased insurance premiums may negatively impact net incomes in the future.

It is difficult to gauge how market conditions will fare in the coming 12 months. Overall, the market is very heated and considered to be nearing or at its peak.

While economic conditions suggest market softening, we consider the limited availability of industrial land, high land values and high building costs will result in property maintaining reasonably high values in the short term.

Shane Quinn
Director

## Gladstone

The Gladstone industrial market is experiencing similar trends to its Central Queensland counterparts, with growth driven by ongoing civil and construction projects in the region. Factors such as escalating replacement and construction costs, alongside a limited supply of properties, are placing upward pressure on values and rents for the right properties. This trend is expected to persist throughout 2024.

Richard Dunbar
Valuer

## Wide Bay

The Wide Bay industrial market remained relatively resilient throughout 2023. There is a broad array of planned infrastructure projects that should they proceed will add to an interesting year combined with a period of high interest rates and seemingly slowing residential construction.

As of early 2024, demand for industrial tenancies is still relatively strong with low vacancies across the market. We also note that there are very few larger industrial tenancies available. 2024 will see industrial stock added to the market, particularly in Hervey Bay which is likely to test market demand at a higher gross rental rate price point.

The rising cost of funds (interest rate rises) from 2022 into 2023 has significantly slowed market activity due to debt serviceability requirements. However, due to a variety of factors such as limited available built industrial land, construction costs and low vacancy rates, there has been reasonable rental growth that appears to have offset marginal yield increases.

A hot tip to avoid in 2024 would be assumed gross rental growth. Tenants may not always be able to afford to pay the rental increase. Contrary to this, CPI or fixed review mechanisms are often poor indicators of how a regional property market is performing and a landlord may under-rent their tenancy. Always compare your tenancy to recent market evidence and consult a qualified, registered valuer if you would like more advice.

Ben Harnell
Associate Director

## Mackay

Recent major industrial property sales in Paget are summarised as follows:

- 10 Len Shield Street sold on 20 November 2023 at $3.018 million to show an analysed market yield of 7.00% with an unexpired lease term of 4.61 years;
- 17-23 Centurion Drive sold on 20 November 2023 at $3.45 million to show an analysed market yield of 7.00% with an unexpired lease term of 4.88 years and;
- 13 Margaret Vella Drive sold on 7 December 2023 at $3.5 million to show an analysed market yield of 7.06% with an unexpired lease term of 4.73 years.

Some long-term owners have decided that now is a good time to sell, especially if new five-year lease terms have been agreed to provide buyer confidence and optimise the sale prices. This is indicative of a strong market benefiting from favourable regional economic conditions. Short of any unexpected adverse economic impact, we expect that rents, values and yields will remain steady throughout 2024.

Gregory Williams
Director



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17-23 Centurion Drive, Paget Source: realcommercial.com.au

## Townsville

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

The Townsville industrial market started strongly in 2023 although demonstrated some plateauing in the later stages of 2023. This is expected to remain the same in 2024. We will continue to see some quality sales subject to market fundamentals albeit at a predicted slower pace.

With the continued activity in the mining and resources sector, we anticipate continuous growth in the support services industry although we also see potential in the engineering and manufacturing space. Established areas such as Shaw, Bohle and Mount St John are seeing continued focus although large-scale land development in the Cleveland Bay Industrial Park revealed strong local, state and national commitment towards the road transport, logistics and warehousing sectors throughout 2023.

Continued rising interest rates in the last half of 2023, combined with tighter lending policies, are expected to temper attitudes and slow property price growth into 2024. That said values will be bolstered by a strong Townsville economy underpinned by positive market drivers in the mining sector, government infrastructure projects, Defence, jobs growth, a tight rental market and low unemployment.

That latter half of 2023 saw sales analysing between 6.0% and 8.5% yield which is expected to continue in 2024. Gross industrial rental agreements for larger/older industrial assets continue to be struck at $110 per square metre to $150 per square metre (or more) as a result of rising cost pressures.

It is likely that high construction cost, supply chain issues and the potential for extended delivery horizons may delay or inhibit new construction over the short term which will continue to increase demand for established stock.

Townsville's industrial market sector is well placed for continued outperformance compared to the retail sector, by proportionate volume. We anticipate reasonable demand and activity in the first half of 2024 although at a less frenzied pace in the face of easing business confidence, resource constraints, inflationary pressures, and ongoing interest rate concerns for both owner-occupiers and investors alike.


Jamison Sayce
Associate Director

## Darling Downs

Toowoomba's industrial market is considered strong. There continues to be strong demand for secure investment properties with cashed up investors still active in the market. In 2023 yields were still firm despite the recent interest rate rises. A softening of investment yields is likely in 2024 following the trend in metro locations.

The owner-occupier market is also robust. A decline in the supply of vacant land and the increase in construction costs have resulted in a modest increase in values over the past year for vacant properties. This trend will likely continue in 2024 especially for smaller to mid-size facilities.

Leasing demand is moderate with many occupants seeking to buy rather than lease.

The major activity of note in the Toowoomba industrial market is the relocation of a number of existing businesses currently located in the city into new facilities being constructed in the Charlton Wellcamp Enterprise Area. These firms have outgrown their existing properties and will relocate to larger purpose-built facilities. This will create a number of vacant industrial properties in the Toowoomba market that should become available for sale or lease in the near future. Two buildings have been placed on the market and one is reportedly under contract.

The new South-East Queensland Regional Plan has included additional industrial land within the Charlton/Wellcamp area, indicating the long term requirement for industrial growth.

The demand for vacant industrial land in the western suburbs remains high but the decline in supply has

**We would anticipate reasonable demand and activity for the Townsville industrial market in the first half of 2024 although at a less frenzied pace in the face of easing business confidence, resource constraints, inflationary pressures, and ongoing interest rate concerns for both owner-occupiers and investors alike.**

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resulted in a slight rise in values for smaller to mid-sized lots. Acre lots are achieving between $150 and $200 per square metre. The supply of vacant lots is expected to increase with a new subdivision in Torrington to be completed in 2024.

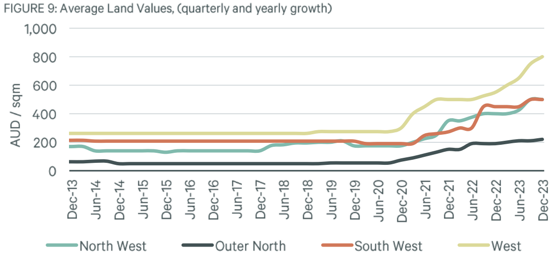
Ian Douglas
Director

# South Australia - Industrial 2024

## Adelaide

The Adelaide industrial market has experienced unprecedented levels of growth attributed to limited supply, heightened demand as well as investors' appetite to jump into the market. Adelaide has experienced a vast shortage of available industrial land within inner-metropolitan areas which has led to an emergence of outer-metropolitan industrial precincts. We project that land values will continue appreciating over the year with developers seeking out precincts such as the Vicinity Industrial Base located within Direk approximately 25 kilometres north of the Adelaide CBD. Outer Northern Adelaide is being fuelled by its ease of accessibility and cost-effectiveness with metropolitan counterparts as identified below.

FIGURE 9: Average Land Values, (quarterly and yearly growth)




Average industrial land values Source: CBRE Research

We are anticipating the further supply introduced intermittently throughout 2024 will help ease the supply shortage. Many of these soon-to-be introduced projects comprise Community-Titled, entry-level style tenancies typically of a floor plate circa 150 to 200 square metres of lettable area. These new developments are continually being quickly absorbed by the market from predominantly owner-occupiers with many having been displaced from compulsory acquisitions along South Road and other affected areas.

> We have witnessed a softening of yields and expect this to continue over the year to reach more sustainable levels within the market.

Local agents have stressed the ease of leasing and selling these smaller-scale warehouses. Limited uses of incentives are often required to attract tenants whilst still achieving strong rents. We expect this trend to continue throughout the year as new supply is seemingly still below the required levels to fulfil demand. Rents are anticipated to continue increasing over the course of the year albeit at a slower and more manageable rate when compared to the recent unprecedented increases. We have witnessed a softening of yields and expect this to continue over the year to reach more sustainable levels within the market.

There has been limited evidence of industrial investment sales which suggests that investors have adopted a wait and see approach as interest rates and inflation are expected to ease. Many commentators have already suggested we will have more clarity regarding the nation's economic outlook as 2024 progresses, and this may provoke some speculative investment toward the latter half of the year.

Opportunities present themselves in the market in different ways. The entry-level warehouses previously discussed come at an attractive price point for local investors. While occupiers might currently be pricing out investors as they scramble to find accommodation, we are expecting this to eventually ease which may present more viable opportunities to get into the market.

Chris Winter
Commercial Director

# Western Australia - Industrial 2024



## Perth

The industrial property market in Western Australia began the 2024 calendar year at the peak of the sector's property cycle. Last year proved to be highly prosperous for the sector. The question remains: can this performance be sustained in 2024?

We expect leasing demand for industrial premises to remain firm especially for newly built high specification facilities with such properties in limited supply.

Face net rental rates (i.e. before any incentives) for such premises have achieved circa $150 per square metre per annum of GLA and it will be interesting to see if these rental rates can be maintained. The local industrial market hasn't experienced rental rates at these lofty heights since circa 2012.

There is limited new land to be released in the Perth metropolitan region this year, hence industrial land values are more than likely to continue their upward trajectory. Of the limited land releases that are coming to market of particular note is the Orion Industrial Park being developed by DevelopmentWA which encompasses 95 hectares of land at the northern end of the wider Latitude 32 redevelopment area.

We are also likely to see an increase in the number of acquisitions of older, sub-par facilities in core industrial estates for redevelopment.

Given a lack of suitable stock in the core precincts we witnessed a rise in the number of new projects in peripheral, previously shunned secondary locations such as Neerabup and Forrestdale and we expect this movement to maintain pace.

Infrastructure projects, such as Metronet, are likely to play a pivotal role in shaping the outlook for the industrial property market this year, unlocking new opportunities.

Activity in the owner-occupier market should remain steady given the limited stock of large scale and quality premises available which has been compounded by construction industry challenges.

Construction material supply chain disruptions and labour shortages have contributed to a pronounced escalation in build costs (up to 50 per cent in some instances) and often delays in project timelines.

Signs are slowly emerging that costs may have finally plateaued which is welcome news for developers, and we may witness a lift in construction activity later in the year.

We expect demand for securely leased, newly constructed built-form industrial property to remain strong during 2024, buoyed by eastern states-based investors.

The impact of a spate of interest rate rises in the latter half of 2022 that continued into 2023 significantly increased the cost of debt funding in comparison to the low interest rate environment that prevailed in the post COVID-19 pandemic period.

The significant yield compression that occurred over the 2021/early-to-mid 2022 period began to soften as investment returns needed to increase in order to offset the significant increase in the cost of debt.

Discussions with several industry participants suggest a disparity over yield expectations between buyers and sellers has emerged which will continue to limit the number of transactions.

We suspect the market will be keeping a close eye on the RBA in the coming months. Despite a growing chorus that easing inflation and a slowing macro-economy will open the door to rate cuts later in the year, inflation remains well outside the RBA's target band.

This hint of economic uncertainty amidst geopolitical tensions and environmental concerns may influence investor sentiment and market dynamics.

Nevertheless, at present the Western Australian industrial property market, against a background of a resilient mining and resources sector, finds itself in a strong position. The lack of supply in the market, both in respect of development-ready land and contemporary built-form facilities, is likely to hold the key to the sustainability of the industrial market performance for the remainder of 2024.

Greg Lamborn
Director

# Northern Territory - Industrial 2024

## Darwin

The Darwin industrial property market last went through a boom period 10 years ago, when the construction phase of Inpex was in full swing. However, in 2015 the "Inpex cliff" materialised, with many businesses downsizing significantly or leaving the Territory once their construction contracts were completed. The Darwin industrial property market was especially hard hit, with some market segments such as vacant land still nowhere near the value levels of 2014 due to oversupply.

But are we on the cusp of the next surge in demand? There are some indications we may well be, with several major projects finally nearing fruition. These include on-shore gas in the Beetaloo basin, development of the off-shore Barossa gas field by Santos and the progress being made on the Middle Arm Sustainable Development precinct to support these and other industries.

Of course, reliance on major projects such as these does carry a level of inherent risk. For example, Core Lithium has recently suspended mining at Finniss River due to unfavorable market conditions.

Other projects have held promise for some time but are inching towards development. Any one of these major projects could have significant benefits to not only the industrial property markets, but also to the Territory itself. For example, the development of on-shore gas resources would see royalties flow to the NT Government, rather than the current situation with off-shore gas, where these royalties are captured by the Commonwealth.

Market sentiment appears to be more positive than it was 12 months ago. The limited supply of quality industrial space around Darwin is seeing increased competition from tenants. Whilst this is somewhat anecdotal at this stage, we do expect this trend to continue over the next 12 months, translating to stronger rents in this market segment. However, older stock will probably remain less competitive.

Value levels for Darwin industrial property have not increased post-Covid to anywhere near the same extent as other capital levels. A stimulus in demand due to major projects, along with the high cost of construction for new projects, could well see this long-suffering sector enjoy some economic sunshine in 2024.

Terry Roth
Director

Market sentiment appears to be more positive than it was 12 months ago. The limited supply of quality industrial space around Darwin is seeing increased competition from tenants.

HERRON TODD WHITE

# Residential

March 2024

# National Residential Overview

2024 continues the post-pandemic trend of multiple competing influences trying to shift both national and local property markets in various, and sometimes opposite, directions.

We are seeing growth, albeit at more pedestrian levels than during the pandemic, across most major markets except for Perth which has continued its charge from the second half of last year.

As we look forward, 2024's inflation numbers, interest rates and unemployment figures – along with high immigration levels – appear to be the key metrics to watch as they could sway current demand imbalance and/or purchaser confidence one way or another.

Throughout 2023 the million-dollar question was, "When will the RBA finish their rate lifting efforts?" It's interesting to now see the question shift to, "When will they start cutting rates?" If the last vestiges of high inflation remain sticky, how much pain in other areas of the economy – such as a sharp rise in unemployment or risk of a recession – will the RBA tolerate until its hand is forced?

Ben Esau,
National Director of Residential

Individual household pain is clear with cost-of-living pressure and the per capita recession discussion we've seen in recent months. An increase in unemployment of late (with the potential for further increases in this measure) is only compounding the problem.

The sharp rise in our immigration numbers throughout 2023 continues to support our economy, but it adds upward pressure on housing demand. National and state migration levels this year will be a key influence, in particular net migration patterns on a jurisdiction-by-jurisdiction basis.

For investors these factors present short-term opportunities along with several potential downsides to keep an eye on.

Strong immigration has supported record rental growth and low vacancy rates. Subsets of immigration can have a marked effect on particular locations. For example, if a group such as overseas students eventually left our shores and weren't substantially replaced by new arrivals, there'd be less housing demand in the inner-cities and those suburbs surrounding universities.

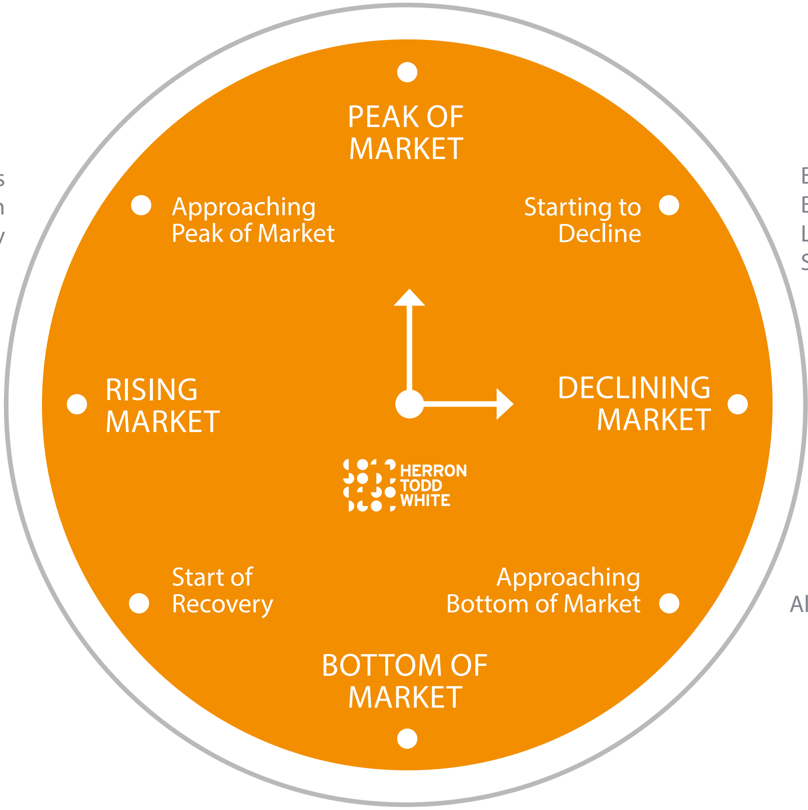
Some cashed-up investors, who are less reliant on borrowing funds and haven't been impacted by rising interest rates, are well positioned to take advantage of opportunities in today's market. These buyers certainly aren't having any trouble securing tenants in most markets. Should interest rates start to drop towards the end of the year, a wider buyer pool with increased buying power will add to the competition, including some purchasers who were previously forced to rent. For those already holding investment properties, continued limited supply could create a windfall as the cost of servicing loans reduces without an accompanying reduction in achievable rent.

With a sluggish building sector still recovering from cost increases and margin squeezes both during and post pandemic, the ability to bring new stock at required levels appears limited in the short term at least. Without a mass net migration exodus or influx in new housing, the current imbalance between demand and supply looks set to continue creating favourable conditions for investors.

Some cashed-up investors, who are less reliant on borrowing funds and haven't been impacted by rising interest rates, are well positioned to take advantage of opportunities in today's market.

# National Property Clock: *Houses*

Entries coloured orange indicate positional change from last month.




**Peak of Market:**
Albany
Alice Springs
Bundaberg
Canberra
Darwin
Dubbo
Fraser Coast
Mildura
Mount Gambier
South West WA
Tamworth
Toowoomba

**Starting to Decline:**
Bathurst
Burnie/Devonport
Launceston
Shepparton

**Declining Market:**
Broome
Hobart
Port Macquarie
Wodonga

**Approaching Bottom of Market:**
Albury

**Bottom of Market:**
Ballina/Byron Bay
Coffs Harbour
Geelong
Ipswich
Lismore
Southern Highlands

**Start of Recovery:**
Brisbane
Central Coast
Gold Coast
Illawarra
Melbourne
Newcastle
Sunshine Coast

**Rising Market:**
Adelaide
Adelaide Hills
Barossa Valley
Emerald
Esperance
Gladstone
Kalgoorlie
Karratha
Mackay
Perth
Port Hedland
Rockhampton
Sydney
Townsville

**Approaching Peak of Market:**
Cairns
Geraldton
Whitsunday

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HERRON TODD WHITE

RESIDENTIAL

# National Property Clock: *Units*

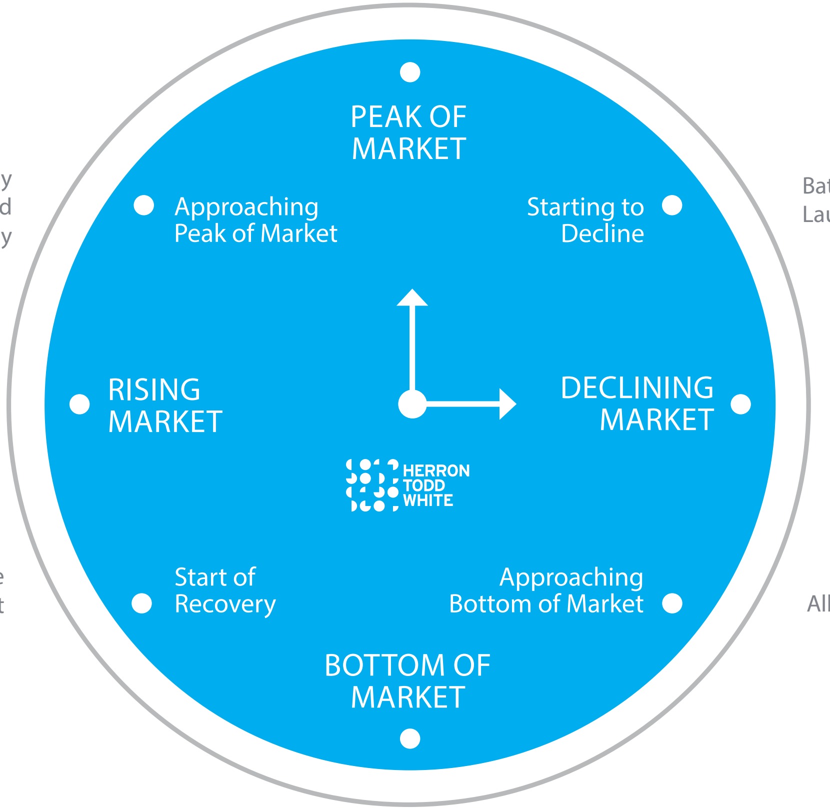
Entries coloured blue indicate positional change from last month.

Albany
Alice Springs
Broome
Bundaberg
Burnie/Devonport
Fraser Coast
Mildura
Mount Gambier
Shepparton
South West WA
Tamworth
Toowoomba

Mackay
Port Hedland
Whitsunday

Bathurst
Launceston

Adelaide
Adelaide Hills
Barossa Valley
Brisbane
Cairns
Darwin
Dubbo
Emerald
Esperance
Geraldton
Gladstone
Ipswich
Kalgoorlie
Karratha
Newcastle
Perth
Rockhampton
Sydney
Townsville




Canberra
Hobart
Port Macquarie
Wodonga

Central Coast
Gold Coast
Illawarra
Melbourne
Sunshine Coast

Albury

Ballina/Byron Bay
Coffs Harbour
Geelong
Lismore
Southern Highlands

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# New South Wales - Residential 2024

## Sydney

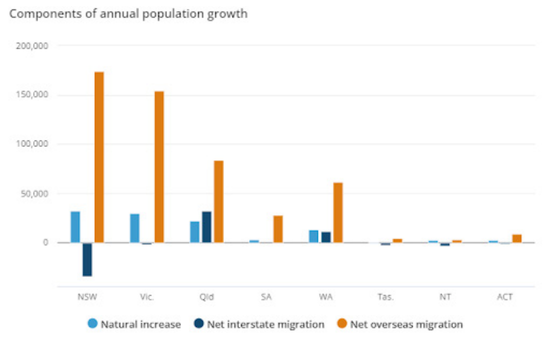
With vacancy rates hovering between 1.2 per cent and 1.5 per cent across Sydney throughout 2023, both unit and houses have seen strong asking rent increases in the past 12 months.

| | Dec 2023 | Nov 2023 | Oct 2023 | Sep 2023 |
|---|---|---|---|---|
| **SYDNEY** | | | | |
| Inner | 1.8% | 1.2% | 1.6% | 1.7% |
| Middle | 1.5% | 1.0% | 1.4% | 1.2% |
| Outer | 1.2% | 1.4% | 1.6% | 1.3% |
| **Sydney Total** | **1.5%** | **1.2%** | **1.5%** | **1.4%** |

Residential Vacancy Rates — Source: REINSW

Houses have seen a 13.4 per cent increase in the past year, and an average 16.1 per cent increase over the past three years, while units have seen a similarly strong 13.3 per cent increase in the past 12 months, and an average 15 per cent increase over the past three years.

Much of this rental growth can be attributed to a lack of supply combined with high net overseas migration, with recent analysis by Westpac showing approximately 70 per cent of new migrants rent.




Annual population growth — Source: ABS

Given that a significant number of new migrants settle in New South Wales, and particularly in Sydney, it is easy to see why demand is continuing to outstrip supply. While the Federal Government has announced a tightening of immigration, supply of new housing remains constrained, and the short- to medium-term is likely to see continued pressure on vacancy rates and asking rents.

**SQM Research Weekly Rents Index**

| Week ending 12 Feb 2024 | | ($) | Change on prev week($) | Rolling month % change | Rolling quarter % change | 12 month % change | 3 year %(pa) change | 7 year %(pa) change | 10 year %(pa) change |
|---|---|---|---|---|---|---|---|---|---|
| Sydney | All Houses | 1,037.08 | -7.08 ▼ | 1.3% ▲ | 2.4% ▲ | 13.4% ▲ | 16.1% ▲ | 4.9% ▲ | 4.6% ▲ |
| | 3 br Houses | 969.49 | 2.51 ▲ | 1.1% ▲ | 0.7% ▲ | 13.6% ▲ | 12.5% ▲ | 4.2% ▲ | 3.7% ▲ |
| | All Units | 694.61 | 1.39 ▲ | 0.7% ▲ | 2.2% ▲ | 13.3% ▲ | 15.0% ▲ | 4.5% ▲ | 4.0% ▲ |
| | 2 br Units | 716.37 | 0.63 ▲ | 1.1% ▲ | 2.1% ▲ | 14.0% ▲ | 15.0% ▲ | 4.5% ▲ | 3.9% ▲ |
| | Combined | 833.72 | -2.05 ▼ | 1.0% ▲ | 2.3% ▲ | 13.4% ▲ | 15.3% ▲ | 4.6% ▲ | 4.2% ▲ |

XGxgxgx — Source: SQM Research

### Western Sydney

Western Sydney has always been a smart choice for investors and owner-occupiers alike, and while interest rates have increased, we consider the region's appeal should continue throughout 2024. 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.

A staple investment for Western Sydney is the humble house and granny flat. These properties are typically found in greater numbers in this part of the city, as the larger blocks can more easily accommodate a granny flat being built in the rear. These are popular for mum and dad investors as they allow for flexibility. You can rent both properties out or live in one and rent out the other.

A recent sale at 23 Allen Road in Blacktown for $1.2 million highlights the popularity of the granny flat market. The property was a circa 1960s vinyl-clad three-bedroom, one-bathroom dwelling with an updated interior. To the rear was a more modern vinyl-clad two-bedroom, one-bathroom granny flat. Both had a single carport and they were improved upon a 645 square metre block. The property was sold fully leased returning a combined $860 per week week which equates to a gross yield of 3.72%. Selling agents



HERRON TODD WHITE

## A staple investment for Western Sydney is the humble house and granny flat.

McGrath indicate this yield could improve to 4.33% with a future uplift of the rental price.

This would be more in line with other granny flat sales occurring in the area where mid to high 4% gross yields can be achieved. This is much better than what single residential properties can achieve.

23 and 23a Allen Road, Blacktown Source: realestate.com.au

Renovating for profit is another investment option but one needs to run the numbers before beginning in order not to overcapitalise.

A recent record sale in Doonside for $1.58 million by Ray White Quakers Hill highlights the popularity of quality renovated dwellings with not a cent to spend on them. The home at 3 Denis Winston Drive is a circa 1980s five-bedroom, three-bathroom dwelling on 602 square metres, which was completely renovated and extended. Its sale in January set an all-time record for Doonside.

3 Denis Winston Drive, Doonside Source: realestate.com.au

For an example, also look at 42 Gerald Crescent in Doonside. This is a circa 1980s three-bedroom, one-bathroom dwelling on 550 square metres that sold for $872,500 in January. This was a dated dwelling overall and suitable for a full renovation.

42 Gerald Crescent, Doonside Source: realestate.com.au

The question is, can you renovate this older dwelling into a similar one to the modern example for under $600,000? If you can, it will be a profitable exercise. If not, then you will have overcapitalised in the short-term and you'll have to hang on to the property for a bit longer.

Residential units as an investment vehicle are popular for first-time investors given the typical lower entry point and the closer proximity to major infrastructure. Investors need to be cautious given the potential for large supply of a similar product, which can place downward pressure on growth in the short- to medium-term. We also advise buyers to make sure to check the body corporate records, as that will highlight if any building issues have been identified or special levies enacted.

A recent sale at 5/15-17 Thurston Street in Penrith of a two-bedroom, one-bathroom unit with a lock-up garage and updated interior transacted for $369,000 in February, sold by local agents Richardson and Wrench. This unit is a great first-time investment given the low entry price and being in a smaller complex with low strata fees. This unit could rent for approximately $420 per week, which would equate to a gross yield of 5.91%. While this is a solid yield when compared to the house and granny flat sale in Blacktown, capital growth is typically limited for units compared to their house counterparts.

### North Shore

Throughout 2023, we saw significant rental growth on Sydney's Upper North Shore, in line with most areas across Sydney. Consequently, investor appetite has started to return with yields becoming far more attractive in comparison to previous years.

Investment in the unit market on the North Shore is primarily driven by strong yields, especially in higher density developments where products are targeted at investors, having less emphasis on unit size and quality. Reported immigration numbers rose significantly in 2023, and we saw the direct correlation with increasing rents in such developments. Although we expect these rents to somewhat stabilise in 2024, continued strong population growth will apply more pressure to the already historically low vacancy rates. The combination of high yields and low vacancy rates may not be great news for owner-occupiers looking to enter the unit market, but for investors, the future looks to be very bright. Add the fact that there is a high chance that we see lower interest rates by year's end, and it could be an active time for investors.

Although yields are attractive in the higher density unit market, there is also potential for capital growth, especially in smaller, boutique style developments. These properties tend to attract more owner-occupiers and downsizers, preferring larger units of a higher standard. Demand for units within these smaller developments is very strong and supply is limited, resulting in very strong prices when they do transact. An example of such a property is 303/20 Turramurra Avenue in Turramurra, selling in August 2023 for $2.75 million. This unit is positioned within the well-regarded development known as Lainsborough and comprises three bedrooms and two bathrooms with an approximate living area of 156 square metres. The property features quality finishes including a marble-framed fireplace, high ceilings and an oversized master bedroom with walk-in wardrobe and ensuite.

303/20 Turramurra Avenue, Turramurra Source: realestate.com.au

In terms of detached housing, median house prices on the Upper North Shore result in significantly lower yields in comparison to less affluent suburbs with a lower median price. Large-scale investors are currently taking advantage of the demand boom for newly constructed dwellings in these areas. Investors and developers alike are purchasing older style dwellings with a good land component and then constructing a high-quality home on the site, with high levels of capital growth being witnessed.

The resurgence of office-based work has led to an increased demand for units in the Lower North Shore, accompanied by a notable rise in rental values.

The June 2023 sale of 64 The Chase Road in Turramurra is a prime example. This property was purchased in August 2021 for $3 million, comprising a dated, single-level dwelling, positioned on a near level allotment of just over 900 square metres. The original residence was demolished and the construction of a new, high-quality home was completed in 2023, selling in June 2023 for $6,051,800. Obviously for this level of investment, a high level of initial capital is required, but it does show a sector of the market where high levels of growth can be realised through development of undercapitalised land.

The resurgence of office-based work has led to an increased demand for units in the Lower North Shore, accompanied by a notable rise in rental values. Suburbs such as Crows Nest and North Sydney are witnessing a surge in both investors and tenants seeking apartments in close proximity to the CBD.

A prime example of this trend is evident in the recent sale of Unit 1911/211 Pacific Highway in North Sydney. This property, situated within a high-rise development, boasts two bedrooms, two bathrooms, a single basement car space, and a storage cage. Positioned on the 19th floor, the unit offers captivating district and harbour views to the west. The transaction, completed in November 2023, saw the property change hands for $1.02 million. Subsequently, in January 2024, the unit was leased for $1,000 per week, showcasing a robust rental yield of 5%.

64 The Chase Road, Turramurra before Source: CoreLogic

Similar but slightly larger units within the same complex are presently on the market, ranging between $1.1 million and $1.2 million, and are expected to yield comparable returns in rental income.

As investors re-enter the market, there is a noticeable trend in properties located in well sought-after areas that hold potential for renovation, leading to an increase in their market value. The recent sale of 110 Holtermann Street in Crows Nest in February 2024 for $1.93 million exemplifies an entry-level residence in the suburb, with the opportunity for renovation or secondary level addition to yield an immediate boost in capital growth and a higher rental return.

64 The Chase Road, Turramurra after Source: CoreLogic

110 Holtermann Street, Crows Nest Source: realestate.com.au

This property is a freestanding single-fronted dwelling featuring three bedrooms and one bathroom. The current median house price for three-bedroom dwellings in the suburb stands at $2.87 million, indicating potential for capital appreciation through strategic renovations. Moreover, similar upgraded properties in the area are commanding rent prices starting from $1400 per week, showcasing the potential for an enhanced rental return on investment.

Northern Beaches

The real estate market in the Northern Beaches has long been characterised by a strong presence of owner-occupiers, drawn to the area's coastal lifestyle and family-friendly atmosphere. However, recent trends indicate a resurgence of investor activity. With the allure of strong rental yields and potential capital growth, investors are once again eyeing properties in this coveted region.

Rental yields have increased similarly to that of Sydney more broadly, fueled by macro-economic factors including population growth driven by net migration. Vacancy rates for January 2024 are currently at their lowest point (one per cent) since 2016 and average gross yields are sitting at around 3.8% for units and 3% for houses. This may be an opportunity for investors to enter the market before the next growth cycle – however we are not forecasting any significant capital growth for 2024.

At 9/62-64 Kenneth Road in Manly Vale is a circa 2001 two-bedroom, two-bathroom unit with one car space, representing a typical investment opportunity in the circa $1 million price point. The property sold for $1.08 million in January 2024 and is currently listed for rent at $870 per week, equating to a 4.16% gross yield. Of interest, the property previously leased at $700 per week in March 2021 (reflecting a 24 per cent increase), indicative of the strong uplift in rental values during this time frame. We understand the sale result is close to previous results that occurred in 2021, further suggesting we are nearing previous market highs set during the post-pandemic period.

For houses, yields are naturally lower and traditionally offset by greater longer-term capital growth prospects. Areas including Mona Vale, Frenchs Forest and Belrose are popular suburbs due to their lower entry costs and historically strong capital growth performance. A recent example is 10 Lockwood Avenue in Frenchs Forest. The property sold for $2.25 million in February and is currently leased for $1100 per week, equating to a gross yield of 2.54%

9/62-64 Kenneth Road Manly Vale Source: CoreLogic

10 Lockwood Avenue Frenchs Forest Source: realestate.com.au

Inner West

In regard to the inner west of Sydney, strata apartments and townhouses are generally the main residential properties that attract investors. These markets have been impacted by the wider economic and property market trends over the course of the past six months, with a slowdown in investor activity occurring in comparison to the six to 12 months prior.

The main contributing factors to this slowdown in activity are considered to be the interest rate environment, as well as the current level of supply of strata property, and also the marginal slowdown in rental price increases during this period.

Data obtained from SQM Research indicates that total listings for strata properties during the period June 2023 to January 2024 were down by a total of 10 per cent in comparison to the same period last year. We highlight the months of June and July 2023, which both saw a decrease in listings of 17 per cent and 20 per cent respectively compared to 2022.

The decrease in listings tends to point to a decrease in investor demand for these properties, but given the reduced number of properties on the market, values in general terms have experienced modest to moderate growth. This is expected to continue for the next 12 months, with areas such as Erskineville, Camperdown, Marrickville and Lewisham considered to be at a higher risk of value diminution given these areas tend to have a higher number of apartments for sale at any given time.

Our conversations with developers and project marketers have signaled a drop in demand from investors for new apartments. This appears to be a direct result of reports revealing defects in a high density apartment building in Macquarie Park.

Additionally, research conducted by Building Commission NSW and Strata Community Association NSW on serious building defects in New South Wales discovered that 53 per cent of buildings in 2023 surveyed had serious defects. These factors, as well as somewhat recent issues in relation to compliant cladding, have weakened investor demand.

Despite this, investors are continuing to invest in the new and off-the-plan apartment market, with the builder/developer's reputation and track record becoming more pivotal in their decision-making.

An example of an off-the-plan success story is the sale of 505/2 Regent Street in Petersham – a one-bedroom, one-bathroom apartment with one car space, situated in close proximity to Petersham Railway Station. The property was sold in an off-the-plan transaction for $730,000 in February 2020 and resold for $810,000 in January 2024. The sale reflects capital growth of 11 per cent.

Additionally, the rental market in Petersham has significantly increased since 2020, with average rents for similar one-bedroom apartments rising from $500 to $550 per week to $750 to $800 per week. If the market rent for the property was $550 per week at the time of sale in 2020, that would reflect a gross yield of 3.92%, whilst the gross yield reflected in the sale in 2024 at $800 per week reflects 5.14%.

| Number of Listings | 2022 | 2023 | 2024 | Percentage Change |
|---|---|---|---|---|
| June | 1975 | 1639 | | 17% |
| July | 2033 | 1629 | | 20% |
| August | 1893 | 1680 | | 11% |
| September | 1969 | 1797 | | 9% |
| October | 1868 | 1754 | | 6% |
| November | 1800 | 1744 | | 3% |
| December | 1511 | 1418 | | 6% |
| January | | 1417 | 1313 | 7% |
| Total | 14466 | 12974 | | 10% |

Decreases in listings in the Inner West Source: SQM Research

505/2 Regent Street, Petersham Source: realestate.com.au

This upward trend in yields appears likely to continue for the next 12 months, as rental prices continue to modestly grow or in some instances stabilise. Given the likelihood of stabilised interest rates, and possible reductions to the official cash rate in 2024, investors may continue to benefit from higher yields, as well as capital growth as evidenced in the above sale. This is said with a great deal of caution, as historically it has been very difficult to achieve both short-term capital gains and higher rental yields in the inner west apartment market.

Inner Sydney

Typically, investor stock within inner Sydney comprises units, and broadly speaking one-bedroom, two-bedroom and studio apartments, and is a popular choice for mum and dad investors. In recent years, investor activity has remained constrained due to the increased costs stemming from consecutive interest rate rises, with those investors going over the interest rate cliff. A mortgage of circa $600,000 saw increased repayments of about $300 per week or $1200 per month. Let that sink in. This has understandably reduced the net returns of property investment, despite a hot rental market that is further fueled by declining investor activity, leading to reduced rental supply.

Sydney's inner city is a popular marketplace for investors to enter due to its relative accessibility, solid rental yields, strong tenant demand and historic capital growth. With interest rates appearing to peak in 2024, existing investors are feeling the strain and those savvy enough to time the bottom of the market are beginning to look at buying.

For example, 20/14 Royston Street in Darlinghurst, a 41 square metre one-bedroom unit, sold in January 2024 for $620,000, with rental prospects of $600 to $650 per week, representing a 5.4% gross yield, which is considered very strong for Sydney. With similar units in the building selling over the past 12 months for as much as $710,000, results like this point to the next six to nine months having the potential to represent good buying, with confidence likely to return once interest rates begin to fall.

Houses also form a small portion of the investment market within inner Sydney, although typically, these dwellings are in below-average condition and are often leased to students, either formally or informally by room. These properties often have a lower price point due to their condition, although produce higher rental yields. But they come with a riskier tenant profile, high turnover and increased upkeep.

Investor grade houses have also seen a slight reduction in interest and pricing as a result of interest rates, however this has not been as pronounced as in the unit space, as land values are typically more resilient and will likely recover more quickly and sharply than strata values when interest rates begin to fall.

17 Brumby Street, Surry Hills Source: realestate.com.au

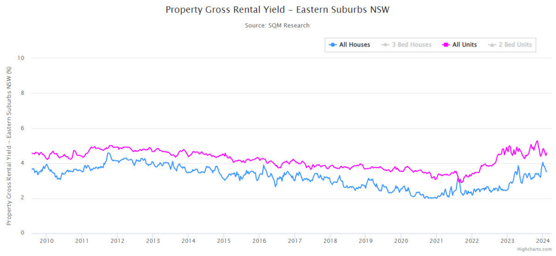
17 Brumby Street, Surry Hills, a basic two-bedroom, one-bathroom terrace on 63 square metres of land sold for $1.45 million in January. It could produce a rental return of about $900 per week, representing 3.23% - a much tighter rental yield than an apartment. It is safe to say that investors are seeking capital growth returns with these kinds of assets. House and land values are typically more resilient than strata, and with houses currently selling for marginally less than similar properties over the past 18 months - all things remaining constant - 2024 will likely represent the bottom of their market cycle.

Eastern Suburbs

Investment property in the eastern suburbs remains a major investment vehicle for those looking for a hands on approach to diversify their asset portfolio. Rental consolidation is currently being experienced for both houses and units within the greater eastern suburbs area due to higher levels of immigration and low vacancy rates.

In contrast, investment activity has been constrained in recent years due to higher interest rates, reducing profit margins and borrowing capacity.

Investors active in the detached housing market in the eastern suburbs are mainly involved in new builds and renovations/extensions (flippers) or are future downsizers. Houses in the eastern suburbs delivered yields ranging between 3% and 4% in 2023, according to SQM Research, with the buyer demographic tending to be in the over 50s age range.




Source: SQM Research

As building costs become more stable and labour shortages are filled, we are likely to see more investors enter the development space in 2024, as profit margins should improve along with projected interest rate reductions. More particularly, those suburbs at the southern end of the eastern suburbs, such as Matraville, Chifley, and Little Bay, are likely to see an increase in development with generous allotment sizes and subdivision appeal.

The investor property market has been strengthening over the past 12 months, with figures from the Australian Bureau of Statistics showing the value of investor loans has risen by 20.4 per cent over this period.

Confidence in the market has been fueled by nearing the end of rate hikes and talks of interest rate cuts in the second half of 2024. Units around the Sydney CBD fringe (Surry Hills, Darlinghurst, Potts Point and Rushcutters Bay) and eastern suburbs beachside suburbs (Maroubra, Coogee, Bronte and Bondi Beach) have experienced price growth for certain market segments such as high-end developments and low rise/small unit blocks.

However, there is a lot of stock that isn't moving in some inner south suburbs as investors are being cautious due to stigma in the building industry and known defects in recently built complexes. These complexes are mainly located in higher density areas with similar competing product and also have a large pipeline for future construction, thus limited capital growth.

For higher valuer investment opportunities, the eastern suburbs still has a number of flats buildings that come to market each year. These generally provide stronger returns than houses and in many cases are undercapitalised, offering investors the opportunity to improve yields through renovations or rebuilds.

A sale in December 2023 is 46 Boronia Street in Kensington, a low-rise complex of four one-bedroom units and three two-bedroom units, on 709 square metres of medium density zoned land, with garaging and car spaces for five cars. Positioned in close proximity to the University of New South Wales and light rail connections to the CBD, the complex was in a well-maintained condition but offered opportunity for further updates. The property sold with a gross rent of $177,480 per year (approximately 3.74% gross yield), with the selling agent indicating an opportunity to increase that to $250,000 per year with renovations.

In the prestige space, 12 Elliott Street in North Bondi sold for $6.05 million in October last year. The renovated two-storey home with five bedrooms, four bathrooms and a one-car carport, on 304 square metres of land, has recently been listed for rent with an asking rent of $4000 per week. If achieved, it would represent a gross yield of 3.4%, which is considered to be at the upper end for dwellings in the east. This is as a result of a good level of renovated accommodation on a relatively small allotment.


46 Boronia Street, Kensington Source: CoreLogic

Overall, we are expecting 2024 to offer an increased supply of new property listings, with a build-up of stock after relatively softer autumn and spring selling seasons in the past two years, and also with more certainty around the peak of the interest rate cycle having been reached. With low vacancy rates and strong asking rents likely to remain, investors are likely to continue to get into the market as interest rates start to fall and their borrowing power increases.

Matt Greenland
Associate Director

## Southern Highlands

Over the past six months, the residential property market in Bowral, Mittagong, and Moss Vale has exhibited a notable lack of activity within the property investment sector. Several factors have contributed to these shifts, influencing market dynamics and shaping investment strategies. Alongside national factors such as interest rates and economic conditions, local influences have played a significant role in driving investor sentiment and behavior in these regions.

Traditionally, the local mum-and-dad investment sector has thrived on the availability of new housing stock, characterised by broad appeal, lower costs, manageable maintenance, favorable depreciation schedules, and the potential for multi-occupancy dwellings. However, due to a limited supply of newly registered vacant land in the area coupled with rising construction expenses, this segment of the investor market has experienced a noticeable downturn.

Moreover, the remaining portion of the investment market has also experienced a subdued period over the past six-to-12 months. Nonetheless, attention can be redirected towards properties with stronger fundamentals than the typical cookie-cutter homes. Despite the prevailing soft market conditions, opportunities abound in well-positioned streets close to major hubs. Investors can explore options with substantial land holdings, as well as character-style dwellings that offer a unique sense of scarcity compared to other properties in the area.

Kurt Bismire
Associate Director

## Lismore / Casino / Kyogle

Give it a whirl, Give it a try,
Why don't you branch out, stop living high,
Your fund's your own, you're making bread,
No time for wasting, just look ahead.

The market don't mind what you do or say,
You can't surprise it anymore,
It's got a reputation for not looking back,
The market don't mind at all.

It's getting old, it's getting late,
It's soon tomorrow, so celebrate,
Fix it out, and go to town,
Before you're thinking, sell it now?

With low vacancy rates and strong asking rents likely to remain in place, investors are likely to continue to get into the market as interest rates start to fall and their borrowing power increases.

HERRON TODD WHITE

Your lender don't mind what you do or say,
You can't surprise them anymore,
You don't believe in overdue repayments like a good borrower should,
Then your lender don't mind at all.

Any investment option always involves a bit of a punt. To be sure, research is essential and wise counsel is sought. However, there comes a time when the investor has to take action… so, as they say, "Give it a whirl. Give it a try."

The quandary for most property investors is deciding whether to "get in" or "get out" of the market with the mindset of maximizing return based on prevailing trends at the time. And this can be in the form of generating a rate of return at a level that satisfies the needs of the investor or concentrating on capital gain by holding the asset and hoping that, over time, it improves in value.

Key questions for the property investor to consider:

1. Which areas have increased in market value historically over time and why?
2. What are the best streets within the city, town and suburbs?
3. What are the schools like and which ones are recommended?
4. What factors are the most important to a specific property in terms of re-sale?
5. What areas are best to concentrate on in terms of development to improve market value and saleability?

The Lismore/Casino/Kyogle regions have proven to be rather resilient in the face of rising interest rates and softening activity compared to their more sizeable metropolitan cousins. One thing is sure… if you can "tick all the boxes" for the lender and satisfy the myriad of conditions that they currently adhere to, then, what a time to invest in property!!

Property investors in Lismore, Casino and Kyogle are primarily interested in rental return, as capital gain is not traditionally strong due to this area having a relatively steady market that is not subject to the volatility experienced by more coastal localities.

That said, there are some opportunities for property investors which require a bit of thought and persistence.

We have noted that thanks to some forward thinking from the local Councils recently, Lismore, Kyogle and Richmond Valley have updated their respective LEPs (Local Environmental Plan) and DCPs (Development Control Plan) since 2012, and they're encouraging medium density development in localities which benefit from proximity to the CBD, hospital, schools and other key municipal infrastructure.

For example, in many jurisdictions there's now the ability to subdivide a 950 square metre corner site into two vacant freehold lots with Council approving a dual occupancy on each allotment. The result is that an owner can yield four units from that original single site. Sure, there are private open spaces and building setbacks to consider. However, through a bit of creative building design and negotiation, such developments can become a reality.

Another avenue that property investors look for in this area is the existing block of original flats where the rental return may be improved by a slight adjustment of the existing (and possibly low) rent levels to a market rate.

For example, a property advertised for sale in Geneva (three kilometres west of Kyogle) comprises a detached building with two one-bedroom, one-bathroom, self-contained ground floor flats and a first floor three-bedroom, one-bathroom residence plus a duplex pair of two-bedroom, one-bathroom units at the rear of the property. At an asking price of $920,000 the property is original and offers plenty of opportunity for a targeted renovation strategy and improvement in overall rent levels. This is aided by the steady demand for local rental accommodation in the area.

A recent sale of a block of units comprising six original units in Fig Tree Drive, Goonellabah for $1.2 million provides a gross rental return of approximately $1970 per week or 8.54% gross yield per annum. This is a relatively healthy return considering only 12 to 24 months ago, such properties would be recording a gross yield of around 6.50% to 7.00% per annum.

Even better, if the block of flats is designed in such a way to allow strata subdivision, then the creation of separate titles could pave the way for some capital gain and the ability to improve security for lending finance on individual titles.

Detached dual occupancies on a single lot with separate driveway access to each unit have been relatively popular in new residential estates as they not only provide an additional revenue stream as opposed to just plonking a large house on the site but also the potential to strata and create two separately saleable properties. There is also the double bonus of securing depreciation allowances for a new build. That is likely to whet the appetite for the savvy property investor.

The Lismore/Casino/Kyogle regions have proven to be rather resilient in the face of rising interest rates and softening activity compared to their more sizeable metropolitan cousins.

It is difficult to see the advantage of purchasing a house as a rental investment without some thought given to improving the overall value of the property with simple renovations or improvements. As an existing house, the gross rental yield rates can be as low as three per cent per annum. However, if such a house is wedged into the front corner of the lot and is relatively flat or has a gentle slope, there could be the possibility to either construct a secondary dwelling or a detached, Council approved granny flat/studio to boost rental return. This avoids having to purchase bare land to build, and provides the advantage of securing some rental from the existing house while "Doug the Builder" (Bob's uncle) creates a masterpiece in the backyard.

There is no real determining price point or specific suburb location as everything comes down to buying well regardless of the location and buying the property "as is" without any hint to the owner or agent for your plans for the property.

One interesting segue is the challenge that tenants face. Thanks to rising inflation, elevated living costs and price increases alike, there is the option to provide solar power generation for the investment property. Just think, if a tenant searching the web looking for new digs notices a property that has solar power which has been specifically installed by the landlord to help offset the electricity bill for the occupier, would that not be an incentive to apply? It could certainly attract tenants compared to other investment properties that don't have it.

Therefore, to summarise, for the property investor in the areas of Lismore, Casino and Kyogle there is a significant degree of research required not just a reliance on "Location! Location! Location!" and, as I like to say, "In real estate, you can't predict the future, but you can always make up a good story about it."

Of course, the investor could choose not to take a punt and miss a possible opportunity, to which it can be said, "Sad songs and waltzes aren't selling well this year".

Vaughan Bell
Property Valuer

## Clarence Valley

Across the Clarence Valley the investor market remains strong. Returns across locations such as Yamba, Maclean and Grafton are considered reasonable to impressive across the lower to mid-level investments, however high-end $1.5 million-plus properties see a lower, not uncommon, disproportionate return.

It should be noted that a number of properties being listed are surplus investments, whereby owners are sacrificing an investment property for benefit to their overall financial wellbeing and/or primary residence. The sparkly inviting returns seen during and shortly post the Covid period are not quite as enticing up close.

In terms of sector, all track similarly, however it should be noted that demand still outweighs supply for vacant land parcels in all corners of the Valley.

As a whole, the Clarence Valley continues to be a safe place to park investment funds, however be sure to optimize capital growth and ensure broad market appeal.

Caitlin Davies
Property Valuer

## Coffs Harbour

Investing in property should be viewed like most other investments as a long-term proposition. There will be periods of capital gain which we have seen through the COVID period followed by decline and stabilisation which we are now experiencing. The basics of property investing are return versus cost with a view to long term capital gain which is a fairly simple concept. Speaking from personal experience, having recently purchased an investment property within the Coffs Harbour locality, trying to balance the return versus cost was not an easy thing to do. The cost of property is in most cases going to be higher than the potential return, which means you are banking on long-term capital gain.

The easiest or most cost-effective investments are cheap units close to the beach which return you $1 per week in rent for every $1000 of purchase price. That is to say a unit purchased for $450,000 will return you circa $450 per week.

Park Beach which is four kilometres northeast of the city centre is one area where you can find plenty of investment opportunities between $400,000 and $500,000 for two-bedroom, one-bathroom units which are within 500 metres of the beach and major shopping facilities. These types of properties are readily sold or rented in all types of markets and are easily renovated with new floor coverings and paint which is cost effective and increases returns.

The next best investment option would be multiple occupancy properties where you can get multiple rental returns. These can be varied in location, condition and construction and prices will start around the $800,000 mark and go up from there.

A recent example is a sale in Boambee East for $825,000. This is a 1990 dual-accommodation property with two x two-bedroom, one-bathroom units each with a single garage set on an 817 square metre site. Rental income

Across the Clarence Valley the investor market remains strong.

was $920 per week or $47,840 gross per year which shows 5.8 per cent return. These types of properties also have potential for future strata subdivision subject to council approval and represent a good long-term investment. We have recently seen half a dozen of these types of properties sold between $800,000 and $1.1 million all of which return around the five to six per cent gross return. The trick with these properties is to make sure they are structurally sound (masonry construction preferably) and are council approved for multiple accommodation.

If you have more dollars in your pocket to spend, an interesting recent multi-unit sale is 65 Park Beach Road, Coffs Harbour for $2.15 million. This was a set of five townhouse units each with two-bedroom, one-bathroom and single garage accommodation set on 961 square metres. This represents $430,000 per unit with a weekly return of $2150 per week or 5.2 per cent gross with potential to strata title.

Another sale at 58 Victoria Street, Coffs Harbour is worth highlighting. This property achieved a sale price of $2.375 million for a block of six strata titled units which comprise two by one-bedroom, three by two-bedroom and one by three-bedroom penthouse units. This represents on average $395,833 per unit with a forecast return of $2420 per week or $125,840 gross per year which is 5.3 per cent yield. This is a prime central Coffs Harbour location and already strata titled so the units could be sold individually and return you immediate capital growth. However, they do represent a good long-term investment for those who have the money.

As can be seen investing in property is wide ranging and varied with opportunities existing in all locations and property markets. There is no particular type of residential property that outperforms another, rather it is about what you can afford and your long-term objectives for the investment.

Regional areas may be seen as a better investment due to the affordability factor and long-term growth as the capital city dwellers migrate to our areas to take benefit from the lifestyle factors we already enjoy. The best advice I can give is it's never too early to invest and if you cannot afford where you live, look elsewhere because there are plenty of regional opportunities.

Grant Oxenford
Director

## Tamworth

Whilst property values in regional New South Wales have now experienced a slowdown in growth rates from their 2022-to-2023 period, there are signs of stable to steady market conditions forecast for the year ahead. This, coupled with continued housing demand for the Greater Tamworth region suggests growing interest for investors to the area. We predict that housing affordability and growing rental demand will attract new investor buyers to regional markets (such as Tamworth).

CoreLogic listed the Tamworth/Gunnedah area as one of the best New South Wales regional towns to invest in 2024. With a median dwelling value of $439,390 (openagents) the region ticks the box for affordability when it comes to freestanding dwellings. Positive localized economic drivers within the region (health, education, mining and construction) and ambitious population growth targets (Tamworth Regional Blueprint 100) indicate the area is poised to become one of the state's strongest regional hubs in the near future.

Within Tamworth there's a good amount of developed residential land which fuels consistent new home construction. Markets such as new homes and recently built dual-occupancy developments (like the "live and invest" products with three-to-four-bedroom main dwellings and semi-detached one-to-two bedroom auxiliary dwelling) have been most popular within the last two years. Currently these types of properties have sold for between $660,000 and $780,000, with gross yields from 5.5% to 6.5%. Within Gunnedah, the same residential development has sold for between $660,000 and $720,000, with slightly higher gross yields (returns) from 6.5% to 7.5%. Markets in Gunnedah are influenced heavily by the mining industry, which currently employs a large portion of the Gunnedah workforce. With housing development being more restrictive in Gunnedah Township, this increased demand for rental property in the area has resulted in, upward pressure of rental values in Gunnedah.

Generally, strata units and townhouse sales have been dominated by owner-occupier/downsizer markets. Favorable locations within central Tamworth include North Tamworth and display a large portion of the unit dwelling market. Within the North Tamworth area CoreLogic indicates that the median value of units is $300,000 and the median asking rent is $355 per week. Units within the suburb have traditionally experienced low vacancy rates, with demand relatively high for ground floor/single level property within close proximity of shopping centres, base hospital and CBD.

Tamworth is generally not known for its emphatic capital growth rates or high rental returns, however within this location are property investment opportunities with more affordable entry level,

> The easiest or most cost-effective investments are cheap units close to the beach which return you $1 per week in rent for every $1000 of purchase price.

opportunity to value add/renovate to increase rental values and (more) reliable capital growth in a regional New South Wales centre.

Nick Humphries
Property Valuer

## Central Coast

The local property market across the Central Coast region has always been attractive to investors and within this pool of buyers we not only see locals, but we actively see investors from Sydney, interstate and abroad. From the typical 'Mum and Dad' investors to the highly discerning property portfolio moguls, the diversity is healthy for the local property market and its outlook.

For many markets across the region the bottom of the market cycle has for now passed and data emerging indicates the market is beginning to rise albeit at a pace significantly slower than the previous market cycle rise in the boom period between March 2020 and November 2021. After a period of unprecedented interest rate rises, confidence is slowly being instilled back into the market with many economists suggesting the nation may have reached the peak of interest rate rises. This has allowed investors to confidently complete the necessary due diligence and seek finance options to secure their next investment opportunity with greater assurance.

When it comes to investor options on the Central Coast, a variety of property classes can be considered. The detached housing market, particularly in locations within close proximity to the railway line, shopping centres and schools has been a regular choice for investors entering the market. Suburbs such as Woy Woy, Point Clare, Narara and Ourimbah appeal to investors as they are within reasonable commuting distance from the Sydney CBD by rail. These areas have largely been driven in the past not for their rental price strength, but for their potential capital growth

With the added second income of these properties, we are typically seeing gross yields in the range of 4.5% to 5.5% dependent on the location, floor plan configuration and overall condition of the improvements.

prospects. This market perception is expected to remain unchanged in the short term.

If rental income is a priority that outweighs capital growth, then the dual occupancy market is one to be considered. Dual occupancy property configurations have been adapting to market forces and sentiment. What we have seen across the region is an explosion of house and granny flat style properties popping up over the past decade, easing rental supply short falls and providing an element of affordable housing. Other dual occupancy configurations adopted by builders in the local area include side-by-side duplexes and semi-detached house and secondary accommodation dwellings. With the added second income of these properties, we are typically seeing gross yields in the range of 4.5% to 5.5% dependent on the location, floor plan configuration and overall condition of the improvements.

Dual occupancy properties can be found all across the region with investors attracted to suburbs such as Umina and Ettalong Beach in the south and Gorokan, Toukley and Hamlyn Terrace in the north.

Investors have always been drawn to the unit market in Gosford. They are usually attracted to the area through its infrastructure including a major railway station for the region, Gosford Hospital located on the outer fringes of the CBD, shopping conveniently located within the CBD, and primary and secondary schools within easy commuting distance. New unit developments have been realigning the city's skyline with key landmark developments, such as The Archibald now well underway. Developers have listened to the local community and in response are beginning to deliver projects that will continue to revitalise the Gosford city centre. As the area is revitalised, it is intended to attract more people to visit the CBD and in turn bring about an increase in local population through increased unit style living. Investors have always had a speculative outlook for the Gosford CBD area and its potential to become a major regional business district.

Other investment options that may not be on all investors' radars is land banking of future potential residential development sites in higher density residential zoned areas of the Central Coast region. Villa and townhouse development is a popular choice for developers and sites are generally acquired with older style free-standing dwellings, providing an element of rental return until a knock on the front door from a developer is heard. The areas that have been popular choices have been in suburbs such as Long Jetty, The Entrance, Booker Bay and East Gosford.

In summary, opportunities do exist in the current market to secure an investment property. Adopting the right investment strategy and performing appropriate due diligence is the beginning to meeting your performance outcomes.

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 these are also the target property types and price points for first homebuyers.

With interest rates somewhat stabilising over the past six to eight months, investors who were largely absent from the market in early 2023 have returned and this extra demand has caused price growth in the Illawarra through the back end of 2023 and early 2024.

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 construction of the new Shellharbour Hospital location in Dunmore having commenced, we suggest that housing areas within 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 reasonably active in recent months with approximately 10 multi-unit block sales in the last six months ranging from $860,000 for three one-bedroom units in Dapto to $3.155 million for six two-bedroom units with garaging in Smith Street, Wollongong.

Traditional blocks of 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.

Chris McKenna
Region Director

## Newcastle

Over the past six months, the number of project homes being purchased as an investment appears to be on an upward curve, especially in the high demand newer suburbs. This type of investment is both single dwellings and dual occupancy dwellings.

As the media reports a constant lack of rental stock locally, the influx of project homes being purchased as investments will go some way towards satisfying the current demand, however the main issue will always be the time lag before they are constructed and ready for rent.

The key thought process from purchasers will always be location and return. Purchasing within new sub-divisions will generally be considered a safe bet, as the dwelling will be new and attractive, and the competition will be from similar like-minded people. The downside will be competition from inferior built project homes with a lower rent and a rising financial economy as experienced over the past 18 months, which can easily wipe away any profit rent and question whether the investment was a good idea after all.

The alternative to the project home is inner-city units, either off-the-plan purchased some 18 months prior to an occupation date or ready built units. Both types of investment provide interesting points for discussion.

The off-the-plan purchases between 2019 and early 2022 were very attractive in hindsight due to the rapidly increasing property values with many buyers off plan making tens of thousands profit before the buildings were completed. With more recent purchases, off plan gains during construction were far more limited. The downside of purchasing off plan is when there's a high percentage in each new unit building being purchased for renting out. This creates competition within the building. If rental stock is upwards of 50 per cent, the result can be long vacancy periods before the first tenant moves in.

Existing units can be more attractive to the investor as the building can be seen prior to purchase both regarding quality and views, but also assessing the likely rental occupation within the building, when compared to alternative units available.

Having considered the local market both in terms of dwellings and units, a yield in the region of five to six per cent is normal for the middle price bracket between $600,000 and $1.2 million. In more expensive suburbs, the return is greatly reduced to circa three to four per cent which creates a high risk of negative return with current mortgage interest rates at around six per cent plus. These types of purchasers are generally motivated by the potential for capital growth in the medium to long-term.

As with all investments, property is considered to be a long-term prospect which is not liquid and therefore patience and good planning is required before selecting the type of property and location to invest in. As interest rates potentially start to fall, the prospects for property investment will improve regarding returns however nothing is certain and therefore both growth in value and profit rents will be

With interest rates somewhat stabilising over the past six to eight months, investors who were largely absent from the market in early 2023 have returned and this extra demand has caused price growth in the Illawarra through the back end of 2023 and early 2024.

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a gradual process.

To balance the above, rental values have increased in recent years due to the lack of supply and high levels of demand for good quality properties in most locations. This has assisted in balancing the financial books in the short term, however tenant affordability will always be a key point regarding whether the property is occupied or not when the rent is higher than its competitors. Quality of tenant is often superior in a slightly higher-priced rental.

Overall, with media reports indicating interest rates may be on the decline later in the year, property investment is a promising consideration if selected carefully with full knowledge of the area and tenant demand, in comparison to local supply.

Darren Sims
Property Valuer

The key thought process from purchasers will always be location and return.

# Victoria - Residential 2024

## Melbourne

The Victorian investor market has been heavily impacted over the past year with record migration and a new flat rate tax of up to $975 to those with second homes or investment properties, plus an additional levy on the value of their land from January 1, 2024.

The so-called "temporary" measure is in place for 10 years as part of the government's efforts to reduce its COVID debt. According to The Age, the State Government believes 860,000 Victorians are impacted.

This new COVID debt levy, along with record migration of 510,000 people to Australia, has delivered significant rental increases across Melbourne.

Meanwhile the median unit price in Melbourne has also been impacted by 13 interest rate rises, with only a slight increase of 1.76 per cent to $633,000 over the year as some investors have looked to offload their properties.

On the flip side, the record boost in migration has seen vacancy levels also drop to record levels of 1.1 per cent in January 2024 in Melbourne according to SQM Research, meaning investors have had little trouble finding renters as prices have increased.

ABS figures released in February indicated dwelling approvals for units in Victoria dropped 18.4 per cent from the previous month, while houses saw a small uptick of 1.2 per cent, suggesting there is little supply coming on to the market for investors, which could start to present an increase in prices.

**COVID debt levy on second homes and investment properties**

| Land value | Calculation | Additional cost per year |
|---|---|---|
| $500,000 | $975 plus 0.1 per cent of $200,000 ($200) | $1175 |
| $600,000 | $975 plus 0.1 per cent of $300,000 ($300) | $1275 |
| $700,000 | $975 plus 0.1 per cent of $400,000 ($400) | $1375 |
| $800,000 | $975 plus 0.1 per cent of $500,000 ($500) | $1475 |
| $900,000 | $975 plus 0.1 per cent of $600,000 ($600) | $1575 |
| $1 million | $975 plus 0.1 per cent of $700,000 ($700) | $1675 |

Source: The Age

### Melbourne CBD

Various factors are influencing the CBD market, with inflationary concerns arguably at the top of the list. The recent and anticipated interest rate hikes are exerting downward pressure on properties throughout Melbourne, along with the COVID debt levy.

Herron Todd White valuer James Lindop said the following elements contributed to the current market status in the CBD investor market:

- amendments to the Residential Tenancy Act and heightened safety requirements, leading to increased rates.
- escalation in Owners' Corporation rates.
- anticipation of no growth in the apartment sector for 2024.
- favourable price points for young buyers.
- weakness in the secondary market for apartment buildings among investors, attributed to superior products entering the market. Floor layout not favoured by locals.

Forecasting the short to medium-term performance of property markets poses challenges, but underlying market fundamentals indicate a rising probability of a downward correction, particularly in sectors like out-dated secondary apartments. While rental returns remain robust, growth is not anticipated. Factors such as immigration, new infrastructure, and CBD developments, however, hold the potential to positively influence property values in the long term.

Despite the numerous changes, investors remain active in Melbourne's CBD apartment market. They are particularly drawn to specific locations such as Collins Street and other central areas that offer high rental returns. However, they now face competition from young individuals who prefer buying in these locations

This new COVID debt levy, along with record migration of 510,000 people to Australia, has delivered significant rental increases across Melbourne.

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## Unit: Market Trends

| 972 | 11.4 | $620/w |
|---|---|---|
| Properties Sold (12 Months) | Average Tenure Period (Years) | Median Asking Rent (12 Months) |

### Unit: Change in Rental Rate

24.0%
Jan 2024

| | Melbourne | Melbourne |
|---|---|---|
| Feb 2023 | 41.9% | 28.2% |
| Mar 2023 | 46.7% | 31.6% |
| Apr 2023 | 44.7% | 32.5% |
| May 2023 | 41.0% | 37.5% |
| Jun 2023 | 43.8% | 34.1% |
| Jul 2023 | 40.5% | 33.3% |
| Aug 2023 | 41.2% | 33.7% |
| Sep 2023 | 37.9% | 30.3% |
| Oct 2023 | 33.3% | 30.0% |
| Nov 2023 | 33.3% | 31.9% |
| Dec 2023 | 25.0% | 26.3% |
| Jan 2024 | 24.0% | 21.2% |

### Unit: Recent Median Value

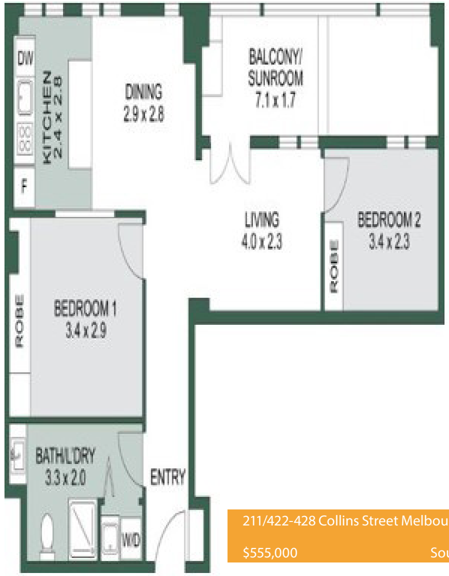
$456K
Jan 2024

| | Melbourne |
|---|---|
| Feb 2023 | $446,558 |
| Mar 2023 | $448,839 |
| Apr 2023 | $446,037 |
| May 2023 | $445,832 |
| Jun 2023 | $449,553 |
| Jul 2023 | $441,541 |
| Aug 2023 | $440,504 |
| Sep 2023 | $442,785 |
| Oct 2023 | $442,614 |
| Nov 2023 | $444,461 |
| Dec 2023 | $454,732 |
| Jan 2024 | $456,348 |

Statistics are calculated at the end of the displayed month

Based on a rental yield of 3%

Source: CoreLogic




211/422-428 Collins Street Melbourne sold for $555,000

Source: CoreLogic

rather than renting.

Investors are likely to shift their target renters, as locals express dissatisfaction with the floor plan layouts designed for international students and short-term city dwellers. Many of these apartments lack parking spaces, a feature disliked by many locals. Investors are recognising the need to invest in apartments that have broader appeal. With asking rentals at $620 per week and a rental yield of up to 3.0%, the demand for rental properties remains high.

Despite the affordability of some apartments, the tightening of monetary policy by the RBA has curtailed borrowing capacity for individuals. This could compel people to continue renting, contributing to the ongoing increase in rentals and returns for investors in the short term.

South East & Mornington Peninsula
The Mornington Peninsula property market is less of an investor's market relative to the rest of Melbourne. It is generally perceived as more of a holiday destination rather than a standard metropolitan area and therefore it behaves differently to the rest of the property market.

As an investment, properties in the Mornington Peninsula have a far smaller yield for rent, with median rental yield in this region currently at 2.83% for houses and 3.61% for units. The Melbourne median rental yield is 6.24% for houses and 5.39% for units, illustrating a clear separation in terms of investments.

The type of buyer of properties in this region is not necessarily looking at the purchase as an investment, more so as a recreational property. In this case it doesn't matter whether an investor is looking for capital growth, or for more of a cash flow investment, the property market in the Mornington Peninsula suggests they may be better off looking elsewhere for a greater return on investment.

Some south-eastern suburbs of Melbourne such as the Casey region, seem to be quite attractive for investors. In the past 12 months, median rent in Casey has increased for both units and houses, while prices for both houses and townhouses have slightly decreased.

| | | |
|---|---|---|
| Median listing price | $700,000 | $560,000 |
| Median price change - last quarter | 0.00% | -0.45% |
| Median price change - 1 year | -4.25% | -2.61% |

Source: realestateinvestar.com.au

| | House | Townhouses |
|---|---|---|
| Median weekly rent | $520 | $480 |
| Median yield % | 3.86% | 4.45% |
| Median rent change - 1 year | 10.63% | 14.28% |

Source: realestateinvestar.com.au

These results will be very attractive to investors as the yield has increased and it is quite strong for a developing area. With lots of new developments underway in suburbs such as Clyde, Officer and Botanic Ridge, demand will continue to increase for properties in this area which will be beneficial for prospective investors. Although the rental yield in this area is not as high as the median yield for Melbourne, expected increased demand and expected increases in economic performance in the macro environment give it the potential to be an area in Melbourne that will generate strong capital growth.

Eastern Suburbs
The return of international students and record migration, along with investors and landlords passing on the COVID debt levy have seen rents skyrocket across the eastern suburbs.

Realestate.com.au indicates rent for houses and units in Box Hill has shot up 27 per cent and 23.8 per cent respectively, while further out in the eastern suburb of Ringwood, house rent prices have increased 21.7 per cent, and 12.2 per cent for units.

Burwood house rent prices have ballooned 16.5 per cent largely driven by students attending Deakin University, while rent for Burwood units has also spiked 8.7 per cent. Hawthorn unit rent prices have also gone up 15 per cent due to its proximity to Swinburne University and the CBD.

However, there could be some reprieve in store for renters as the Australian government says it will halve the migration intake within two years in an attempt to fix the country's immigration system. It aims to slash the annual intake to 250,000 - roughly in line with pre-pandemic levels - by June 2025.

Capital growth has been disappointing for investors in Hawthorn and Box Hill where 44 per cent and 49 per cent respectively of the population are renters. Median prices for units are down 3.4 per cent in Hawthorn and 0.9 per cent in Box Hill, as it's likely some investors have felt the pinch of the new COVID debt levy too much to bear and sold their properties.

However, Burwood has defied this trend increasing 8.1 per cent to a median price of $870,000 with the growth of international students arriving back stimulating investor demand there with Deakin University.

There is demand for units in the affordable outer eastern suburbs with unit prices up 6.5 per cent in Lilydale, and the 'days on market' there and in Ringwood almost half that of suburbs in the inner eastern area of Hawthorn and Box Hill.

Herron Todd White is also seeing an increase in valuation inspections for duplexes and triplexes in Box Hill, and also outer eastern areas such as Knoxfield and Scoresby.

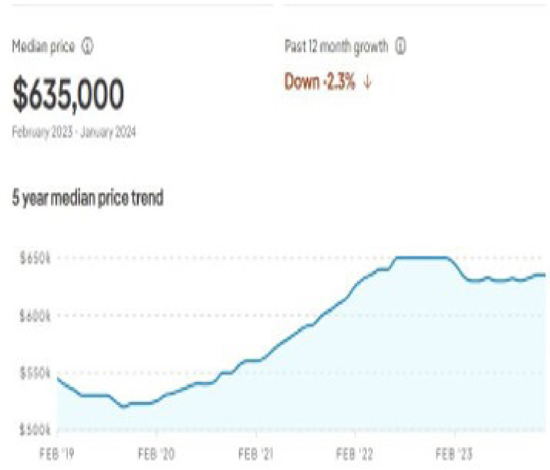
Northern Suburbs
The northern region of Melbourne, particularly suburbs such as Mickleham, Kalkallo, Donnybrook, Mernda and Craigieburn, is experiencing a notable increase in new

estate developments. These locales are attracting first-time homebuyers, young families, and investors aiming for future capital appreciation.

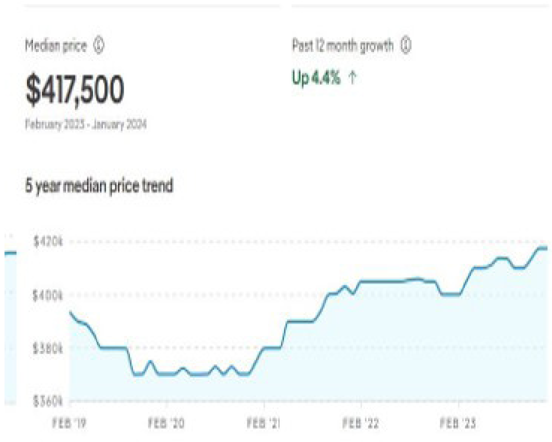
Investors are directing their attention towards capital gains and rental opportunities in these regions. The objective for many investors is to sell the properties after a few years, capitalising on the completion of area development and the implementation of government infrastructure plans. These factors make these locations highly appealing to investors seeking short-term gains.

The rise in rentals and property values in Craigieburn and Mernda has drawn considerable interest from investors. These investors are showing a preference for detached homes over units, primarily because of their appealing characteristics that attract many different demographics.

In Craigieburn, median property prices have varied, with houses at $635,000 and units at $417,500. For potential investment properties in Craigieburn, houses have a rental rate of $470 per week, yielding an annual return of 4.0%. Meanwhile, units command a rental of $400 per week, offering a rental yield of 5.1%. Craigieburn has experienced an annual compound growth rate of -2.3 per cent for houses and 4.4 per cent for units.

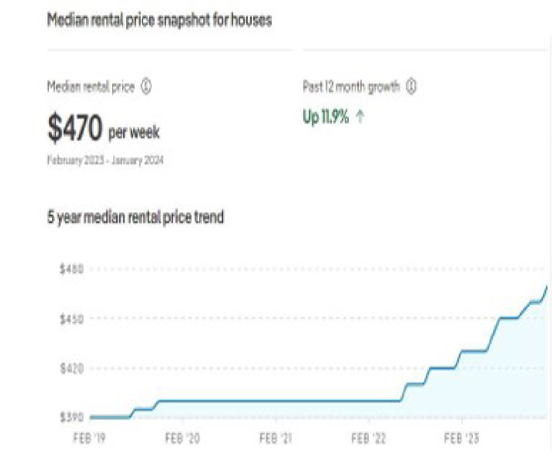



Median price snapshot for housesin Craigieburn Source: realestate.com.au




Median price snapshot for units Craigieburn Source: realestate.com.au

In Mernda, the median property prices have varied, with houses in Mernda priced at $660,000 and units at $482,500. For potential investment considerations, houses in Mernda are rented out at $480 per week, providing an annual rental yield of 3.9%, while units are rented for $400 per week, offering a rental yield of 4.5%. Mernda has experienced an annual compound growth rate of -2.2 per cent for houses and 4.9 per cent for units.




Median rental price for houses in Craigieburn Source: realestate.com.au

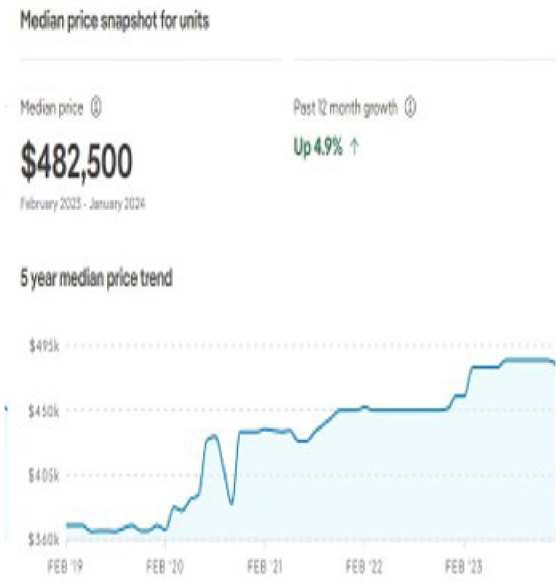

Median rental price for units Craigieburn Source: realestate.com.au

Western Suburbs

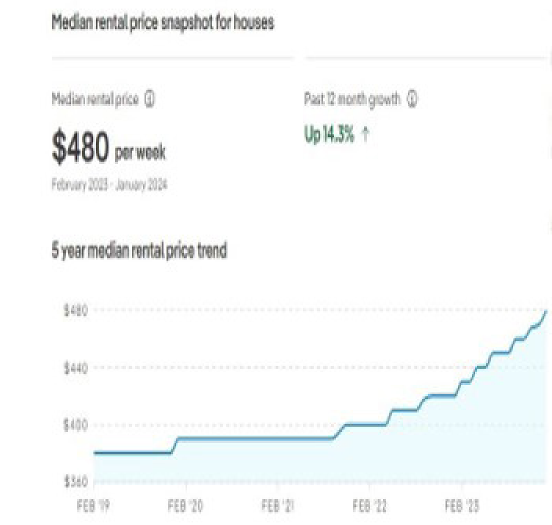
In the vibrant western suburbs of Melbourne, investors have a variety of options tailored to their preferences

HERRON TODD WHITE

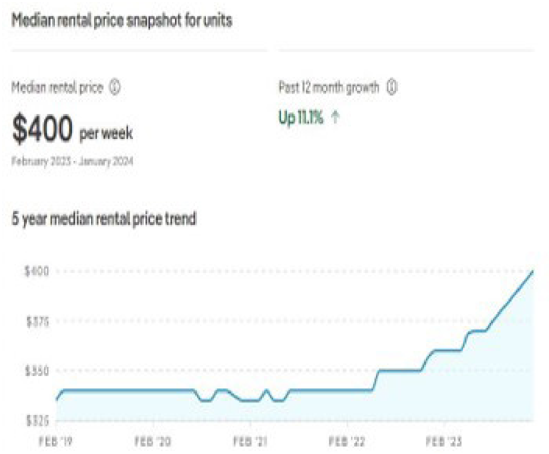

Median price snapshot for housesin Mernda Source: realestate.com.au




Median price snapshot for units Mernda Source: realestate.com.au




Median rental price for houses in Mernda Source: realestate.com.au




Median rental price for units Mernda Source: realestate.com.au

and objectives. For those prioritising long-term capital growth, inner-western suburb houses offer promising prospects, while units in the same area cater to investors seeking reliable and immediate returns. Meanwhile, the outer west presents compelling opportunities driven by affordability and ample supply.

The demographic landscape of investors in Melbourne's west is ever-evolving, mirroring the region's dynamic influx of migrants. In suburbs such as Tarneit, where 27 per cent of the population boasts Indian ancestry according to ABS (2021) data, the investor community is flourishing, fuelled by a steady rise in migration.

Among the outer western suburbs, Aintree is a standout, showcasing healthy capital growth rates of 3.5 per cent over the past year and an impressive 39 per cent surge over the last five years. While slightly pricier compared to its neighbours, its consistent upward trajectory makes it a magnet for savvy investors. In contrast, surrounding suburbs such as Rockbank, Thornhill Park, and Fraser Rise have witnessed more modest growth rates ranging from 0.8 per cent to 1.8 per cent over the same period (realestate.com.au 2024).

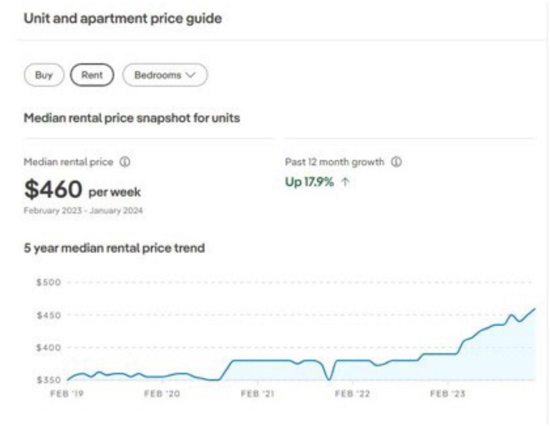

Aintree median price Source: realestate.com.au

In the inner western suburbs, units have emerged as

**In the vibrant western suburbs of Melbourne, investors have a variety of options tailored to their preferences and objectives.**

HERRON TODD WHITE

advantageous investments, boasting the steepest rent increases. Seddon, for instance, has experienced a remarkable uptick of nearly 18 per cent in rents over the past year (realestate.com.au 2024), enticing investors with its rental yields hovering around 5%.




Seddon median price Source: realestate.com.au

However, investor decisions are not without their challenges, as evidenced by the persistent disruptions in the construction sector and soaring building costs. Victoria has witnessed a noteworthy 1.1 per cent surge in construction costs during 2023 Quarter 4, marking the sharpest acceleration among all states (CoreLogic, 2024). Consequently, investors are gravitating towards turnkey homes, bypassing the uncertainties associated with construction projects in the current climate of risk.

Geelong
Australia's property market stands on the precipice of substantial transformation, with Geelong emerging as a pivotal player. Renowned for its steadfast performance during spring, the Geelong region is poised to sustain its momentum in the forthcoming year. Localities such as Armstrong Creek, Lara, Waurn Ponds, Fyansford, Mount Duneed, and Charlemont are notable for their robust median house prices, underscoring Geelong's potential.

**Renowned for its steadfast performance during spring, the Geelong region is poised to sustain its momentum in the forthcoming year.**

The investor spotlight has shifted towards areas such as Armstrong Creek, Mount Duneed, and Charlemont, which are increasingly appealing to home buyers due to their affordability. These areas offer an annual rental yield of 3.0% for houses and 3.9% for units. Moreover, the more established suburbs such as Highton, South Geelong, Geelong, and Newtown are recording median rents exceeding $520 per week for houses and $490 per week for units.

A significant local factor influencing the investor market in Geelong is the continuous influx of migrants and interstate movement. Detached, three- and four-bedroom dwellings seem to be the primary target for investors. Overall, Geelong has seen an annual compound growth rate of 9.5 per cent for houses and 6.0 per cent for units.

Perron King
Director

## Mildura

The local investor market in the Sunraysia region is primarily dominated by older two-bedroom brick units built in the period from 1970 to 1990, older 1950s and 1960s three-bedroom weatherboard and conite dwellings, and also more modern, low-maintenance three/four bedroom and two bathroom dwellings. Most of this market sits between the $200,000 and $500,000 price range with some investors also looking for multiple units within a single level complex.

In more recent times , with prices at mostly stable levels since the large market appreciation seen in 2021 and early 2022, investors have continued to be active in the market chasing the relatively high rental returns still possible in the local market. Many investors seem to be aware that the possibility of any significant capital gains in the short term have diminished and are now chasing high rental yields. With low vacancy rates continuing to push up the median asking rent over previous years, the Sunraysia region is generally considered an appealing location to invest in, however with little expected capital growth likely to occur in the short term, this may push investors to other locales that have experienced a larger market depreciation in recent times with hopes of a better chance at some shorter-term capital growth.

Data provided by CoreLogic shows the movement in average rentals per week and gross yields for both houses and units.

Jake Garraway
Valuer

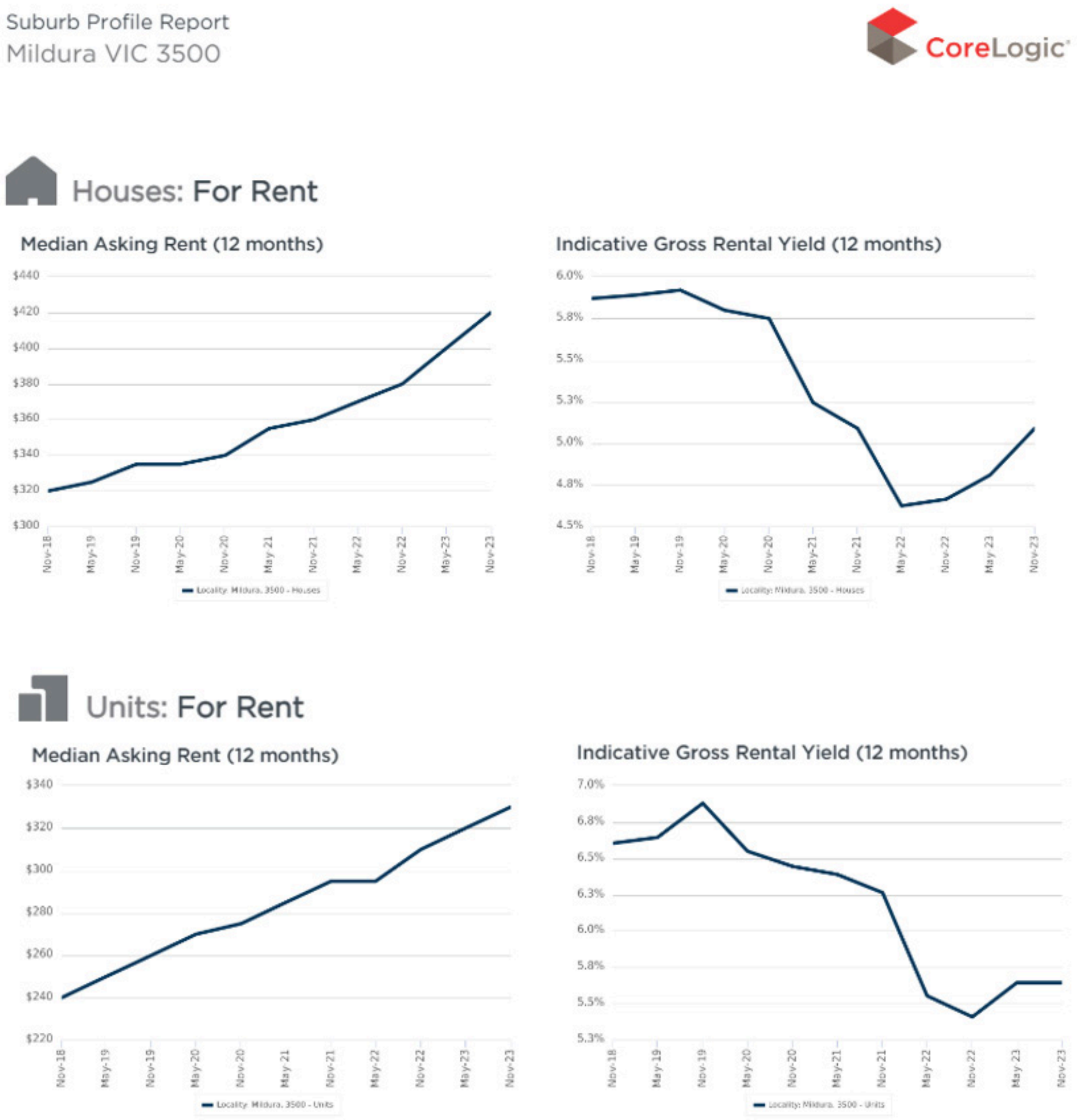
## Warrnambool

Property investment in Warrnambool has reflected the broader market contraction with activity from out-of-town buyers falling away noticeably while demand from local buyers is also softening.

Traditional investment options of units and detached dwellings continue to be the preference of local buyers with rental income surging upward.

Renovation for profit continues to be a tricky financial balancing act at present however we do note good opportunity exists for investors who break away from the traditional established property and try the house and land package/new build option.

## Mildura VIC 3500




Source: CoreLogic

A noteworthy investment option currently on the market is the vacant 6000 square metre parcel of land on Harris Street in south Warrnambool.

Harris Street Warrnambool Source: realestate.com.au

The residential parcel offers distant ocean, lake and river views and is situated close to the CBD and a patrolled swimming beach.

Jordan Mowbray
Valuer

## Mount Gambier

The Mount Gambier residential property market has seen continued interest from investors.

In the past six months we have had a steady rate of investor activity in the market, despite the increased interest rates. The median house price in Mount Gambier is currently sitting at $415,000 which is a 10.7 per cent increase from this time last year when the median house price was $380,000. Even with this large increase in median house prices, Mount Gambier is still very affordable compared to other regional towns.


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

The median unit price has also increased in the past year from $242,000 to $298,250. Investors are seeking out most property types and strong yields with a typical unit and dwelling achieving a yield of 4.0% to 6.0%.

72 Wehl Street North, Mount Gambier is a three-bedroom cottage located on the fringe of the CBD. This property sold for $355,000 and is currently leased at $400 per week, which reflects a yield of 5.85%.

We have also seen modern houses on the outskirts of the CBD piquing investor interest in the past six months. 4 Jessie Place, Mount Gambier was built in 2020 and sold in 2023 for $560,000. It is currently leased at $550 per week, a yield of 5.1% and offers good depreciation.

The next 12 months in Mount Gambier has a positive outlook with supply still relatively 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
Valuer

72 Wehl Street North, Mount Gambier Source: CoreLogic

4 Jessie Place, Mount Gambier Source: CoreLogic

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4 Jessie Place, Mount Gambier Source: CoreLogic

The next 12 months in Mount Gambier has a positive outlook with supply still relatively constrained and demand still strong.

# Queensland - Residential 2024

## Brisbane

The Sunshine State capital has all the right fundamentals for property investors in 2024. There appear to be some excellent long-term opportunities on offer this year.

For starters, our real estate remains relatively affordable as compared to Sydney and Melbourne. For those wanting to dip a toe into the market, Brisbane is a great place to begin the journey.

Demand among renters remains at record highs as well with our rental vacancy rate constantly fluctuating around one per cent. This is an astonishingly low number that indicates rents will continue to rise in the foreseeable future.

We also have some great long-term drivers. This includes the 2032 Olympic Games and all the associated infrastructure projects and other upgrades that are being completed to support the event.

Yes, the fundamentals look good for our big country town, but as we often say, property markets are more complex than a single set of data can convey. So, let's take a look at what's happening on a location-by-location basis.

Inner and near-city suburbs

First to the northside. Given the commercial centre of our city is north of the river, these markets effectively begin in the CBD.

Being positioned close to the CBD in Brisbane is an excellent first fundamental for rental demand and capital gains. We have a very traditional capital growth model here. When waves of capital gain occur, they normally radiate out from the city centres – much like a pebble in a pond.

So, how have these markets been doing in the past six months?

Well, investors are definitely coming back. The relative stability delivered by what appears to be our final interest rate rise in this cycle (although there are no guarantees) means a return of investor confidence to the market.

In these inner northside addresses, there's little doubt that rising rents are also driving up prices. Whether it's an older two-bedroom unit in Red Hill, or a detached home in Newmarket, demand from tenants is pushing up the rental income.

Interestingly, we have seen units doing well in and around the CBD. I say 'interestingly', because a few years back (around 2016/2017) there was a vast oversupply problem plaguing the unit market in these suburbs. A huge amount of leasable stock coupled with a long pipeline of planned projects had tenants in the driver's seat.

Fast forward to 2024 and the supply of units is now much tighter. The relative affordability of units means they're a popular option for renters and buyers. Unit investors who took the plunge and purchased pre-2019 would be reaping excellent returns from their assets.

Entry level units in Brisbane City, Bowen Hills and Fortitude Valley are traditional investor stock for inner-Brisbane. Over the past few years this product has been mainly bought by first homebuyers/owner-occupiers . With rents increasing, investors are slowly returning to the market, although in many instances they're being beaten out by owner-occupiers.

Buy-in prices for a CBD, one-bedroom unit with no car space is in the mid- to high-$300,000s with gross rental returns of 7.5% to 8.5%.

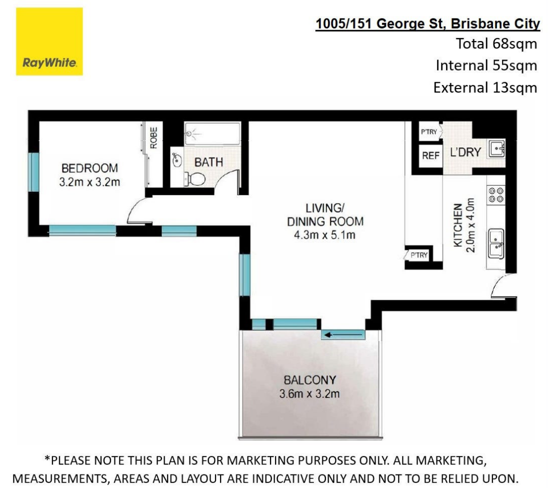
An example is this property at 1005/151 George Street, Brisbane City which sold in March 2024 for $376,000. This one-bed, one-bath unit is in the heart of the CBD with excellent views over the casino (and encompassing a river glimpse). The unit includes a balcony and two storage cages.

1005/151 George Street, Brisbane City Source: realestate.com.au

> Being positioned close to the CBD in Brisbane is an excellent first fundamental for rental demand and capital gains.

RESIDENTIAL

HERRON TODD WHITE




1005/151 George Street, Brisbane City Source: realestate.com.au

All-in-all, rental returns are the primary driver for those looking at inner-city attached housing. While some capital growth is expected in this sector, the certainty of above average cashflow is the real magnet.

The inner-south unit market is running strong too. Units in Morningside, Woolloongabba, South Brisbane and West End have seen excellent capital growth as their enviable position makes them ideal for tenants who work in and around the CBD. There's also the lifestyle appeal of cafés and restaurants throughout these areas.

Rental growth has been impressive. One-bedroom units in South Brisbane that were achieving $450 per week last year are now getting $550 per week. It's certainly a bounce back from a period less than 10 years ago when a severe oversupply of units left landlords having to reduce rents to attract tenants. During this period, 'rental hopping' was popular among renters. This is where tenants would be incentivised to take a 12-month tenancy in a new building that had been sold to investors with a rental guarantee. These tenant incentives could be financial, or even in the form of something like an iPad or the like. Once the lease was up, many tenants would "hop" to the next new building that was chasing them via incentives. This practice is now long gone, but it is an excellent example of how markets cycle through periods of oversupply and undersupply. While tenants are struggling today, history shows that at some future date they will get to enjoy the benefits of a soft rental market.

In these inner-south locations, house rents have also risen, but not to the same degree as units on a percentage basis. Houses are achieving yields of around 3.5% to 4.0% in the current market.

Our inner-south valuers have also come across a rising phenomenon of owners moving rental properties from the long-term market toward short-stay because that can boost yields. There is the risk of more vacancy periods in most markets, but given how tight rentals are at present, the risk is low. We also venture that many are choosing short stay in response to tenancy reforms. These changes (of which Stage 2 reforms are due in the coming months) are widely viewed as being too heavily weighted towards tenants' rights to the detriment of landlords. To overcome this, landlords are looking at short stay so they can maintain some control over who rents their asset.

Another property type that was very popular in past years, and remains high on investor radars, is flats buildings. Having multiple tenancies in one structure in a near-city suburb delivers good cashflow. Also, any vacancy risk is dissipated across the multiple rentable spaces in a flats building.

The other upside is that flats are a strong 'holding proposition'. Many flats are positioned on larger-than-normal allotments that have town planning designation for higher density. The strong income from the flats helps service the mortgage while the owner looks to reposition the property toward another, potentially more profitable, use in the future.

The other way to profit from flats is where the property is being under-rented. Many flats will have long-term tenants, which tends to lead to residents paying below-market rent. New owners may be able to seek higher rents, particularly after making upgrades (e.g. repaint and repairs).

The challenge for those interested in flats is that they are scarce. The good ones just don't come around that often, so premiums are paid for well positioned flats.

An example of a recent sale is this property at 37 Bradshaw Street, Lutwyche which sold in January this year for $1.35 million. This is a four x two-bedroom flats structure on a 541 square metre site that was advertised as achieving $62,000 per year rental return, reflecting a 4.6% gross yield on the purchase price. The agent noted, however, that capital expenditure of up to $70,000 had the potential to increase the income toward $100,000 per year. That would reflect a gross yield after renovation of approximately 7.0% on the purchase price plus upgrade costs.

37 Bradshaw Street, Lutwyche Source: realestate.com.au

Turning to the inner-west and this has remained a popular destination for residents with great access to the city, but also plenty of choice among the many retail, café and restaurant hubs throughout the suburbs.

Inner west detached housing has traditionally had more appeal to owner-occupiers than investors. There are some relatively high buy-in prices, particularly in suburbs like Paddington, Auchenflower, Milton, Toowong and Taringa. In many of these addresses you won't get much change below $1.5 million for a property with a habitable detached house unless it's in a poor secondary location such as fronting a busy road and/or in the flood zone.

While there are some buyers with deep pockets and patience enough to get into detached housing, most investors are drawn to units and townhouses.

Second hand units are in hot demand at present. They can be rented out at the drop of a hat, with good potential to do some renovation work to increase their rental return while improving the owner's equity.

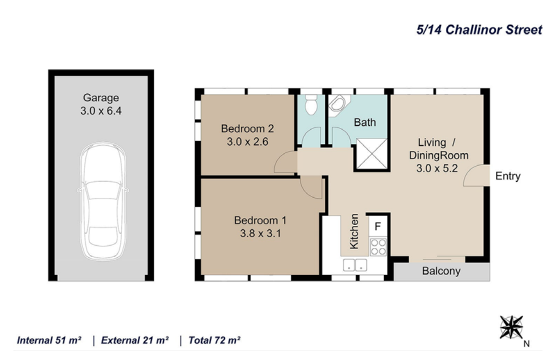
An example is this sale at 5/14 Challinor Street, Auchenflower. This two-bed, one-bath, one-car unit sold in December 2023 for $465,000. The property has excellent views, is in a great location and appears in reasonable condition but could also benefit from some internal upgrades. A unit like this would easily rent in today's market for somewhere around a 5.0% gross yield.

While they remain an attractive proposition for investors, the big problem with older units is one of scarcity. Very few are hitting the market and those that do are inundated with enquiry.

Mid-ring, outer and fringe suburbs

Looking to suburbs further afield in the south and there are affordable investment options in a range of localities. This includes areas such as Logan Reserve or Park Ridge where you can pick up a modern, low-set, brick house

5/14 Challinor Street, Auchenflower Source: realestate.com.au




5/14 Challinor Street, Auchenflower Source: realestate.com.au

for around $620,000 to $670,000. As rentals, there's a good chance of seeing a 5.0% gross yield, and while capital growth may not be as assured here as compared to inner-city suburbs, there are still strong fundamentals for capital growth.

We see rents continuing to increase in these locations because of a severe lack of available stock.

Southern locations where investors are becoming more active in the new build/house-and-land sector include Spring Mountain and Greenbank. In these suburbs, a buy-in price of around $700,000 will secure a property of four-bed, two-bath, two-car accommodation on 350 to 400 square metres of land that will rent for $580 to $650 per week. This reflects a gross yield of around 4.3% to 4.8%.

Another property type of appeal is dual occupancy homes that typically comprise a main accommodation space with three bedrooms and two bathrooms, along with an auxiliary unit of one bedroom and one bathroom. These properties, which can be found in suburbs such as Browns Plains and Hillcrest, have the potential to achieve a gross yield of circa 6.0%. The alternative would be a townhouse in these same locations which would get closer to 5.0% to 5.5% gross yield.

Detached housing of appeal to investors in this region is predominantly older style, three-bedroom dwellings in suburbs such as Hillcrest, Boronia Heights and Browns Plains. There are properties available at the $600,000 price point, but this buy-in is rising. As such, it's important to keep monitoring the market if you are thinking about purchasing later this year, or risk being priced out. This type of investment will achieve around $500 to $550 per week in rent.

South-western suburbs – particularly along the western growth corridor – have been historically attractive to investors. Excellent transport options, evolving infrastructure and comprehensive facilities along with local employment hubs make this a region where the population has been growing for several years.

In suburbs such as Springfield Lakes and Spring Mountain there are plenty of detached houses, but recently constructed or relatively new townhouses are also finding appeal. Townhouses in a desirable pocket will sell for round $550,000 and can achieve a rent of approximately $520 per week which reflects a gross

While there are some buyers with deep pockets and patience enough to get into detached housing, most investors are drawn to units and townhouses.

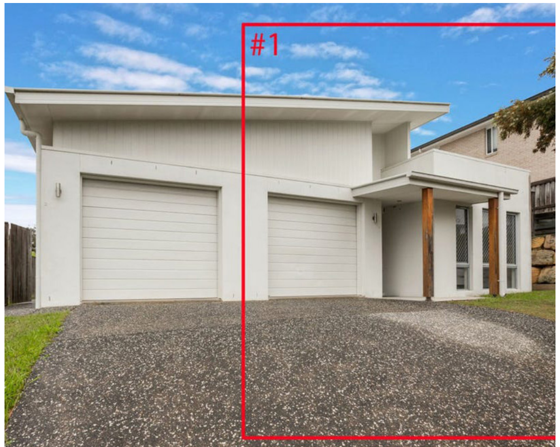
yield of 4.9%.

Dual occupancy is also an option. The property below at 12 Conte Circuit, Augustine Heights (a well-established western corridor suburb) sold for $820,000 in February this year. It comprises a three-bed, two-bath main dwelling and a two-bed, two bath auxiliary space. Built in 2014 and set on a 576 square metre site, the property returns its owner $795 per week, which reflects a gross yield on the buy in price of 5.0%.

Overall, we have a positive outlook for the next 12 months in the outer south for detached housing, townhouses and units. Townhouses and units are expected to continue doing particularly well as there is strong demand from buyers due to their affordability as compared to detached housing.

In the outer north they've begun to see increased activity among investors in new developments. There are a rising number of interstate investors who are among those looking to acquire in these suburbs this year.

Typical investor stock in the outer northern suburbs is house-and-land packages in new estates or townhouses



12 Conte Circuit, Augustine Heights Source: realestate.com.au

12 Conte Circuit, Augustine Heights Source: realestate.com.au

sold off-the-plan.

Morayfield is perhaps our most active area in this region for investors as it's where the bulk of new subdivisions are underway. House-and-land is available for under $650,000 with rents running at $600 to $650 per week, reflecting a gross return of 4.8% to 5.2%.

As mentioned, townhouses are also a good option for some buyers. For a purchase price of around $420,000 you can secure an older townhouse, but increase that budget to $600,000 and a new, off-the-plan townhouse becomes an option.

This three-bed, two-bath townhouse at 16/11 Thistledome Street, Morayfield sold in January for $416,500. It has three-bedroom, two-bathroom, one-car accommodation. The property is in fair condition and could do with some attention, but it's located within an easy drive of major shopping facilities, and access to the Bruce Highway is fairly direct. The owners will have no trouble renting this out if they choose to do so.


16/11 Thistledome Street, Morayfield Source: realestate.com.au

Like those southern addresses mentioned earlier, outer northern suburbs also offer duplexes and dual-occupancy properties. Demand for these remains strong with excellent gross yields on offer, but the buyer pool is limited. Purchasers will generally be investors chasing yield, owner-occupiers who will live in one space and rent out the other, or multi-generational families seeking comprehensive but separated living spaces for older children or grandparents. This is to say the traditional single family buyer group will find these of limited appeal.

Ipswich

The appeal of the western satellite city of Ipswich has risen dramatically in recent times. Many years ago Ipswich was classified as a mostly 'blue collar' locality. In more recent times however, aspirational buyers (including young families and singles) have been attracted to the large blocks and affordable housing. Also, a program of upgrades in facilities and infrastructure, as well as general gentrification throughout the local authority area, has seen Ipswich's appeal grow.

Investors can still find good quality housing in this region with strong demand for rentals, particularly in suburbs close to public transport (i.e. those with a train station).

Typical investor stock is older dwellings, units and townhouses, although new detached investment homes are a popular option as well.

When it comes to detached housing, price points around $600,000 or $700,000 will see a gross yield 4.5% to 5.0%. We expect steady capital growth over the next 12 months in detached housing of this sort.

Unit and townhouse buyers are also catered for as mentioned. Bundamba, for example, has some options. Rental demand here is rising. Bundamba is where the Ipswich Campus of TAFE Queensland is located. There are also light industrial/manufacturing businesses, a local train station (which is being upgraded) and easy access to both the Warrego Highway and Ipswich Motorway. Here, a three-bedroom townhouse will set you back around $400,000 to $450,000 and should deliver a gross return of approximately 5.0%.

A good example is this property at 85/51 River Road, Bundamba which sold in January this year for $415,000. The property has three-bedroom, two-bathroom, one-car accommodation and is in a complex with onsite management.

85/51 River Road, Bundamba Source: realestate.com.au

Values and activity in this market have increased substantially over the past three years. That said, while our outlook is that capital growth will be more subdued in the next few years, it should remain steadily positive.

Other suburbs where affordability-driven investors have become more active over the past six months are Goodna, Redbank, Redbank Plains and Collingwood Park, some parts of Bellbird Park.

We've especially seen a steep increase in the sale price of dual occupancy properties since late November/early December 2023. Rents have risen sharply for these suburbs but, as a result, yields have softened. Prior to six months ago, we were regularly seeing 6.0% to 6.2% yields, but now it is commonplace to find gross yields closer to 5.8%.

Several agents have been selling dual occupancy homes to their investor database, with many of the buyers being non-local. In fact, a large number are living interstate. These buyers don't physically inspect the property. If they decide not to proceed with buying sight unseen, the agent simply calls the next investor on their list and the price goes up.

There are various reasons why there's been this uptick in interstate interest but a big one, as reported by the agents, is the change in tenancy legislation and taxes that have been introduced in other jurisdictions, particularly Victoria and New South Wales. These have disincentivised investors away from their home states and refocused their attention on Queensland, and particularly the south-east region.

Let's also touch on the newly constructed detached dwelling market in Ipswich, and its appeal for investors. Recently completed dwellings are achieving a price premium for multiple reasons. This includes land becoming scarcer, 12-to-18-month construction timeframes, interest rate uncertainty, building company insecurity, and construction cost increases.

The same can be said for the new townhouse market. The drivers listed above have seen new townhouse prices increase sharply throughout the past three or so months, especially throughout some of those previously mentioned lower-value suburbs.

In short, south-east Queensland has a lot to offer investors looking for medium- to long-term capital gains and secure rental income. It will be essential to ensure we remain appealing to investor buyers from across Australia both to drive economic growth and boost the supply of much-needed rental accommodation.

David Notley
Director

Several agents have been selling dual occupancy homes to their investor database, with many of the buyers being non-local.

## Gold Coast

Over the decades the Gold Coast residential property market has been known to be a rollercoaster ride for some investors, but is that now all in the past?

Well, for starters, our city has become a much more sophisticated place, being underpinned by a strong local economy, and on top of that, the property market is also showing remarkable resilience of late.

The recent levels of sales activity, booming migration, and the very tight rental market being experienced within our region are all influential factors that should provide investors with great buying confidence in 2024.

These are all sound reasons why Gold Coast property would be one of the better options for investors at the moment, rather than buying in our other major capital cities.

With that said, let's take a closer look at the investor market and highlight some of the recent trends that we have observed in the past few months.

Central Gold Coast
Market activity has continued to strengthen in and around the central hub of the Gold Coast over the past six months. Low-rise and high-rise apartments within the traditional investor locations such as Surfers Paradise and Broadbeach have definitely remained favourable amongst investors.

As we have reported for quite some time, the lack of unit stock being available to purchase still persists, particularly at the affordable end of the spectrum, which in turn is placing upward pressure on prices. In some instances, prices have spiked up to 10 per cent just in the last six months, especially for one bedroom high-rise apartments within the Surfers Paradise CBD and immediate surrounding area.

The climbing rental values appear to be one of the key elements driving this market. The lack of accommodation for renters has also pushed more people to enter into the buying market. Consequently, the increased competition amongst owner occupier buyers is making it a far greater challenge for the typical investor to get a foot in the door.

In the central parts of Surfers Paradise, you can still pick up a one bedroom strata unit in the vicinity of $400,000. The entry level strata units, which are fully self-contained, tend to generate rental returns of $450 to $600 per week, depending on the age, condition and quality of the apartment.

Recent sales data indicates that the better quality one bedroom stock can sell for up to $825,000. These units usually feature a study and reasonable ocean views.

**The recent levels of sales activity, booming migration, and the very tight rental market being experienced within our region are all influential factors that should provide investors with great buying confidence in 2024.**

Circle on Cavil Source: Realestate.com.au

The image above shows the outlook from a one bedroom apartment in 'Circle on Cavill', which reportedly sold in February this year for $755,000. We note that this property sold back in January 2022 for $550,000, and in the interim some minor cosmetic works were completed to the interior.

Local agents report that 'out of town' investors remain very active in the beachside suburbs and they are still exhibiting great buying power, with a strong preference for the higher quality unit stock in Broadbeach. These apartments are often purchased with a view that the property can also act as a weekender style retreat on occasions throughout the year.

A trend observed amongst the locally-based investors is the growing interest to buy an apartment for Airbnb style accommodation purposes. The preference seems to be for one and two bedroom units within complexes that offer resort style amenities and are within close proximity to public transport infrastructure, which will appeal to domestic travelers. The advantage of being local is the ability to self-manage the property and avoid paying the high management fees associated with short term holiday letting.

Most property experts are suggesting that there are no real signs of the unit market faltering anytime soon. However, at the moment, we would encourage investors to focus more on the firm rental values than having great expectations for further short term capital gains.

Detached housing has also become far less affordable for the typical investor in the past couple of years, and as a result, investor activity in this market sector has been fairly scarce of late.

Recent purchases of detached dwellings that we have noted have generally been limited to the more suburban areas rather than the inner suburbs and beachside localities. There has been sporadic investor activity in the suburbs of Robina and Varsity Lakes. Both of these areas are well serviced and rental demand for the family orientated home is high. Detached housing opportunities can be found priced between $900,000 and $1,100,000 that will typically achieve a rental income ranging between $1,100 and $1,400 per week. Traditionally, investors who are familiar with the area have gravitated towards the homes located within close proximity to Bond University or Robina Town Centre. The detached dwellings surrounding the university generally comprise of three bedroom or four bedroom accommodation. Those properties which are leased out often achieve high rental returns with university students often content to pay a premium or above market rent where they can benefit from being within walking distance of the campus and don't need to rely on using a vehicle.

Central-North Suburbs
In the central north areas investors have traditionally been drawn towards the one or two bedroom unit stock as well as entry level detached housing in suburbs like Southport, Labrador, Parkwood and Arundel, where it is



HERRON TODD WHITE

generally not difficult to secure a tenant and achieve a reasonable rate of return.

Additionally, a holding proposition within Southport has always attracted the investor too, where an older style run-down dwelling presented decent redevelopment opportunities.

A critical shortage of cheaper houses and units available for rent, and significant hikes in rental prices has therefore resulted in owner occupier buyers competing fiercely with investors to secure a property. Premiums of $20,000 to $40,000 are not uncommon for a sold property that can offer vacant possession at settlement.

One local agent who specialises within the area recently reported to us that their real estate agency had about seven properties under contract in the past month or two which were investor orientated properties but have now been sold to owner occupiers.

Other agents have noted that most investors are generally keen to achieve an investment return of circa five per cent with their property purchase, but lately there appears to be very few properties being presented to the market which offer this kind of net return. Investors therefore have had to settle for a circa 3 to 4 per cent return instead, and further bank on capital and rental growth prospects.

Property managers are reporting that rental values remain firm, although the rate of rental price increases appears to be slowing, whereby large rental price increases at lease renewal were par for the course, but whopping price jumps are reportedly less frequent now.

A good example of a property in this area which has recently been picked up by an investor is 1/14 Elm Ct, Labrador, which is currently under contract for $575,000. The property comprises a single storey duplex unit that is partly renovated and provides two-bedroom and one-bathroom accommodation with one-car shade sail covered space. The former garage has been converted to a multi-purpose room. We understand that the duplex unit is currently tenanted and achieving a weekly rental of $500 per week which appears to be well below current market rental levels. We would expect the rental value to be closer to $600 per week.

The purchase price analyses to a circa 4.3% gross return, but at market rent, the achievable gross return is circa 5.2% (assuming a two-week vacancy allowance).

In the suburb of Parkwood, a locality we mentioned at the beginning, there seems to be a good mix of both investors and owner occupiers active within the detached housing segment, most notably in the entry level price bracket. This locality is widely known to be a large catchment area for students and medical workers, with Griffith University and the Gold Coast University Hospital being within close proximity. Prices for detached dwellings with three bedrooms in the suburb typically start in the mid $700,000s with rentals ranging from $675 per week to $850 per week. Four-bedroom houses can be found within the $800,000 to $950,000 price range and if rented out, can achieve around $750 to $925 per week, depending whether the house has been renovated, or features a large yard or a swimming pool (or both). As an example, 14 Buddy Holly Close, Parkwood has been recently listed on the market. The vendor is reportedly seeking offers above $899,000 for the four bedroom home.

14 Buddy Holly Close, Parkwood Source: realestate.com.au

We note a similar trend occurring in the neighbouring suburb of Arundel where houses are being snapped up by investors which are close to good services and amenities and offer a reasonable rate of return. An investor recently purchased a house in Collingwood Court for $890,000 and the property comprised a circa 2000 built, single storey face brick dwelling which provided four bedrooms and two bathrooms with double lock-up car garage. The dwelling had a largely dated interior but presented well overall. The selling agent reported at the time of sale that the expected weekly rental was $820 per week which would provide a 4.6% gross return (assuming a two-week vacancy period).

Northern Gold Coast Growth Corridor

Since interest rates have stabilised investors have returned to the market in good numbers. The recent spike in rental values has also attracted interest from investors within the northern corridor region of the Gold Coast, spanning from Coomera to Beenleigh. Traditional investor type product that remains popular are the attached housing options, such as townhouses, duplex units or low-rise apartments.

A shortage in supply is a big issue, and in the next six months, there is an expectation that demand levels will still be on top of supply levels. Developers have been too slow to build new product and create new subdivisions and the fall of many local building companies has heightened the supply issue. At the same time, migration to the area has continued to put pressure on the need for housing.

The heightened competition between first homebuyers, owner-occupiers and investors and the combination of demands from these investors and local buyers is evidently pushing up the market prices. Lately, we have noticed a lot of Brisbane investors getting into the mix, as residential property within Brisbane has become too expensive for some.

Whilst we have mentioned that rental rates are on the rise and have played a role in enticing investors back, it could be argued that the purchase price also appears to be influenced by the greater level of competition amongst buyers rather than the more attractive yields.

In some cases, we have noted that the prices paid for a residential property can be unrelated to the market rental rates. Some buyers have appeared to pay too much in relation to the rent, largely because the level of interest was very high, particularly from non-investors (ie. owner occupiers). In other instances, the rental returns were rather high compared to the end purchase price as the buying competition was quite low or the quality of the property was below average. Hence, the potential for higher rents and the potential for capital gains are the important elements for investors in the current market.

Interestingly, over the past couple of years we have seen a shift in the buyer demographic for this type of investment within the area. Historically, 'out of town' investors have purchased for negative gearing purposes, paying high prices and claiming losses in taxes. However, first home buyers have become more active during the recent housing shortage and are buying the new housing product being offered by developers. Hence, developers are catering more to owner occupier needs, and are building dwellings and units with larger living spaces and with better quality inclusions… and it's no surprise that the developer's asking prices are increasing as well!

Most of the recent investor activity observed has centred around the Coomera, Upper Coomera and Pimpama areas. This is due to the large number of complexes which have been designed and built to appeal to the investor and to a lesser extent, the first homebuyers.

The typical price point for two-bedroom unit product is $400,000 and above, with three bedroom units fetching $500,000 to $650,000. Four-bedroom townhouses have been noted to sell between $650,000 and $700,000. These types of properties tend to achieve yields ranging from 5.5% to 6.5% gross, with rents typically starting at around $500 per week and going up to $700 per week.

An example is 6/30 Moonie Dr, Coomera. The property was recently listed on the market with an asking price of 'offers over $599,000'. The three-bedroom townhouse is currently tenanted and achieving $400 per week which is considered to be well below market. The selling agent is advertising the property as having a market rental appraisal of $600 to $650 per week.

6/30 Moonie Dr, Coomera Source: realestate.com.au

For those investors who have the financial ability to buy a detached dwelling there appears to be good buying opportunities priced under $800,000 within Upper Coomera, Pimpama and Ormeau areas. A four-bedroom, two-bathroom dwelling will typically return between $650 and $800 per week, and this will depend on the size of the house and the location (ie. proximity to schools and local shopping). Investor activity within the detached dwelling market segment has always been stronger in the northern pocket simply due to affordability. Whilst house prices have come a long way over the past three years, for the average investor residing in a major capital city the north still appears very affordable in their eyes. New detached housing stock in the northern corridor has been in short supply of late, but developers are steadily opening up new areas to provide more housing. The future highway initially linking Nerang to Coomera, and then all the way up to Stapylton will likely accelerate the opportunities for developers to provide further housing supply in the surrounding area in the near future.

In providing some general advice to investors who are seeking positively geared investments, we strongly suggest you obtain some local knowledge on current rental values. There are still many units in the northern corridor going to market while being rented at 'below market' rates and they present as opportunities for rental corrections to higher amounts if the price is right.

Overall, the outlook is looking fairly bright for this growth area due to the sustained demand. The market did slightly cool its heels momentarily as interest rates were rising, but since then there have been no signs yet to indicate that we will encounter significant market corrections.

Tweed Shire Region and Southern Gold Coast

As interest rates climbed further in the first half of 2023, it became apparent that investors were becoming less interested in buying property in the Tweed area. Today, most buyers in the market are predominantly made up of owner occupiers who are seeking to purchase within the detached housing sector. Whilst there may be fewer prospective investors about lately, it has been reported to us that there is still lingering interest from buyers in the Sydney region.

Strata units in the Tweed region remain the preferred investment option for investors at the moment, with rents and yields still looking relatively healthy. Although, in the past six months, particularly at the lower end of the market, we have noted that property values are pushing up higher than rental prices and subsequently the yields have been not as attractive to the investor compared to where the market was, say, a year or two ago.

Tweed Heads to Banora Point is the current hot spot for investors, and this area offers a good variety of strata units, from townhouses, villas, apartments and duplexes.

Real estate agents who operate in this patch are reporting strong levels of demand from all buyer groups. Investors are also becoming quite savvy and are closely looking at the rental return and weighing up the costs associated with the investment.

It has even been reported that in some cases, investors are actually selling up with the associated costs of holding onto their investment property being too high, especially for those who bought an investment property leading up to the end of 2021 or early 2022, a period when a lot of property purchases were being funded by fixed low interest loans.

Overall, there are still good buying opportunities for investors in our coastal suburbs that show relatively attractive yields and growth prospects, despite some concern of where current interest rate levels are sitting.

A good example of a recent purchase that we can highlight is a duplex property in Murraba Crescent, Tweed Heads which recently went under contract for $1.01 million. This property comprised an older style, circa 1985 built, two storey duplex building on a 620 square metre site with two x two-bedroom, one-bathroom strata units, with each unit featuring a partially updated interior and a one-car garage. The selling agent informed us that there was an incredible amount of buyer interest on the property. Both units within the duplex are currently being leased at 'below market' value, however, the agent advised they would easily attract $580/week each, which would reflect a circa 5.9% gross yield for the buyer.

25 Murraba Crescent, Tweed Heads Source: Domain.com.au

Shifting our attention to the southern Gold Coast area, and recent buyer activity has again been largely dominated by owner occupiers across most market segments.

Units within the Coolangatta/Kirra, Tugun and Palm Beach areas continue to be a sought-after proposition for both owner occupiers and investors. High demand for rentals and low vacancy levels in these suburbs have signified that rental values remain very firm and are possibly still rising.

As we have mentioned before, depending on the type of property, an investor may not see an abundance of positively geared property investment options in this area, however, there are strong growth fundamentals evident in this region which can often lead to long term capital gains.

Tweed Heads to Banora Point is the current hot spot for investors, and this area offers a good variety of strata units, from townhouses, villas, apartments and duplexes.

Obviously one of the key driving factors for investors is the rental return. We will likely see more investors entering the market if rental values climb at a faster rate. However, if stronger rental regulations which protect tenants are introduced by the government in the near future this could potentially further diminish investor activity.

Western Gold Coast / Scenic Rim area

Over the past twelve months there has been a notable surge in property investor activity, both from local residents and those from interstate (mostly Sydney), across numerous suburbs within the Scenic Rim region of Queensland. This uptick can be attributed to the prevailing market sentiment, which tends to hold significant sway over investment decisions. The positive outlook for the region, coupled with factors such as housing affordability and strong rental yields, will likely attract steady to firm levels of investor activity in 2024.

Typical investment stock within this area might encompass a detached dwelling situated on a smaller sized block (450 to 650 square metres) and comprising approximately 200 square metres of gross floor area with basic ancillary improvements. Despite their generally modest inclusions, these basic types of dwellings have experienced a rise in value over the preceding two years, with prices appreciating by up to 15 to 20 per cent.

A more budget friendly housing option for investors to consider is the attached duplex product located within the growing localities of Gleneagle and Beaudesert. Duplex units with long term tenants in these areas are proving to be rewarding investments, bringing in strong rental incomes and achieving impressive gross yields of approximately 6.0% to 7.0% in some instances.

Buyers in these western areas also seem to be attracted by the ample availability of land in the suburb of Benobble, which is about a 25-minute drive from the Gold Coast.

In the localities we have just mentioned, investors have the opportunity to secure affordable 'house and land' packages for as little as $585,000, while achieving rental returns ranging from $550 to $600 per week (equating to a gross yield of 4.8% to 5.3%).

Spring Creek Estate Scenic Rim Source: Openlot.com.au

The other benefits to consider when purchasing a 'brand new' home can be the lower short-term maintenance costs, the assurance of builder warranties, and advantageous tax considerations in particular circumstances.

In summary, all the local market and economic fundamentals are currently strong on the Gold Coast and therefore strong demand for housing should continue into the foreseeable future. Good buying opportunities still exist, but it is important for due diligence to be performed and for the right investment strategy to be considered.

Securing a property for the long-term has proven to be an astute move in recent times.

Sam Gray
Associate Director

## Sunshine Coast

When looking at the Sunshine Coast market, there is little doubt that we have seen a kick in the first part of this year. Agents advise and sale results are confirming that the market appears to have improved with the continued low stock levels and enquiry improving. It appears that there has been a stabilising and an improvement in values in some instances. It remains difficult to predict how the economy and property markets will perform in the short to medium term but as a start to the year it's been pretty good.

When we look at the investor market it is hard to decode. 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 given the level of competition.

An example of this is a purchase of a circa 40-year-old dwelling in a beachside suburb. It was first listed in May 2023 for $1.5 million with the offers consistently being at the $1.3 million. Since the start of the New Year the agent advised that new interest had come along. It was recently placed under contract for $1.42 million, a nice little bump from where the interest initially was. These purchasers are going to rent the property for a period before moving in.

At the moment, investor demand is being driven by yield. But with the increase in property values, and rents not keeping pace, we are seeing yields squeezed. The current rental market remains one of the strongest in Queensland with vacancy rates below 1.0%. Yields for a standard house in modern estates works out to be circa 4.0% to 5.0%, so not a bad investment… if the market keeps going, an increase in your property value will sweeten the equation. However, we do note that there is now competition from the banks in the term deposits on offer with some of them being up to 5.0%.

For the unit market, it has been pretty hard. As always, the impact of body corporate fees has an impact on rental returns. The smaller complexes with lower body corporate fees have been the best performing.

Multi tenanted properties or flats would provide a larger yield given their nature but acknowledge that they are hard to find now. 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. For a three-bedroom dwelling with an attached two-bedroom flat you could expect to have a yield of 4.5% to 5.5% at best when these were at least one percentage point higher just a little while ago.

The investment story is a hard one to explain. Affordability has really impacted the returns and it is hard to find value. That said, buying for position in areas that are sought-after feels like a good play.

Stuart Greensill
Director

## Rockhampton

An investor may not see an abundance of positively geared property investment options in this area, however, there are strong growth fundamentals evident in this region which can often lead to long term capital gains.

It remains difficult to predict how the economy and property markets will perform in the short to medium term but as a start to the year it's been pretty good.

Investors are very active in the Rockhampton region at present. We have certainly seen a shift in the past six months with the number of non-local investors, utilising the services of buyers' agents skyrocketing. Activity has been very strong and driving fierce competition among other buyer agents and local buyers alike. Investors see an opportunity in our region with ongoing tight vacancy rates and potential for capital growth off the back of major infrastructure projects such as the (now fully funded) Rockhampton Ring Road, low unemployment, and steady interest rates.

Traditional investor stock has been sets of flats/duplexes and residential dwellings under $250,000. With the strong growth we have seen since 2020, this market has shifted its price point to now see the majority of investors very active in the market at price levels up to say, $500,000 with some investors even active up to $600,000. The stock itself is generally fairly broad in range with fully renovated older-style dwellings just as popular as semi-modern homes in well-established areas of north Rockhampton. Properties that require any significant maintenance are not being well received in the market due to the rising costs of renovation as well as the downtime required to complete the repairs when the property is unable to generate an income.

Here in Rockhampton, we have a relatively small unit market with limited evidence to report.

Sets of flats provide the best return on investment with gross yields ranging from 6.5% to 8.5% depending on the number of flats and condition of the building. Houses provide a more modest return at around 5.5% gross yield.

We are expecting continued growth over the next 12 months, however, should we see a sudden exit of buyers' agents across the region, competition for stock will diminish and this has the potential to have a steadying effect on the residential property market.

Cara Pincombe
Associate Director

## Gladstone

Gladstone remains one of the most affordable regional centres to live in along the eastern seaboard of beautiful Queensland. This, coupled with good potential for future capital growth, a tight rental market in which rents continue to rise and a strong multi-faceted economy means investors are very active in the Gladstone region at present.

There is no real standout 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. Given the lower price point of say $180,000 for an older two storey two-bedroom, one-bathroom townhouse up to the high $200,000's to low $300,000's for a modern three-bedroom townhouse or modern two-bedroom apartment, gross yields as high as 7.0% to 8.0% are definitely attractive. For established housing, again there appears to be no rhyme nor reason as to the suburb, age or quality of the dwelling, however there is definitely more activity in the sub-$600,000 price bracket.

One thing we have noticed in the new year has been the rapid emergence of buyers' agents. There was the odd one or two about late last year, but they are now a significant force in the region, representing a large portion of the demand, driving strong competition against other buyers' agents as well as local buyers. The buyers' agents are acting quickly, making strong offers often well above the list price to secure a contract, and often then attempting to renegotiate under the terms of the contract (due diligence, building and pest, or finance clauses).

Regan Aprile
Director

## Bundaberg

With affordable coastal, rural and residential lifestyles, great climate and some iconic tourist drawcards, Bundaberg is a great place to live and invest. Bundaberg's biggest drawcard is affordability and lifestyle.

Having consideration for the investor market in Bundaberg and surrounding regions, it is fair to determine the past six months have seen a steady number of non-local investors active in the market. We have been seeing investor activity dramatically increase since the initial surge in the market, post-COVID-19 in early 2021.

There is no real standout location, apart from the coastal suburbs. 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 still below 1.0 per cent. Increases in rental values are being experienced on the back of strong rental demand.

Duplexes, triplexes and flats are currently showing gross yields of between 5.0% and 7.0%. Duplexes show a higher volume of sales than larger triplexes and quadplexes.

The time it takes to sell a home continued to trend higher in January, thanks in part to the seasonal slowdown in sales activity. Over the three months to January, the median selling time for a capital city dwelling was 29 days, while the median selling time in regional Australia was 44 days. Previous consecutive interest rate rises coupled with increasing inflation appear to have cooled the market, with prices and demand steadying.

Local elements which are considered to have a profound influence on investment decisions for most investors active in the region can be clearly defined at present. Costs of living pressures and the high potential for mortgage stress will inevitably have an impact on activity in our markets in the short to medium term.

Megan Matteschek
Property Valuer

## Mackay

Mackay's residential vacancy rate is extremely tight at present which has led to an increase in investors entering the market, particularly non-local investors who are engaging with buyers' agents, which is creating strong competition with owner occupiers.

Blocks of flats and duplexes were typically the go to for investments in previous years, however due to the lack of stock and higher price points, investors have been forced to seek other investment opportunities. Low-maintenance, on ground three to four bedroom dwellings around Beaconsfield and Andergrove tend to be popular with buyers agents at present. Three-bedroom dwellings are typically selling between $400,000 and $500,000 and four bedrooms selling between $480,000 and $580,000. Depending on age, condition, and number of bedrooms they reflect gross yields of between 6.0% to 7.0%.

Investors are also showing interest in units located in fringe locations. However, low body corporate fees are a must for them to be attractive for investors. A typical two-bedroom unit will sell for around $220,000 to $270,000 depending on age, location and condition and reflect a gross yield of between 7.0% to 8.0%.

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 residential property should continue into the short to medium term.

Mick Denlay
Director

## Hervey Bay & Maryborough

During 2021/2022 on the Fraser Coast a significant number of owner-occupiers entered our market and a large portion came from interstate. This resulted in a large amount of investment stock becoming owner occupied. Demand for rental accommodation escalated dramatically as did rental rates. At this time, interest rates were still at an all-time low however the 13 rises since May 2022 coupled with increasing inflation appear to have cooled the owner occupier market with prices and demand steadying.

Historically, investment dwellings and units could achieve gross yield rates between 5.0% and 6.0%. Due to the significant price escalation experienced over the past two years, rental rates have not increased relative to price and with the addition of higher cost of money, those returns are not as appealing unless negative gearing is the strategy.

Duplexes and flats are experiencing a similar situation with higher capital values and rent levels not providing a suitable return. The returns for duplex or multiple unit style accommodation appear to have eased over the past six months with recent sales now analysing to 6.0% to 7.0% gross returns indicating some price volatility. Rental rates appear to have steadied, so these higher yields are likely to be more common in the short to medium term.

Doug Chandler
Director

## Emerald

Investors are making their way into the Emerald residential market as rental vacancies remain tight forcing up rental prices resulting in good returns. Investors are also attracted to the Emerald residential market as property in Emerald is relatively affordable compared to some larger metropolitan areas. In mining areas, due to volatility investors tend to be driven by rental returns rather than capital growth.

Emerald doesn't have "traditional" investor stock and we see investors buying in all areas of the residential market however investors do not tend to feature in the rural residential market as prominently. Estates like Mayfair Ridge Estate and Lakeside Estate have been attractive to investors in the last 12 months. Houses are generally modern/semi modern, generally four-bedroom, two-bathroom of brick and colourbond construction with a basic standard of ancillary improvements. Houses in these estates of this quality are ranging from $350,000 to $400,000 showing gross yields of around 7.15% to 8.15%.

Investors are also showing interest in units located in fringe locations.

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Units are generally modern/semi modern, generally three-bedrooms, two-bathrooms with median sale prices ranging from $230,000 to $285,000 and showing gross yields of around 8.0% to 9.0%.

It is currently a vendor's market due to high demand, limited available stock and limited new stock coming through the pipeline.

Kellie Blomfield
Valuer

## Whitsunday

The Whitsundays residential market has seen rapid growth post covid, with a large population increase from southern migration and "sea changers." This has created huge demand for accommodation right across the Whitsundays. Market values of dwellings and units have increased significantly, and the rental market has risen accordingly. Vacancy rates are currently extremely tight with limited available properties.

This should cause the perfect storm for investors to enter the Whitsunday market but there are a few negatives.

Firstly, the increase in market values has made affordability more difficult. Modern, average four-bedroom homes start around mid-$600,000 and go up to the mid-$800,00. Rentals for these properties range from $700 per week to $1000 per week or gross returns between 6.0% and 7.0%.

Secondly, competition from owner occupiers. There is currently a lack of stock in the Whitsundays for dwellings creating greater competition.

Thirdly, with the large increase in values, the ability of investors to get capital gains on their properties has diminished, even though returns are still solid.

On the unit front, units selling for $300,000 to $450,000 can get gross returns of closer to 7.0%, but do your homework first. High body corporate fees and insurance costs erode these returns.

Britt Atkin
Valuer

## Townsville

We have seen a large increase in investor activity throughout the Townsville region over the past 12 months. Activity in the sector had been strong post COVID but has really ramped up in the latter half of 2023 and continued into 2024. Most investors appear to be from south-east Queensland, New South Wales and Victoria and utilising buyers' agents to secure the property.

There does not appear to be a particular area that is being targeted but price range is a key factor with properties in the $300,000 to $500,000 price range being sought after. This is putting the investors in direct competition with first homebuyers; this coupled with minimal stock is driving prices up in this range.

Property type does not appear to be of concern in the investor market with single unit dwellings, units, duplexes and flats all on the list. We note that the competition from first homebuyers is not there for duplexes and flats with investors being in competition with one another for these property types.

Gross yields across the board typically fall within the 5.5% to 7.5% range with competition in the market leading to tightening yields, although we do note that with vacancy rates hovering at about one per cent and property managers advising a large number of applications for each available property, rents are continuing to increase.

Another area of note within the investment market in the Townsville region is that of Defense Housing Authority (DHA) leased properties. Being home to one of the largest Army Barracks in the country, DHA plays a significant part in housing personnel when they are posted to Townsville. DHA leased properties are generally leased back by DHA for a period of nine or 12 years with a three-year option and guaranteed rent, with market rent assessed yearly and applicable for the subsequent 12 months. In recent times properties subject to a DHA lease have been snapped up quickly by investors. After the announcement in 2023 that the new Apache Helicopters will be based in Townsville as of 2025 and that approximately 500 personnel will be moved to Townsville to support this, we do not expect the need for DHA properties to dwindle in the short to medium term and expect that the need will be ramped up in the very near future.

Hayden Lynam
Valuer

## Cairns

The Cairns property market has seen a change in investor activity in recent months with more enquiry from investors due to excellent rental returns.

Likely factors that will influence investment decisions during 2024 include availability of stock and increased competition from homebuyers.

There has been a trend towards investment in the southern corridor of Cairns due to affordability. Values

This should cause the perfect storm for investors to enter the Whitsunday market but there are a few negatives.



HERRON TODD WHITE

in Cairns suburbs continue to rise with owner occupiers pricing some investors out of the market. It is possible to purchase land and build a four-bedroom home for less than $600,000 in the southern corridor localities of Gordonvale, Edmonton and Bentley Park, however it is likely that there would be a 12 month lead-in time due to the current trade and builder shortage.

Traditional 'investor' stock in the broader Cairns market comprises lower to mid-price range detached houses and units. Locations and price points where investors are currently active include all detached houses and units below $700,000. Investment drivers in the Cairns market are primarily returns based, with good yields in comparison to capital value. Capital growth typically lags behind capital city locations and returns are often subject to higher volatility. Recent sales evidence indicates that gross yields for duplex properties are transacting within a relatively wide yield range. Yields have typically ranged between 5.25% and 8.25% with most sales between 5.50% and 6.75% on a gross return basis. The wide yield range may be attributable to the volatile rental market with assessed market rents difficult to gauge.

Traditional 'investor' stock in the Cairns market is typically split as 60 per cent units and 40 per cent detached houses. Cairns has traditionally had a very low residential rental vacancy rate and the current rate, which is below one per cent, is no exception. This is providing strong underlying support for higher rental yields.

The longer-term, 12-month-plus outlook is for rents to continue to rise throughout 2024 and into 2025. The Cyclone Jasper flood event in December 2023 has exacerbated the demand for rental properties and trades on the northern beaches of Cairns. Northern beaches owners are searching for alternative accommodation while their homes are being repaired. We are aware of instances where insurers are advising owners that repairs may take up to 12 months to complete. Land supply on the northern beaches is also at relatively low levels and this is further driving demand for established houses and units.

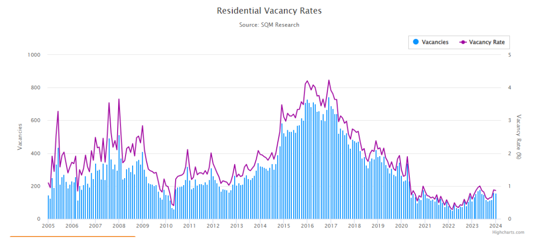
Opportunities for investors to renovate for profit in other property types such as duplexes and flats may become less attractive due to expected increased renovation costs and difficulty in obtaining trades.

Danny Glasson
Director

## Toowoomba / Darling Downs

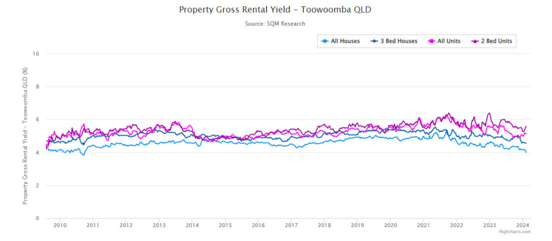
Investor activity in the Darling Downs entity coverage region and Toowoomba and its environs continues to remain relatively strong with low housing stock and high rental yields and returns underpinning this confidence. Toowoomba continues to be listed as one of Queensland's most affordable cities, particularly 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 (4350) median house and unit prices have continued to rise year on year with the vacancy rate in January 2024 being just 0.9 per cent.




Toowoomba vacancy rate Source: SQM Research

Overall, depending on the property, gross returns of 4.0% to 6.0% for both detached housing and residential units are currently being achieved throughout the Toowoomba (4350) area with residential housing development and investment continuing throughout 2023 and into 2024.




Toowoomba gross yield Source: SQM Research

A Toowoomba suburb of note is Kearneys Spring, which during 2023 was named in the Smart Property Investment Fast 50 ranking for 2024 as a Toowoomba suburb with the best potential returns this year.

Kearneys Spring, located approximately four kilometres from the Toowoomba CBD, has performed well in a number of key investment metrics with a median house price of $615,750 (an increase of 13.5 per cent over a 12 month period) and a median unit price of $360,000 (an increase of 9.1 per cent over a 12 month period). On average dwellings are achieving an annual rental yield of 4.7% and units are achieving rental yields of 5.8%.

An example of a recent sale, slightly below the median price point for a detached dwelling in Kearneys Spring is a property that recently sold at 6 Todd Court for

> Property type does not appear to be of concern in the Townsville investor market with single unit dwellings, units, duplexes and flats all on the list.

$602,000. The property is a circa 2003, neat and tidy, four-bedroom, two-bathroom detached dwelling with a two-car built in garage situated on a 456 square metre parcel. This property is currently listed for rent at $570 per week, representing a 4.9% rental yield.

6 Todd Court, Kearneys Springs Source: RPData

An example of a recent sale, slightly below the median price point for a unit in Kearneys Spring is a property that recently sold at 4/12 Sunning Street for $350,000. The property is a circa 2014, neat and tidy, 2 bedroom, 1 bathroom detached dwelling with a 1 car built in garage situated in an 8 unit complex. Both Unit 3 and Unit 8 within the same complex have also recently sold for between $340,000 and $350,000 providing a similar level of accommodation.

4/12 Sunning Street, Kearneys Springs Source: CoreLogic

Over the last 12 months sales activity for duplex, triplex and flats buildings have continued to increase over the Darling Downs Entity Coverage region and generally yields have continued to firm. Yields from 5.0% to 10.0% are generally common though 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.

An example of a recent sale of a multi-residential property in Kearneys Spring is 330 Spring Street and comprised a multi sale of two x strata titled units for $620,000. The property is a circa 1992, generally original, two x two-bedroom, one-bathroom attached units, each with a one-car built in garage. Each unit was rented for $310 per week at the time of sale which equated to a 5.2% yield on the sale price.

330 Spring Street, Kearneys Spring Source: CoreLogic

A previously untested market segment was for duplex properties constructed in the satellite suburb/rural town of Cambooya, which is located approximately 20 kilometres from the Toowoomba CBD. These properties comprised a main unit with either three or four bedrooms, two bathrooms and one or two car built in garage with a one bedroom, one bathroom, one car built in garage axillary unit.

A recent sale of this product was at 47 Myrtleford Crescent, which sold for $510,000. Accommodation comprised of a circa 2018, three-bedroom, two-bathroom, one-car built in garage main unit with a main living area of 100 square metres with an attached one-bedroom, one-bathroom, one-car built in garage secondary unit of 47 square metres. At the time of sale the combined rent reflected a gross yield of 5.71%.

47 Myrtleford Crescent, Cambooya Source: CoreLogic

Not to be outdone, the wider regional coverage areas of the 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 / affordable base. The capital

Kearneys Spring, located approximately four kilometres from the Toowoomba CBD, has performed well in a number of key investment metrics

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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 combined with likely demand increases due to proposed/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 in excess of 5.0%. The relatively common availability of such strong yields on residential property remains the key driver of demand for investors both local and non-local.

Generally speaking, and moving forward to the year ahead (or at least for the first six months), our outlook for housing and for residential investment in Toowoomba and the regional areas remains positive. We are cheap by comparison to our coastal and capital city cousins and consequently we represent good value for money.

Coupled with a shortage of sales listings, continued interstate migration and a tight job market, we continue to 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

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.

# South Australia - Residential 2024

## Adelaide and surrounds

Broadly, national investor activity has been steadily increasing since the early stages of 2023 as investors seek both capital gains and rental returns from an under-supplied market. February data released by the Australian Bureau of Statistics (ABS) indicates the value of new borrower investor loans is up 20.4 per cent year on year to $9.50 billion dollars however activity declined marginally by 1.3 per cent in the historically slow month of December. Investor activity in South Australia approached a record high in the month of November before following the national trend; declining 2.8 per cent in December.

New Loan Commitments Source: ABS

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

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.

ring as price levels have increased sharply. Demand for rentals remains at historic highs with Adelaide currently having the nation's lowest vacancy rate at 0.3 per cent. Gross yields of 3.5% to 6.5% are common within the established suburbs within the outer ring. Advertised rents range from $350 to $600 per week with suburb median house prices ranging from $400,000 to $800,000.

Representative of typical investor stock in the outer ring are the sales of 44 Bristol Crescent, Davoren Park which is a circa 2000's reproduction style dwelling which was being tenanted at the time of sale for $350 per week and achieved a sale price of $435,000. Then there's 11 Reserve Parade Morphett Vale which is a circa 1970's conventional brick dwelling which was being tenanted at the time of sale for $350 per week and achieved a sale price of


11 Reserve Parade, Morphett Vale Source: realestate.com.au

$505,000. These sales were generating gross yields of 4.2% and 3.6% respectively at the time of sale.

Popular within the outer ring are multiple occupancy properties, typically comprising pairs of former housing trust maisonettes. These properties come in two configurations, either being a pair of maisonettes on a single title or separately titled maisonettes selling together in a single transaction. The latter configuration is considered more desirable to the market given costs have already been incurred to individually title the multiple properties.

We have seen strong demand for this style of property over the last 12 months. Providing its purchaser with multiple options was the sale of 3 Counter Road & 37 Forrestall Road, Elizabeth Downs which recently achieved a sale price of $645,000. The property comprised two separately titled maisonettes on a combined land holding of 1100 square metre. At the time of sale both maisonettes had tenancies running till mid 2023 generating a combined weekly rental of $735, indicating a gross yield of 5.9%.

Rental returns for dwellings within the inner and middle rings are eroded as values increase and achievable rentals reach a ceiling. Advertised rents range from $450 per week and cap out at $2000 per week. Suburb median price levels vary through the inner and middle rings ranging from $400,000 to $2 million. The high value to low rental ratio produces

37 Forrestall Road & 3 Counter Road, Elizabeth Downs Source: realestate.com.au

gross yields of sub 5%. Investors are typically seeking out 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 3 Alfred Street Parkside, a detached bluestone cottage disposed as four bedrooms and one bathroom which had been tenanted at $725 per week at the time of sale. 3/4 North Street Hectorville is an attached townhouse disposed as three bedrooms and two bathrooms which sold with a rental appraisal of $650 to $670 per week. These properties achieved sale prices of $1.3 million and $780,000 respectively.

3 Alfred street, Parkside Source: realestate.com.au

## Higher density flat buildings are popular with sophisticated investors given the multiple income streams and entry price point.

Strata units provide an affordable entry price point for those making their first foray into the market. These properties can be seen as a stepping stone and provide a forced savings style of investment for younger investors. Gross yields can be eroded away with additional fees and charges associated with strata levies. Strata units range in value between $200,000 and $800,000 across the metropolitan area with gross yields of around 4.0% to 5.0%. Selling for $415,000 and let at $360 per week is the recent transaction of 10/177 Main Road, Blackwood. The unit comprises two bedrooms, one bathroom with a secure single car space. The sale reflects a gross yield of 4.5%.

10/177 Main Road Blackwood Source: realestate.com.au

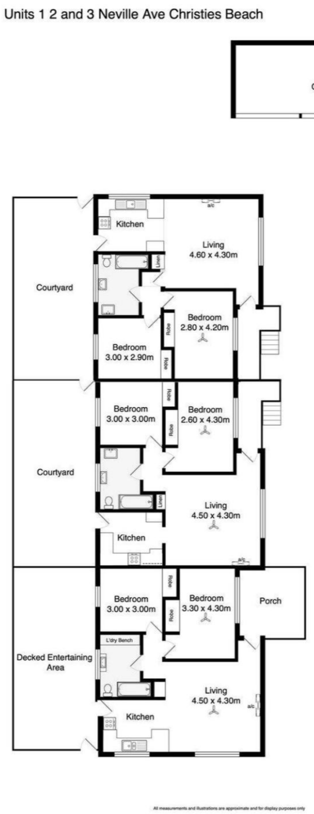
Higher density flat buildings are popular with sophisticated investors given the multiple income streams and entry price point. This style of accommodation can be found throughout metropolitan Adelaide and is typically characterised by 1960's to 1980's complexes of brick construction with accommodation over one and two floors. Recent examples of this type of offering include 1-8/4 Barrington Avenue, Semaphore South providing four x two-bedroom units which achieved a sale price of $2.45 million and 1-3/10 Neville Avenue, Christies Beach providing three x two-bedroom units which achieved a sale price of $1.035 million. The latter sold with a passing gross rental of $51,740 which equates to a yield of 5.0%.

1-8/4 Barrington Avenue, Semaphore South Source: realestate.com.au

The metropolitan market continues to be strained by a lack of both sales and rental stock. Investors should remain confident that the market is expected to grow, and rental demand should remain buoyant in the short to median term.

Nick Smerdon
Valuer

## Strata units provide an affordable entry price point for those making their first foray into the market.




1-3/10 Neville Avenue, Christies Beach Source: realestate.com.au

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# Western Australia - Residential 2024

## Perth and regions

The Western Australian residential property market has shown remarkable resilience over the past couple of years. Where other markets buckled under the weight of rising interest rates, Western Australia's lower entry costs acted as a notable outlier and investors poured into the state. In fact, they still are but locals are becoming increasingly aggressive in their pursuit of a successful property purchase.

Notably, active listings remain at near-record lows, with 3,738 listings recorded at the end of January. Although this figure represents a 2.5 per cent increase from December 2023, it stands 46.2 per cent lower than January 2023. Houses sold in a median of nine days in January, one day faster than December and 15 days faster than a year ago. The growing demand for units was reflected in falling time on market, recording a median of 13 days in January, compared with 43 days 12 months ago.

This competition for a very finite number of properties on the market is becoming evident as we track the median house price, which currently sits at $600,000, a 1.7 per cent increase from December's $590,000 and a notable 9.9 per cent surge compared to January 2023. Interestingly, units have been left behind in the scramble, with the median unit price experiencing a modest 0.5 per cent month-on-month uptick to $410,000, reflecting a 2.2 per cent year-on-year growth, despite days on market reducing from 43 days 12 months ago to just 13 days at present. While not evident in the median unit price data yet, our valuers are now reporting a significant uptick in activity and strong upwards pressure on values. Watch this space, as it feels like units are about to have their moment in the sun.

In regard to overall investor activity, the key factor worth mentioning first is that vacancy rates across all of Western Australia are extremely low and have been for several years. The January 2024 vacancy rate for the metro region stands at just 0.7 per cent, according to REIWA. This low vacancy rate is significantly below the balanced market range of 2.5 per cent to 3.5 per cent and has empowered landlords. The scarcity of rental properties has allowed landlords to raise rental prices, sometimes steadily but often dramatically, which in turn assists in improving the capital value of that investment property. Looking across the state, Albany, Bunbury and Geraldton are also experiencing vacancy rates at or below one per cent.

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 more affordably priced, and the strong rental market is resulting in higher than usual gross yields. Examples include Medina, Brookdale, Langford, and Armadale, which are exhibiting rental yields ranging from 6.0% to 6.4% at a median price of around $400,000. For units, suburbs such as Orelia, Bayswater and Glendalough stand out with yields ranging from 7.4% to 9.0%!

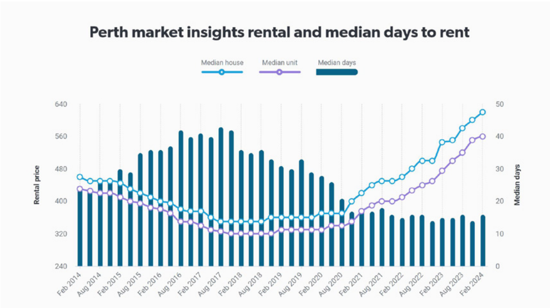
> Our valuers in the field are reporting high levels of eastern states buyer activity when sighting contracts of sale.

Another significant factor driving investor activity is the relative affordability of the property markets across WA compared to the eastern states. In February 2024, the median house price across Australia's combined capital cities was $944,229, whereas in Perth it stood at only $600,000.

Net migration is another key factor driving investment activity as it underpins rental demand. When people relocate to a new location, they generally rent before buying. According to the Australian Bureau of Statistics, more than 73,000 people migrated to WA in the year to June 2023. Given that the vacancy rate was already below one per cent at the time, and assuming there are 2.5 people per household, an additional 30,000 homes are required to house migration numbers at these levels. However, WA is building about 14,000 new homes per year, resulting in a substantial shortfall in housing supply. While building approvals are trending upwards month-on-month, this is largely driven by single dwellings due to the lack of viability for new unit projects in the current cost environment.

In January, rent prices in Perth continued their upward trajectory. The median weekly rent for houses rose to $640, showing a 3.2 per cent month-on-month increase and a significant 16.4 per cent jump from January 2023. Similarly, median unit rent also experienced growth, rising by 1.8 per cent over the month and 20.8 per cent over the year to reach $580 per week.

Several suburbs witnessed substantial growth in their




Rental Insights Source: REIWA

median weekly rent prices, including Attadale (up 35 per cent to $880), North Coogee (up 32 per cent to $790), Orelia (up 25 per cent to $520), Nedlands (up 22 per cent to $1,100), and Dianella (up 22 per cent to $700).

Regarding rental listings, there were 1,913 properties available at the end of January on REIWA, marking a 26 per cent increase from December and a 2.1 per cent rise from the previous year. While this increase offers some relief to tenants searching for a property, sustained growth in listings and vacancy rates is needed in order to predicate any significant shift in the rental market.

While rental returns dominate many discussions, investors should also be interested in the potential for value appreciation. The above fundamentals are likely to continue to place upward pressure on values into the foreseeable future across most markets in WA, noting however the lag impact of interest rate rises will start to bite. The year ahead will see the vast majority of the last ultra-cheap fixed rate loans expire, impacting cash flow for some investors, but the overall depth of demand for residential housing is expected to outpace any pain experienced in small sections of the market.

Within the metropolitan apartment market, investor activity is gaining pace rapidly, particularly in the $600,000 price bracket. Yields in this price bracket are often within the 6.5% to 7.0% range, and slightly higher in some cases. The reality is that most units in this price range are still transacting below replacement cost, indicating a lack of upcoming competing supply for some time, which will provide value support.

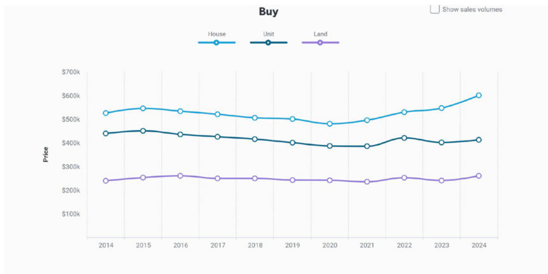
For example, a 2002 built three-bedroom, two-bathroom apartment at 16/18 Kingsbury Road in Joondalup sold for $401,000 in October. The apartment features 96 square metres of living with two car bays and communal facilities such as a swimming pool, barbeque area and gym. It is located within walking distance from Joondalup Train Station, North Metropolitan Tafe and Lakeside Joondalup Shopping Centre and sold with a lease in place at $500 per week, portraying a gross rental yield of 6.5%.

16/18 Kingsbury Road, Joondalup Source: RP Data

In East Perth, a 2014 built two-bedroom, two-bathroom apartment at 106/8 Adelaide Terrace also sold for $600,000 in October. The apartment features 107 square metres of living with one car bay and communal facilities such as swimming pool, barbeque area and hot tubs. The apartment sold subject to a lease at $850 per week portraying a 7.3% gross yield.


106/8 Adelaide Terrace, East Perth Source: RP Data

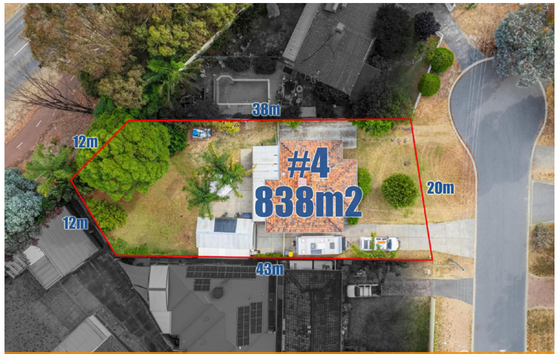
The growth rate for units has been quite subdued in comparison to the dwelling market, as depicted in this graph from REIWA. However, as stated above, the market seems to have gathered significant steam since January, and resales are indicating growth is occurring, but the volume of transactions at the lower end of the market is masking this in median price data. We expect the trend line will start to realign with the trend line for dwellings as we approach the middle of 2024.




Median Selling Price Source: REIWA

Moving into the outer areas of Perth, there was a distinct trend throughout 2023 where we witnessed an abundance of investors buying up older properties on larger blocks, often with subdivision potential, in suburbs such as Greenfields, Warnbro, Coolongup, Armadale, Gosnells and Midland. It was only a few years ago that the market was snubbing these suburbs, but the capital growth they delivered in 2023 was staggering.

In Armadale, located some 30 kilometres south southeast of Perth, 4 Coonong Place sold in December for $500,000 and was subsequently rented for $520 per week. This three-bedroom, one-bathroom home with approximately 115 square metres of internal living sits on an 838 square metre parcel zoned R15/25, providing subdivision potential.




4 Coonong Place, Armadale Source: RP Data

An interesting trend that has been playing out in recent times is investors targeting new builds that offer flexible living arrangements and superior rental returns, as the intention appears to be to rent individual bedrooms in a share house style scheme. These dwellings often feature ensuites in each bedroom, plus individual pantries and linen cupboards for each occupant. These are especially prevalent around Lakelands, a developing suburb just north of Mandurah.

One example that our team saw recently was a four-bedroom, four-bathroom design. With a build contract price of approximately $470,000 and a land cost of $200,000 for a 375 square metre allotment, the $670,000 cost is likely to generate $800 to $1000 per week in income on a 'per room' basis.

A slightly smaller example was for a three-bedroom, three-bathroom design with 111 square metres of internal living space sitting on a 250 square metre allotment. With a total cost of $505,000, we expect that if the whole house was offered for rent, it would achieve circa $570 per week, however this could well be increased should the landlord choose to rent out each individual room for circa $220 to $250 per week.

In a similar fashion, properties with granny flats or with room for granny flats are also attracting attention due to the additional income potential. 6 Redcliffe Road in Greenfields sold in November for $465,000. This two-bedroom, one-bathroom cottage on 842 square metres has been updated internally and also provides a self-contained granny flat at the rear, each with a rental estimate of circa $380 to $420 per week and $250 to $300 per week respectively.

6 Redcliffe Road, Greenfields – main dwelling Source: RP Data

6 Redcliffe Road, Greenfields – granny flat Source: RP Data

On the topic of granny flats, the WA Government has introduced relaxed amendments to the Residential Design Codes (R-Codes) relating to ancillary dwellings in an effort to increase housing choice and supply within our pretty dire housing crisis. Where previously the design code required minimum lot sizes and planning approvals for granny flats, the government has scrapped these prerequisites, removing unnecessary red tape and allowing a more streamlined approval process. Granny flats will still need to adhere to local setback requirements and maximum dwelling size of 70 square metres, however instead of needing both planning and building permission, only the building approval will be mandatory to ensure safe construction, with approval anticipated to take a maximum of 10 business days. This announcement is likely to lead to a further surge in the granny flat market which has already felt increased demand since the last adjustment to restrictive regulation policies, permitting ancillary dwellings to be rented to everyday tenants, not just limited to extended family members. While the

Where previously the design code required minimum lot sizes and planning approvals for granny flats, the government has scrapped these prerequisites, removing unnecessary red tape and allowing a more streamlined approval process.

relaxation in approvals may create consternation for some neighbours, it does appear to be a practical solution in a city with larger average land areas per property than most other capital cities.

Taking a look at our regional counterparts, let's start up north in Port Hedland, which has continued to perform well with both Port Hedland and South Hedland experiencing reasonable levels of growth and sustained pressure in the rental market. South Hedland is experiencing a surge in investor activity as newer built products in the sub $600,000 price bracket with long term tenants have been highly sought after, as have smaller apartments with lower entry prices.

A one-bedroom, one-bathroom apartment at 4/26 Somerset Crescent in South Hedland sold for $249,000 in October, with a lease in place at $525 per week, representing a gross 11% rental yield.

4/26 Somerset Crescent, South Hedland Source: RP Data

Moving south, Karratha has experienced a rise in investor activity by mum and dad investors over the past six months, particularly in the apartment space on the back of rising rents. Hot spot suburbs that are highly attractive are Baynton and Pegs Creek (Karratha town centre). The sub-$500,000 price bracket is proving to be the most attractive as yields tend to be in excess of 10% gross, with rental prices exceeding $1000 per week.

A two-bedroom, two-bathroom apartment at 110/23 Sharpe Avenue in Pegs Creek sold for $470,000 in September. The complex features communal facilities such as a barbeque area, swimming pool and gym and is conveniently located opposite a shopping complex. The apartment was sold with a lease in place until June 2024 paying $1000 per week, representing a gross yield of 11%.

110/23 Sharpe Avenue, Pegs Creek Source: RP Data

In the Geraldton market, there has been a noticeable shift in investor activity, led by increased interest from eastern states investors. Investors in Geraldton do not exhibit a strict preference for any specific property type. Instead, they prioritise properties with established rental histories that demonstrate strong returns on investment.

Reflecting this trend, REIWA indicates that the median price of properties in Geraldton has risen by 4.1 per cent compared to the previous year, reaching $385,000. Simultaneously, the median weekly rental rate has experienced a notable surge of 18.4 per cent year-on-year, reaching $450 per week. With ongoing local infrastructure projects like the Port Maximization Project driving development in the area, it is anticipated that this upward trajectory will continue throughout 2024.

A recently purchased example at 53 Abelia Street in Rangeway features an 84 square metre dwelling with three bedrooms and one bathroom, built in 1968 on a 774 square metre block of land. It includes a carport and garden shed. The location is convenient for access to a medical centre, shopping centre, schools, bus routes, and parks. It sold in November for $188,000 and it was rented out in January 2024 for $360 per week, leading to a gross approximate return on investment of 10%.

53 Abelia Street, Rangeway Source: RP Data

Investors in Geraldton do not exhibit a strict preference for any specific property type. Instead, they prioritise properties with established rental histories that demonstrate strong returns on investment.

A 2008-built house 38 Ego Creek Loop in Waggrakine sits on a 721 square metre lot with a 117 square metre building area and offers four bedrooms and two bathrooms, alongside a separate living area, patio, and backyard complete with a garden shed. Its location is conveniently close to schools and just a short drive to the shopping centre. It was sold for $355,000 in September 2023 and rented out for $570 per week starting January 2024, leading to a gross approximate return on investment of 8.3%.

38 Ego Creek Loop, Waggrakine Source: RP Data

The Goldfields region has received plenty of media attention in recent times, as the challenges facing the nickel industry come to the fore. However, our valuers on the ground are reporting that investor activity remains strong, due to a robust gold industry and significant pressure on the employment market. It feels like every industrial property we drive past has a 'positions vacant' sign out the front.

From an investment point of view, there is significant interest in the sub $400,000 unit market, and especially so in the sub-$250,000 unit market, which has been hot for a while, but the lack of supply is now leading to price growth.

In town, a 1997 built two-bedroom, one-bathroom townhouse at 7/191 Egan Street is currently advertised for rent at $550 per week. The unit features a renovated kitchen, communal laundry, private courtyard with garden shed and one open car space with 74 square metres of living. The property was previously sold in May 2023 for $225,000 showing a potential gross rental return 13%.

7/191 Egan Steet, Kalgoorlie Source: RP Data

Within the suburb of Somerville, 21/3 Great Eastern Highway, a 2007 built two-bedroom, one-bathroom villa, sold for $260,000 in December. The property features a long-term tenant paying $480 per week, representing a 9.5% gross rental yield.

21/3 Great Eastern Highway, Somerville Source: RP Data

The Southwest region of WA continues to be a hive of investor activity, particularly within the Bunbury region, which appears to have been earmarked as a hotspot due to low entry prices coupled with high rental returns. Local agents are reporting high demand from buyers' agents representing investors from interstate, with a good portion of stock being purchased sight unseen. Investors appear to be active in the sub $600,000 market across the region, with particularly high activity in the newer areas such as Treendale (Australind), Eaton and Dalyellup.

In other major centres in the South West, including Greater Busselton and Margaret River, investor activity is much less prominent with the majority of purchases being for owner-occupiers. Interestingly though, there is some evidence of investor activity in the Dunsborough/Yallingup market, however this is qualified as short- to medium-term investors with a view to move to the region in five to 10 years' time and then owner occupy. In the meantime, these properties are being made available for either Airbnb/short-term or permanent letting.

Historically, the inland towns in the South West have had little investor activity and this remains the case for the most part. The exception is Bridgetown, which has seen an increase in investor activity over the past two years as a result of expansion in the lithium mine in nearby Greenbushes. Affordable house prices and high rents make for an attractive investment, such as 107 Blackwood Road in Greenbushes, a three-bedroom, one-bathroom 1950s cottage that sold in September for $295,000 and was subsequently rented for $420 per week, showcasing a 7.4% yield.

107 Blackwood Road, Greenbushes Source: RP Data

30 Golf Links Road, Middleton Beach Source: RP Data

Moving south and east to the Great Southern, investors have been competing with owner-occupiers in Albany for a while now, given tight rental supply leading to tenants opting to purchase, particularly within the more affordable price brackets.

An interesting investor case study however is that of 30 Golf Links Road in Middleton Beach. This original character cottage with two bedrooms and one bathroom went to auction in December, achieving a sale price of $1.01 million with a tenant in place until January. It has been listed for rent again at $340 per week, a relatively minor yield, however the long-term yield opportunity is high when you consider that the sale price predominantly reflected land value, a 1012 square metre parcel zoned R40/60 and Tourism, allowing up to four residential or six tourist dwellings to be built (subject to council approval).

In summary, we anticipate another strong year for investors in the WA residential property market. While growth has been strong in many markets, there are many obvious opportunities that have either underperformed to date, or where significant supply has kept values low, but that supply has now been absorbed.

Chris Hinchliffe
Director

# Northern Territory - Residential 2024

## Darwin

Darwin has always been popular for investors chasing high yielding assets. The typical gross returns in Darwin and the surrounding suburbs can exceed 7.0% to 8.0% for units and 5% to 6% for detached housing which can be attractive to investors who often find yields being much tighter in their local markets.

Darwin could be regarded as the affordable capital in 2024 with median house prices sitting at around $560,000 according to the most recent release of the RELM magazine produced by the REINT. $560,000 is still below the peak of the market in the first half of 2014 and lower than the other capital cities.

With relative affordability, tight rental markets and higher yields the Darwin market is well positioned for investors. The typical investor is chasing higher yielding modern assets so they can take advantage of the depreciation along with having the security of the higher rental returns servicing any loan obligations. Local real estate agents have anecdotally indicated there has been an uptick from investors from Victoria with Darwin seen as a more investor friendly location, however this has just been in passing conversation.

The type of property is heavily dependent on the budget for the investor with the most likely purchasers entering the Darwin market being the 'mum and dad' investor, something that is newer and regarded as low maintenance being the pick.

Dwellings in the newer land subdivisions such as Muirhead/Lee Point in the northern suburbs and Zuccoli in Palmerston are the typical locations for investor stock for detached housing. There are recent sales of DHA leased properties within the suburb of Muirhead selling at 6.0%-plus gross passing yields with multiple years left on the lease. These dwellings are seven to 10 years old with a typical level of finish. The agents who sold these properties indicated they were sold within two to three weeks of being on the market with the purchasers both local and interstate investors.

Zuccoli in Palmerston is a new suburb which commenced development in 2014/15. The suburb is modern with the vast majority of dwellings on 400 to 500 square metre allotments. A typical three-bedroom dwelling in Zuccoli will sell for mid to high $500,000 and will often rent for $650 to $700 per week which represents a passing yield of 6.0% to 6.5%.

In the unit market the typical locations in and immediately around the Darwin CBD are popular as well as the CBD itself. Suburbs around the Northern Beaches (Nightcliff, Rapid Creek) also tend to be high on the list for investors. The vast majority of this market are units constructed from the mid 90's to the mid 2010's and offer gross rental returns in the range of 6.0% to 7.0%.

The unit market has seen an influx of investors converting their properties into short term rentals over the past two years with high nightly rates and near

Darwin unit views Source: realestate.com.au

zero vacancies throughout the dry season making this a somewhat lucrative option for investors. Anecdotal evidence suggests that 70% to 80% of the annual rental income can be generated in the five months of April to September if you are operating an Airbnb. With the new entrants in the market, we may see an oversaturation and the returns generated through 2022 and 2023 not likely to be achieved in 2024.

Hidden or unexpected costs can sometimes be overlooked by newer entrants to the market and can catch some out. The additional cleaning, maintenance and laundry costs associated with running an Airbnb are often under budgeted. Converting your rental to a short-term rental ensures that you will be far more hands on with your investment and the thought that this will be some additional passive income quickly subsides.

This has seen the emergence of Airbnb managers or super-hosts in Darwin with many companies and individuals offering this service. The fees can range from 15 per cent to 25 per cent of gross rental income. These additional costs as well as management fees need to

> With relative affordability, tight rental markets and higher yields the Darwin market is well positioned for investors.

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be well considered before jumping into this segment of the market to see whether the additional rental income likely generated will cover the additional costs and time put into the investment.

Cameron McDonnel
Valuer

## Alice Springs

The Alice Springs residential property market has had declining interest from investors over the past 12 months. Despite having relatively strong rental yields when compared to other regional centres across Australia, the property market in Alice Springs is dominated by owner occupiers.

Crime and anti-social behaviour throughout Alice Springs have been thrust into the spotlight over the past 12 to 24 months with evidence suggesting people from other parts of Australia are showing reluctance to relocate to Central Australia for work or lifestyle. As a result, we have seen vacancy rates skyrocket. According to REINT, the vacancy rate for dwellings in Alice Springs currently sits at 9.1 per cent which is an increase of 6.9 per cent over the past year, and sits far higher than the other major markets in the Northern Territory. This trend is a worrying sign for potential investors.

In addition to an increasing vacancy rate, the prospect of capital growth for investors in Alice Springs is not promising. The median house price continues to fluctuate with the most recent quarter showing a decrease of 4 per cent to $505,000, with an annual change of -1.6 per cent. On a brighter note, the median unit price has increased by 7.4 per cent, however is still down 8.9 per cent over the past year.


6/6 Stephens Road, Mount Johns Source: realestate.com.au


6/6 Stephens Road, Mount Johns Source: realestate.com.au

According to REINT, the average rent for a two-bedroom unit in Alice Springs is $450 which provides an average yield of 6.7% per cent, slightly higher than inner Darwin at 6.4%, however still lower than Katherine at 7.9% for the same product.

The suburb of Mount Johns in southeast Alice Springs continues to be a suburb of interest for investors who are drawn to its high population of public servants and attractive yields. For example, the below ground floor studio at 6/6 Stephens Road, Mount Johns recently sold on 2 June 2023 for $192,000 with a lease in place at $350 per week, equating to a gross yield of 9.48%.

Overall, investor activity in Alice Springs looks to remain low in the near future with a number of key trends needing to shift in order for investors to become prominent in the market again.

Anthony Kennedy
Valuer

Despite having relatively strong rental yields when compared to other regional centres across Australia, the property market in Alice Springs is dominated by owner occupiers.

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# Australian Capital Territory - Residential 2024





## Canberra

The last 12 months for investors have been a difficult journey with many obstacles to overcome particularly the numerous interest rate rises. The Canberra market has been unforgiving however it looks as though we may be past the destructive housing market downturns and are now on the rise to somewhat of a market recovery.

Canberra compared to other national cities has an increasing housing supply which is led by units, apartments and townhouses. This increase in housing supply has been met by a decrease in housing affordability due to recent interest rate rises and the continuing high prices. This has resulted in investors holding back over the past six months however with a predicted rise in the property market as 2024 continues investors will look to get back into the market.

Traditionally houses in Canberra have been the chosen stock for investors. However, investors over the past 24 months have been inclined to heavily invest in townhouses and units as the level of stock for these dwellings has increased. ANZ predicts a four to five per cent rise in house values in 2024 and a three to four per cent rise in 2025 which could get the Canberra market back to where it was in 2022.

There has been a noticeable shift from investors and buyers from wanting homes that have the potential to renovate to looking for homes that require limited or no renovations. Mario Edwards CEO of REIACT stated "I think there is opportunity right now for investors in properties that have good fundamentals, good bones, good locations, knowing over time they can make changes to increase the appeal of the home".

The change to the Territory Plan which allows blocks over 800 square metres to build a second residence will also considerably increase the number of homes in Canberra which will positively influence the market. This change was introduced in late 2023 so we will start to see the positive effects this will have on Canberra's housing market.

The median weekly rent for houses in Canberra is $675 which is a -2.18% rent change from 2022, and median yield is sitting at 3.61% (realestateinvestor.com.au). With the predicted market increase let's see which suburbs investors will look to in 2024.

Downer located in Canberra's inner north is sitting on prime real estate with close proximity to Canberra's city centre. Downer is a popular choice for investors particularly given proximity to the light rail along Northbourne Ave and the sought-after schools in adjacent suburbs.

Phillip is the hot spot of South Canberra and with many attractions and the second stage of the light rail infrastructure project it possesses potential for investment opportunity. Surrounding suburbs such as Hughes, Garran and Curtin also have investors' eyes with their steady investment return due to the upgrades of the local hospital.

Kingston and Griffith are again popular choices for investors with their prime location and close proximity to the defence offices and parliamentary triangle.

As mentioned above Canberra has seen a switch in traditional investments with the increased supply of townhouses and units. The median weekly rent for townhouses is $620 and median yield of 4.48% with no rent change from 2022. Units are on the rise with a median weekly rent of $530 (a 1.92% rent change from 2022) and median yield is 5.13%.

Again Phillip is a popular location for investors looking at townhouses and units. Phillip also possesses high quality townhouses and lower density unit buildings which will be a quality asset compared to the high number of townhouse and unit block being built currently around Canberra.

Canberra's CBD shows unit prices remaining stagnant due to the increased supply of units in the CBD and surrounding areas such as Dickson. Inner south suburbs such as Kingston and Barton continue their trend in being popular for investors due to location and price range.

The change to the Territory Plan which allows blocks over 800 square metres to build a second residence will also considerably increase the number of homes in Canberra which will positively influence the market.

The top five suburbs in Canberra with the best unit rental yields from October 2022 to October 2023 were Gungahlin 6.1%, Braddon 5.7%, Belconnen 5.6%, Franklin 5.6% and Lyons 5.5% (Corelogic). These suburbs will be considered by investors looking to take advantage of Canberra's growing rental market.

Canberra is a unique property market that as shown is predicted to have an increase during 2024 and into 2025. With its strong rental market, growing house prices, new developments and recent government plan changes it possesses an attractive opportunity for investors within the next 12 months. However, like all property markets, it does involve some risks with the potential of another interest rate rise. Canberra is the perfect opportunity for investors with its developing landscape and increase in property market so pay attention to what arises throughout 2024.

Michelle Akhmediev
Director

Angus Howell
Director

# Tasmania - Residential 2024

## Hobart

Investors are starting to slowly return to the market, particularly in the lower priced suburbs on the outskirts of Hobart. Areas with all necessary amenities and good public transport are of particular interest.

Northern suburbs like Glenorchy, Moonah and West Moonah and Lutana (and surrounds) are lower priced localities where everything is in proximity.

We are seeing a return of investors taking the plunge to construct two residences on a single title and strata titling upon completion. Previously these forms of investments were put on hold.

Some prudent people are constructing their principal residence to the rear of the development and providing a smaller unit to the front and benefiting from a rental return to support their mortgage repayments. The initial investment will generally exceed $1 million to $1.2 million, but in the event of the predicted interest rate decreases there is a reasonable chance of increased equity for future investments.

Rental prices appear to have plateaued, however rental vacancies are still at very low rates and in high demand. With the perception that interest rates will drop later this year (who knows by how much, some say one drop, others say three), this will in turn chew up the current supply of properties on the market and in turn may put upward pressure on house prices in the short to medium term. There are also predictions of three more interest rate reductions in 2025. This will almost bring the cash rate back to pre-Covid times when there was a sense of normality.

Confidence is growing in the Hobart market with many people testing the waters to see how much equity they have in their principal place of residence, playing with the thought that they may enter the investor market.

The “Bank of Mum and Dad” is also a common reason valuations are being undertaken to assist their children into the market.

What happens next is primarily what decisions come from the RBA with regards to interest rates.

Watch this space!

Mark Davies
Valuer

The initial investment will generally exceed $1 million to $1.2 million, but in the event of the predicted interest rate decreases there is a reasonable chance of increased equity for future investments.

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# Agribusiness

March 2024

# Australian Horticulture

In the fresh fruit and almond sector, there has been a high reliance on exports for over 20 years, with many industries having successfully invested in developing strong markets in key South-East Asian countries. These strong export markets meant that many producers in southern Australia enjoyed a period of generally strong returns between 2015 and 2020.

However the last three years have been characterised by disruption to some of these export markets, which has impacted on grower returns. Above average rainfall in 2021 and 2022 also impacted on crop yields and quality.

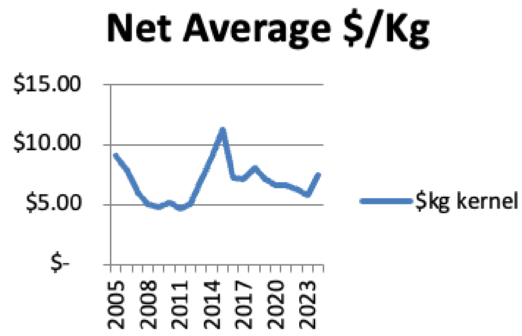
In southern Australia the key crops, in terms of gross value, are almonds, table grapes, citrus, stone and pome fruit and wine grapes.

Almonds

John Gunthorpe,
Agribusiness Director

The almond industry is coming off a year of below average yields and low global pricing, with most Australian growers receiving less than $6 per kilogram in 2023. Global almond prices have a history of being highly volatile, largely influenced by Californian production. After peaking at around $11 per kilogram in 2015, grower returns fell to below $6 per kilogram in 2023. There are now some reports of reduced Californian production and higher export demand, which is expected to increase prices received by Australian growers in the coming year. Select Harvests Ltd recently announced to the market that they expect pricing to increase to over $7.50 per kilogram in the coming year.

A chart showing the trend in average grower payment over the past 18 years is included below.




Almond price trend Source: HTW

Assuming the forecast improvement in global price comes to fruition in 2024, it is expected that grower confidence will recover. There was one significant almond orchard sale in 2023 – "Brownport Almonds", located near Mildura, which was purchased by Warrakirri Asset Management subject to a long term leaseback agreement.

Meanwhile a 315-hectare young almond orchard at Red Cliffs, just to the south of Mildura, is currently being marketed for sale by CBRE and will hopefully provide a good indication of current value levels.

Table Grapes

The table grape industry has also experienced mixed fortunes in the past three years, with most growers receiving lower average prices per kilogram and incurring higher export freight costs.

A chart depicting the trend in table grape export volumes is included below:

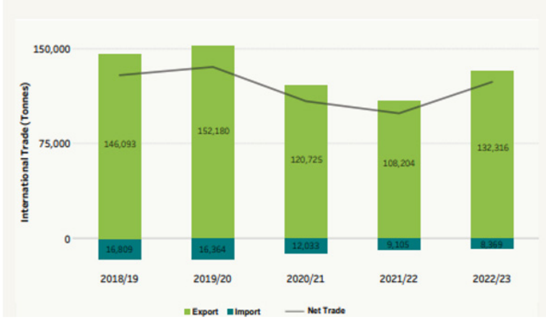



Table Grape Export Volumes Source: HTW

Table grape exports peaked at 152,000 tonnes in 2019/20 with a reported value of $623 million, before declining in the following two years to be 108,204 tonnes in a Covid affected 2021/2022. Exports increased

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in 2022/23 to 132,316 tonnes, with a reported value of $557 million.

The 2024 harvest is currently underway, with reports of slightly below average yields and export prices that are similar to 2023. It is expected that growers who are consistently able to produce high quality fruit will obtain reasonable export returns, while returns from secondary fruit are expected to be low. The one positive has been more plentiful seasonal labour, which has seen a slight reduction in harvest costs.

There are a number of table grape vineyards in the Sunraysia region currently being quietly marketed, suggesting that a number of growers are experiencing some financial duress. Two secondary vineyards have sold in the last six months at opportunistic prices, purchased by local growers intending to redevelop them to new varieties.

### Wine Grapes

The industry remains firm across the premium cool climate regions of Australia with fruit prices expected to remain relativley stable as we move into the 2024 vintage. Premium vineyard and cellar door assets across Victoria, Tasmania, South Australia and Western Australia remain tighlty held with a small number of transactions having taken place over the past 12 months.

The recent acqusition by Warakirri Asset Management of the Amadeus & Smithbrook Estate in the Margerat River and Pemberton regions respectively on sale and leaseback arrangements for $22 million reinforce the strength of this market.

Challenges remain for the larger inland growing regions and whilst the potential opening up of the Chinese market does provide some cause for optimisim, given the current level of back vintages held in tank farms, it will likely take a number of years to sell this stock down. Nuveen Natural Capital's recent purchase of a large winegrape vineyard at Heathcote from Treasury Wine Estates does provide some hope that investors believe we are through the worst in this market.

In Tasmania, whilst few transaction occur each year, the market has continued to strengthen with the major wine companies competing for exposure to the Tasmanian market and Tasmanian fruit. The recent sale of Brownwood Estate in the Coal Valley has set a new Tasmanian record for a vineyard on a planted hectare basis. The property was purchased by Endeavour Drinks for $5.6 million which reflects $250,000 per hectare for Pinot Noir, Chardonnay and Riesling planted in 2019.

Brownwood Estate — Source: Langley & Co

Whilst recent wet vintages have compressed the crush which has helped maintain healthy prices for fruit, given the continuing flight to quality at the retail level, we expect the cool climate wine regions to remain firm over the coming 12 months.

### Citrus

The citrus industry in southern Australia has been focused on export markets for a long time, and growers have mostly been well rewarded when they produce high quality fruit which reaches the right market. However the industry has experienced a number of challenges in the past three years, mainly in relation to lower export volumes and prices, and higher shipping costs.

Successive years of above average rainfall also affected rind quality and caused significant claims.

The national citrus crop value in 2022/23 is estimated to be $933 million, of which $441 million was generated from export markets. However the quantity of fruit exported in 2022/23 was around 50,000 tonnes lower than in the peak year of 2019/20.


Source: Australian Horticultural Statistics Handbook 2022-23

There is some optimism in the industry that the drier weather this year may improve fruit quality and that demand will still be strong from some of the export markets.

There has been one recent significant citrus orchard sale at Tooleybuc, which showed similar levels to what was observed two-to-three years ago. Several good standard orchards in the Murrumbidgee Irrigation Area are currently being marketed and if sold will help determine current value levels.

### Queensland

Relative to the 2021/22 period, the 2023 year saw a more subdued level of activity throughout the Queensland horticultural markets as the impacts associated with



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the rising cost of production created further bottom line pressure and diminished the yield profile for these intensively managed assets.

Despite this, it appears the buyer appetite remains sound with corporate capital still actively pursuing these interests, although due to the previously mentioned factors, securing long term tenants has been a critical challenge.

Recent Queensland sales of note include:

$5 million to $10 million:

- Southern Queensland avocado farm sells to show $120,000/ha for the planted orchard
- Central Queensland avocado orchard sells for $8M to show $138,000/ha
- Southern Queensland protective cropping asset sells to corporate interests to show 8% yield.

$10 million-plus:

- Local Bundaberg cane farming family sells 1700ha of land to corporate interests for in excess of $40M for conversion of use to macadamia nuts.
- Macadamias Australia portfolio at Bundaberg sells for circa $150 million
- Evergreen Farms at Emerald sells for circa $50 million to corporate interests for redevelopment.

Overall it appears that corporate capital remains present and is attracted to assets like macadamia nuts which are largely mechanised and have less exposure to manual labour, in contrast to traditional permanent crop assets which are feeling the compounding effects of recent superannuation and IR reforms.

Northern Territory & WA

There have been limited sales of commercial scale irrigation properties in the NT over the last two years, however over the border in Kununurra's Ord River Irrigation Area (ORIA) the market for irrigation country has been far more active.

In the NT supply for cleared arable land with water licence in place (or potential for a licence) has been very tight over this period. The most notable sales have been "Roper Plains" in late 2022 comprising a defunct Indian Sandalwood property near Mataranka which was sold to an established melon farmer from the Riverina but who also has experience growing melons in the Douglas Daly.

The buyer will redevelop the irrigation area (around 700 hectares) removing the young Sandalwood trees and host trees and utilise the existing bores and main lines to drip irrigate melons. The sale would probably owe the buyer at least $13,000 per hectare once rehabilitation of the land is taken into account.

The same buyer was also part of a consortium with South Australian farmers who were successful in a tender process to develop the Larrimah Agricultural Precinct offered by NT Land Corporation. The 5712 hectares of predominantly virgin land of which a little over a third is arable will be developed by the proponent for melons and will also trial other broadacre crops under a long term lease to NT Land Corp.

Despite the ongoing tight supply of irrigable land there remains demand from interstate and international farming interests looking for "relatively cheap" farming country suitable for cropping the potential new staple crop for the Northern Territory – dryland cotton.

Roper Plains Source: Elders

There is a growing belief by farmers, mainly from Queensland and New South Wales that their cash flow from cotton can be underpinned by having either dryland (rain fed) country in the Katherine-Daly basin given relatively safe wet seasons, or over the border in the ORIA given its secure water supply for irrigated cotton. In the NT potential buyers are hunting for land for dryland cotton with around 1200mm mean annual rainfall. Therefore, the perceived ideal location is in the Douglas Daly region (1230 mm mean per annum) compared to Katherine say, where the mean annual rainfall is 950 to 1050mm and the first rains typically start a few weeks to a month later than in the Douglas Daly. A secure groundwater supply is also in high demand to use as "supplementary" irrigation which reduces the risk profile of the dryland cotton farming.

Over in the ORIA there has been a good amount of sales activity driven mainly by available supply of some ex Indian Sandalwood properties which have come to market and sustained early demand for land suitable for cotton.

The most notable sales have been a 350 hectare-plus black soil flood irrigation property in the Packsaddle Road locality showing around $18,000-plus per hectare (inclusive of water); there were three sales

It appears that corporate capital remains present and is attracted to assets like macadamia nuts which are largely mechanised and have less exposure to manual labour.

Over in the ORIA there has been a good amount of sales activity driven mainly by available supply of some ex Indian Sandalwood properties which have come to market and sustained early demand for land suitable for cotton.

between May and September 2023 to the same buyer (a Queensland farmer with extensive farming interests) of three adjoining black soil flood irrigation properties (from three different vendors) with combined area of around 945 hectares which showed between $19,000 and $20,000 per hectare after allowing for remediation of existing Sandalwood and host trees.

More recently and another 360-hectare black soil irrigation block in the Packsaddle Road area sold showing around $15,000-plus per hectare. All these flood irrigation sales were inclusive of water at 17ML per hectare per annum. We note that a key component driving this activity has been the commitment to building the $60 million cotton gin 12 kilometres north of Kununurra. This project is now underway and completion is scheduled for mid 2025. Back in the NT the new $70 million cotton gin 30 kilometres north of Katherine was officially opened in December and has capacity to produce between 150,000 and 20,000 bales per year.

# Property Market Indicators

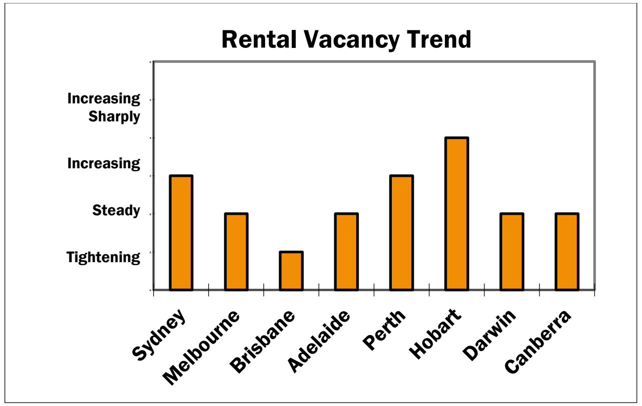
March 2024

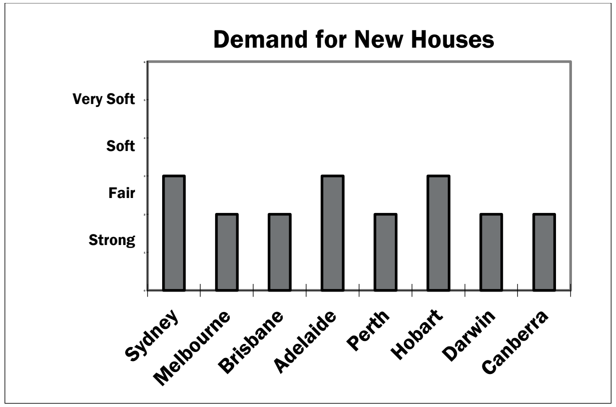
# Capital City Property Market Indicators – Houses

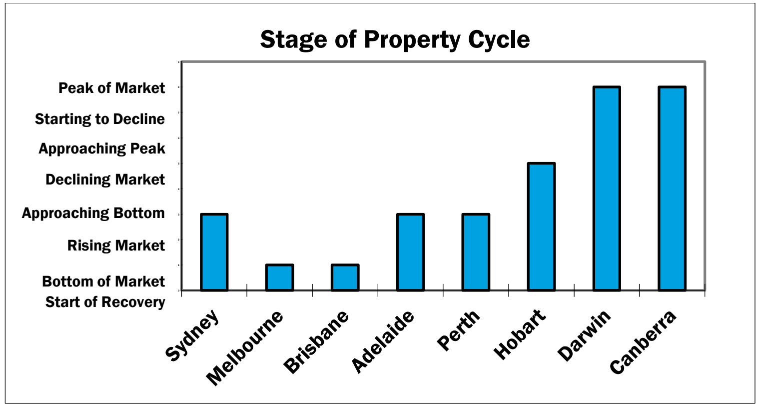
| Factor | Sydney | Melbourne | Brisbane | Adelaide | Perth | Hobart | Darwin | Canberra |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Balanced market | Shortage of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Steady | Tightening | Tightening sharply | Tightening | Steady | Increasing | Tightening | Tightening |
| Demand for New Houses | Fair | Strong | Strong | Fair | Strong | Fair | Strong | Strong |
| Trend in New House Construction | Steady | Increasing | Steady | Increasing | Declining | Increasing | Declining | Declining |
| Volume of House Sales | Steady | Steady | Increasing | Declining | Steady | Declining | Steady | Increasing |
| Stage of Property Cycle | Rising market | Start of recovery | Start of recovery | Rising market | Rising 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*



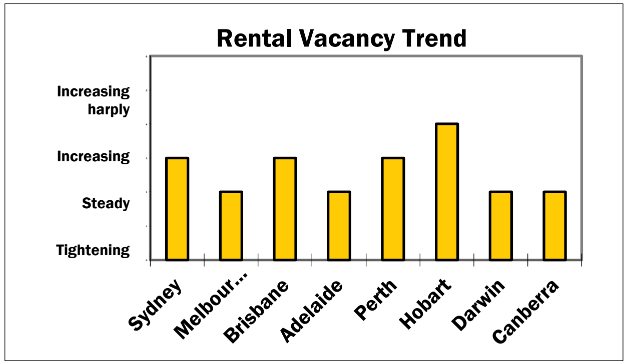



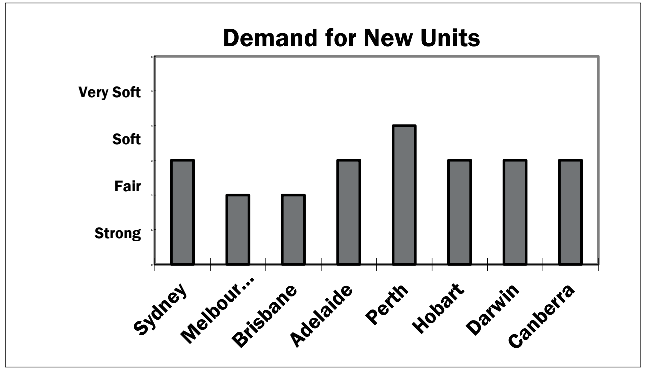
## Capital City Property Market Indicators – Units

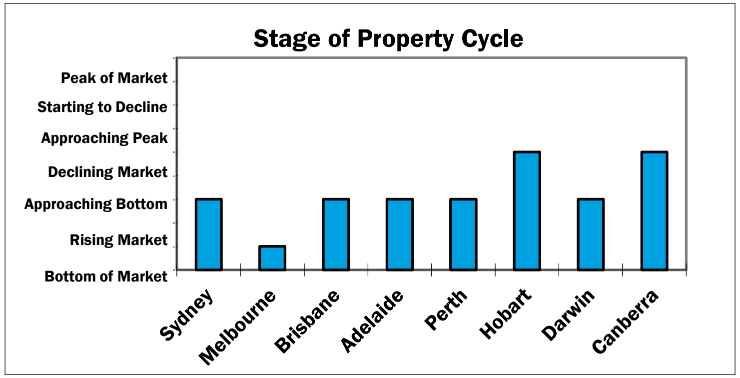
| Factor | Sydney | Melbourne | Brisbane | Adelaide | Perth | Hobart | Darwin | Canberra |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property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

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

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



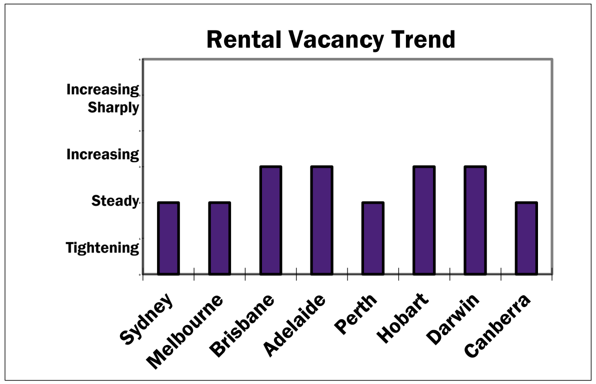



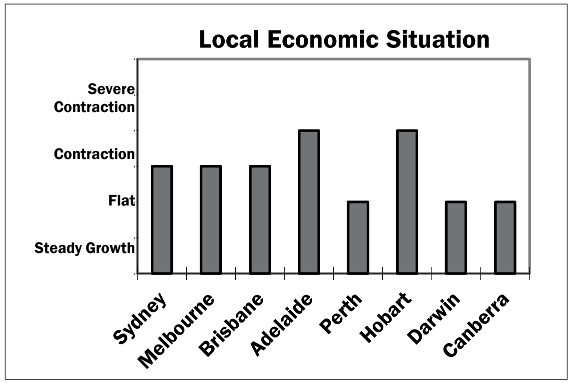
# Capital City Property Market Indicators – Industrial

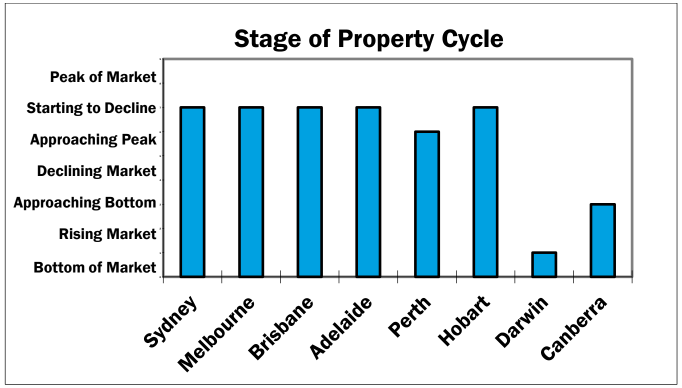
| Factor | Sydney | Melbourne | Brisbane | Adelaide | Perth | Hobart | Darwin | Canberra |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative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

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

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



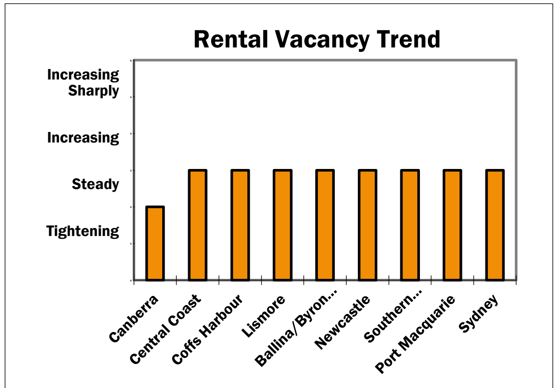



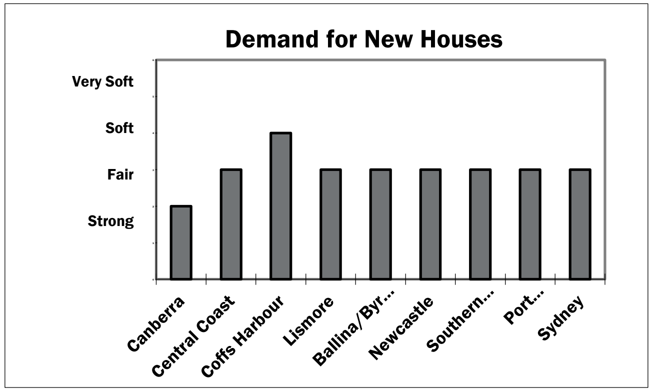
# East Coast New South Wales Property Market Indicators – Houses

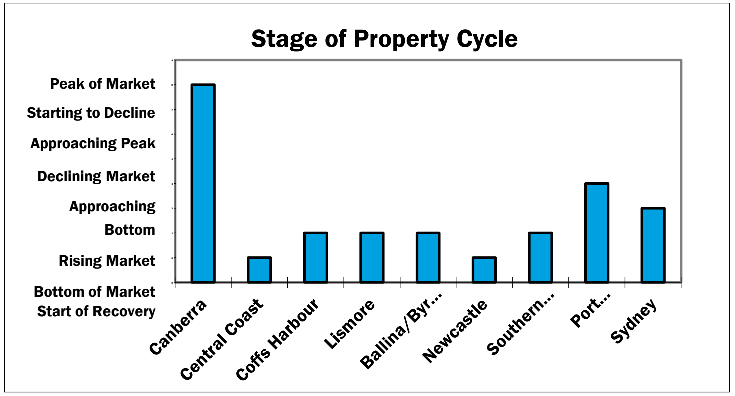
| Factor | Canberra | Central Coast | Coffs Harbour | Lismore | Byron Bay/Ballina | Newcastle | Southern Highlands | Port Macquarie | Sydney |
|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Shortage of available property relative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

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

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



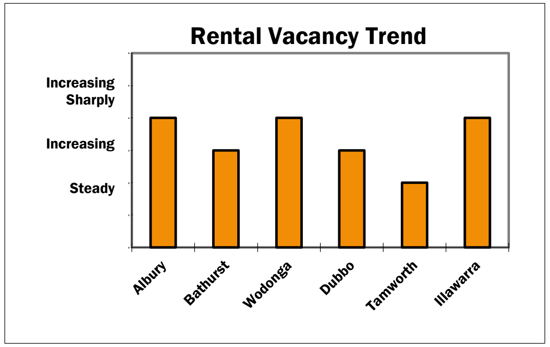



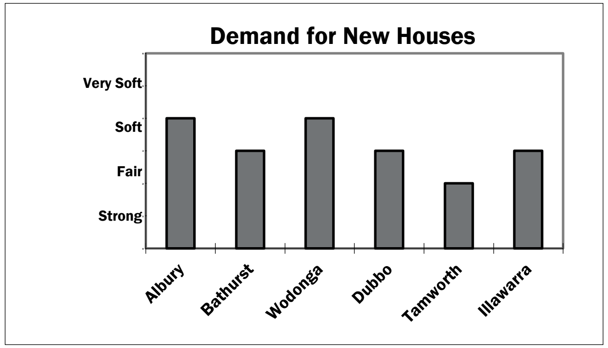
# Country New South Wales Property Market Indicators – Houses

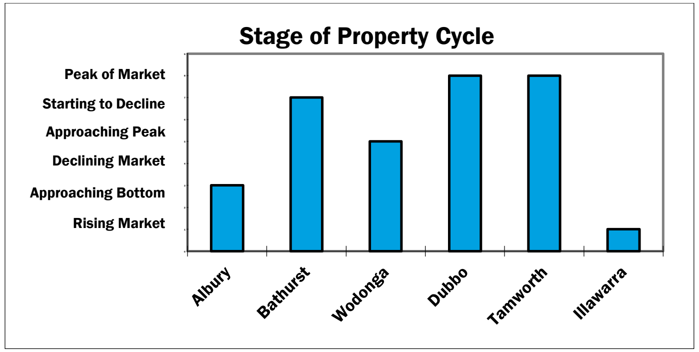
| Factor | Albury | Bathurst | Wodonga | Dubbo | Tamworth | Illawarra |
|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Over-supply of available property relative to demand | Balanced market | Over-supply of available property relative to demand | Balanced market | Shortage of available property relative to demand | Balanced market |
| Rental Vacancy Trend | Increasing | Steady | Increasing | Steady | Tightening | Increasing |
| Demand for New Houses | Fair | Soft | Fair | Fair | Strong | Fair |
| Trend in New House Construction | Steady | Increasing | Steady | Steady | Steady | Steady |
| Volume of House Sales | Declining | Steady | Declining | Increasing | Steady | Steady |
| Stage of Property Cycle | Approaching bottom of market | Starting to decline | Declining market | Peak of market | Peak of market | Start of recovery |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | 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*



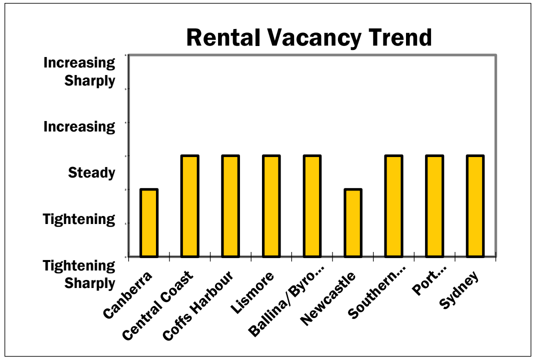



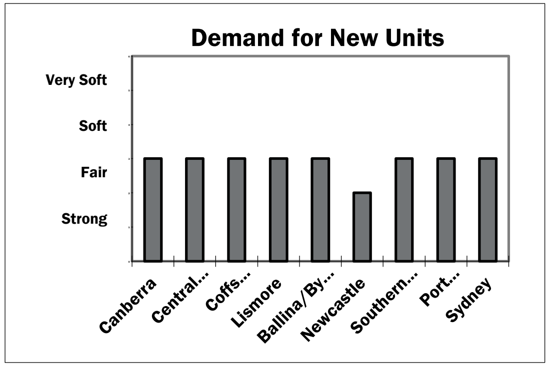



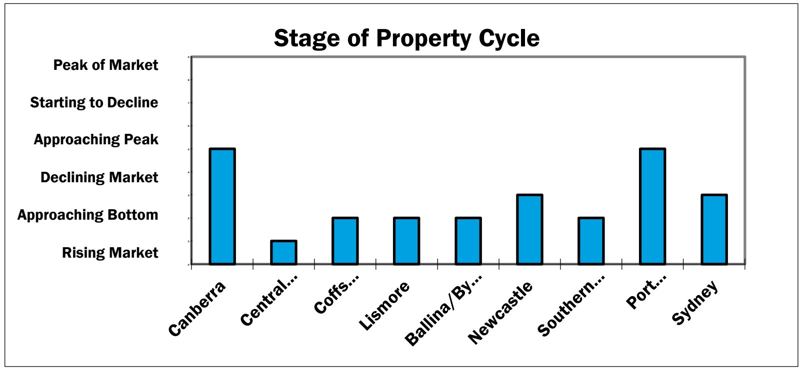
# East Coast New South Wales Property Market Indicators - Units

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

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



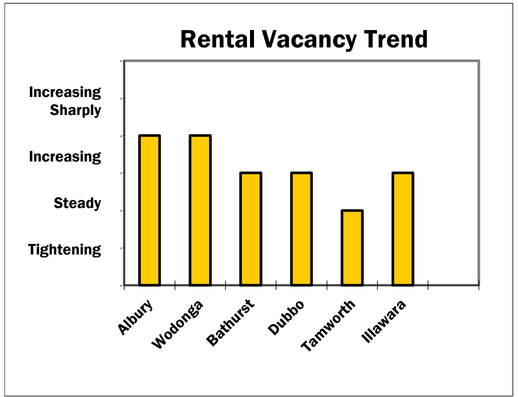



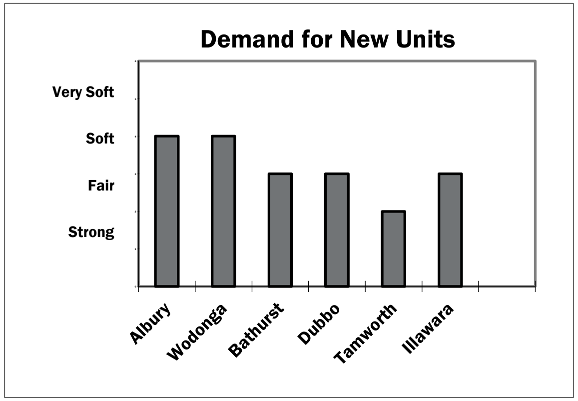
# Country New South Wales Property Market Indicators - Units

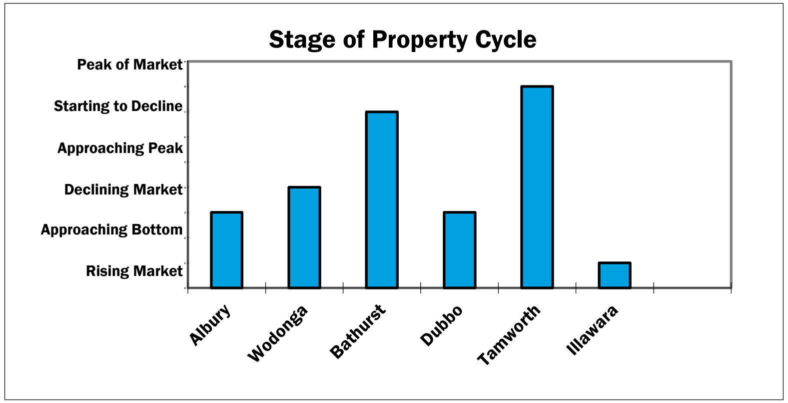
| Factor | Albury | Wodonga | Bathurst | Dubbo | Tamworth | Illawarra |
|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Over-supply of available property relative to demand | Over-supply of available property relative to demand | Balanced market | Balanced market | Shortage of available property relative to demand | Over-supply of available property relative to demand |
| Rental Vacancy Trend | Increasing | Increasing | Steady | Steady | Tightening | Increasing |
| Demand for New Units | Fair | Fair | Soft | Fair | Strong | Fair |
| Trend in New Unit Construction | Steady | Steady | Increasing | Declining | Steady | Steady |
| Volume of Unit Sales | Steady | Declining | Steady | Steady | Steady | Steady |
| Stage of Property Cycle | Approaching bottom of market | Declining market | Starting to decline | Rising market | Peak of market | Start of recovery |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | Occasionally | Occasionally | Occasionally | Frequently |

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

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



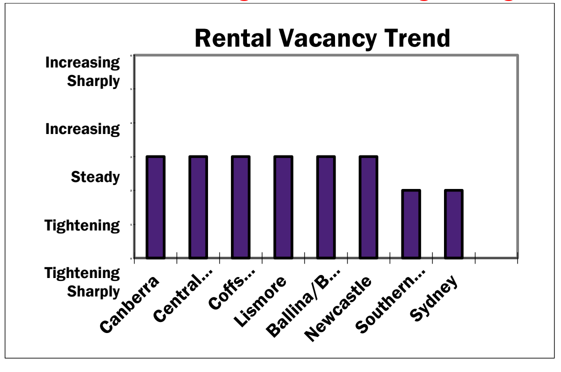



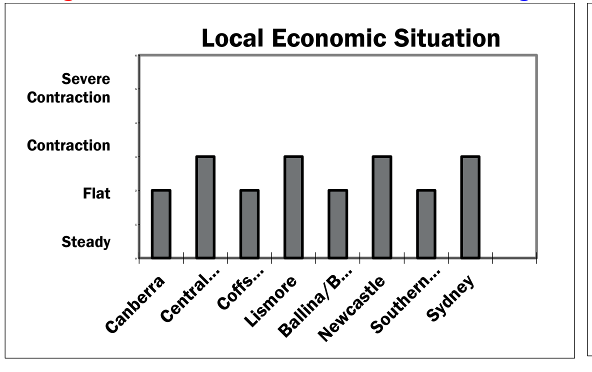



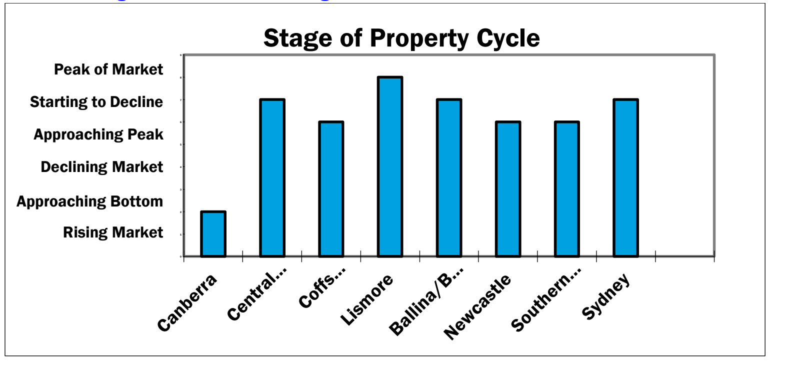
# East Coast & Country New South Wales Property Market Indicators – Industrial

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

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



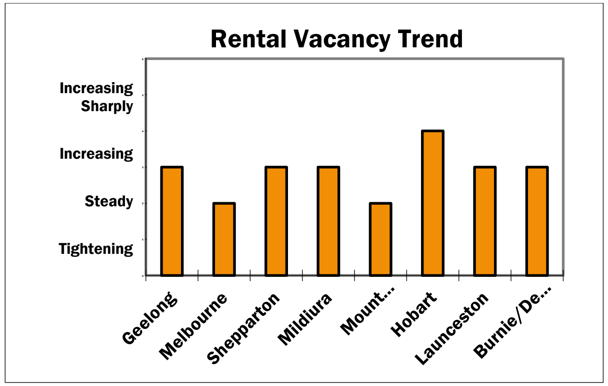



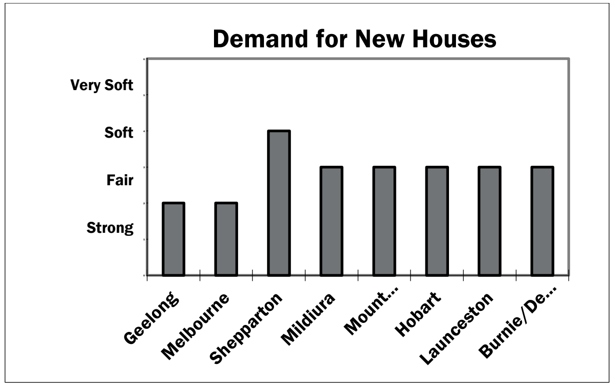



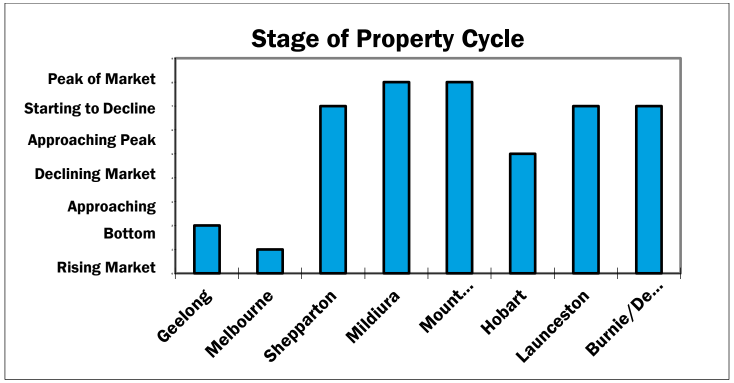
# Victorian and Tasmanian Property Market Indicators – Houses

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

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



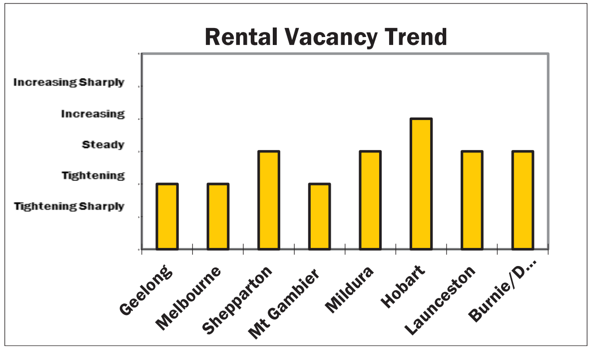



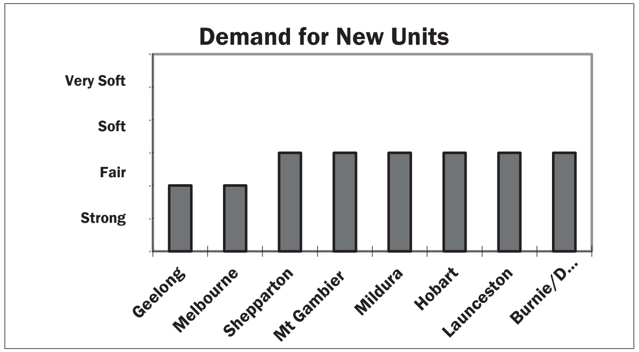
# Victorian and Tasmanian Property Market Indicators – Units

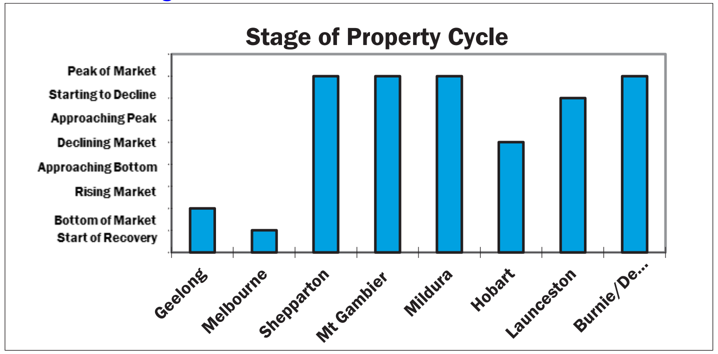
| Factor | Geelong | Melbourne | Shepparton | Mount Gambier | Mildura | Hobart | Launceston | Burnie/Develport |
|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of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

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

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



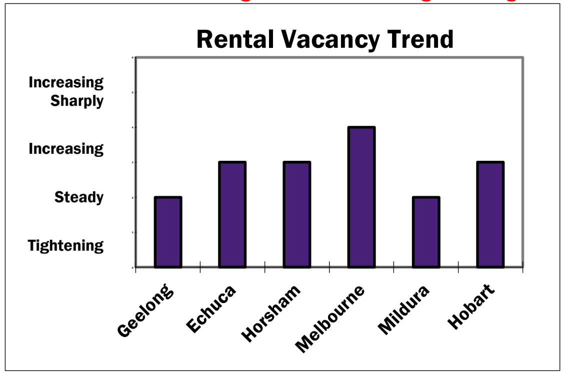



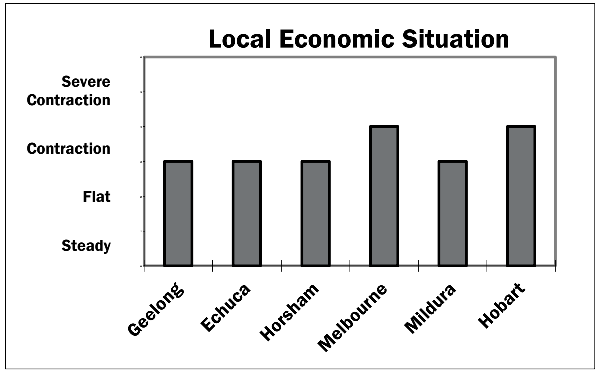



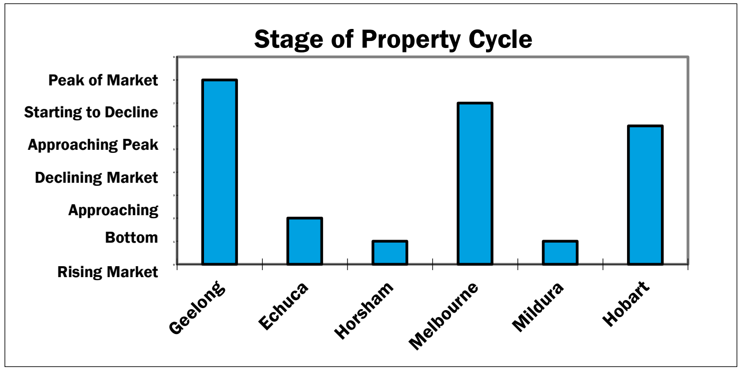
# Victorian and Tasmanian Property Market Indicators – Industrial

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



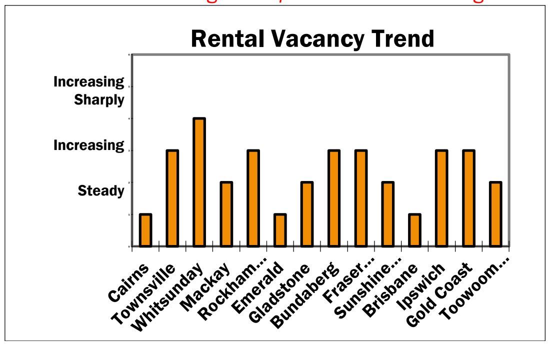



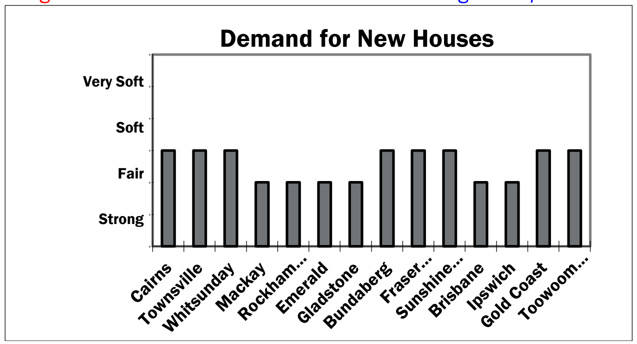



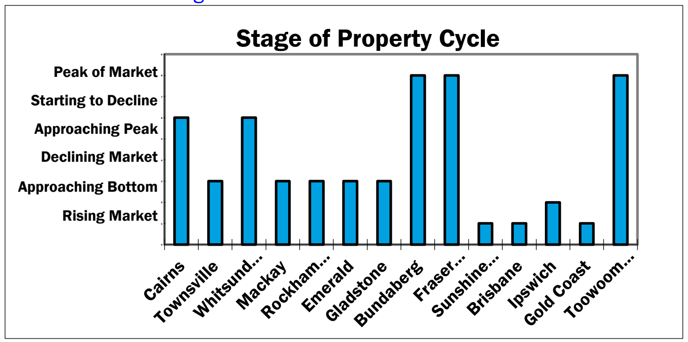
# Queensland Property Market Indicators – Houses

| Factor | Cairns | Townsville | Whitsunday | Mackay | Rockhampton | Emerald | Gladstone | Bundaberg | Hervey Bay | Sunshine Coast | Brisbane | Ipswich | Gold Coast | Toowoomba |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Shortage of available property relative to demand | Shortage of available property relative to demand |
| Rental Vacancy Trend | Tightening sharply | Steady | Increasing | Tightening | Steady | Tightening sharply | Tightening | Steady | Steady | Tightening | Tightening sharply | Steady | Steady | Tightening |
| Demand for New Houses | Fair | Fair | Fair | Strong | Strong | Strong | Strong | Fair | Fair | Fair | Strong | Strong | Fair | Fair |
| Trend in New House Construction | Steady | Steady | Steady | Declining | Declining | Declining | Declining | Steady | Steady | Steady | Steady | Increasing | Steady | Steady |
| Volume of House Sales | Declining | Increasing | Declining | Increasing | Increasing strongly | Increasing | Increasing | Steady | Declining | Declining | Increasing | Steady | Steady | Increasing |
| Stage of Property Cycle | Approaching peak of market | Rising market | Approaching peak of market | Rising market | Rising market | Rising market | Rising market | Peak of market | Peak of market | Start of recovery | Start of recovery | Bottom of market | Start of recovery | Peak of market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasion-ally | Occasionally | Occasionally | Occasionally | Occasionally | Frequently | Occasionally | Occasionally | Occasionally | Occasion-ally | Occasionally | Occasio nally | 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*



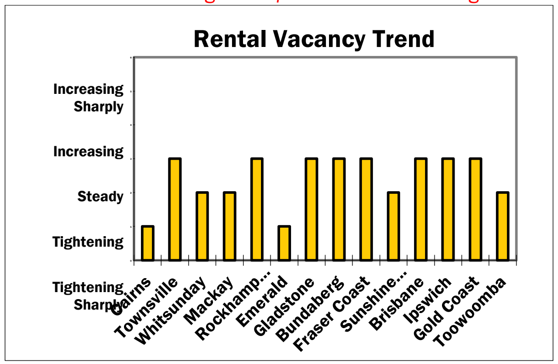



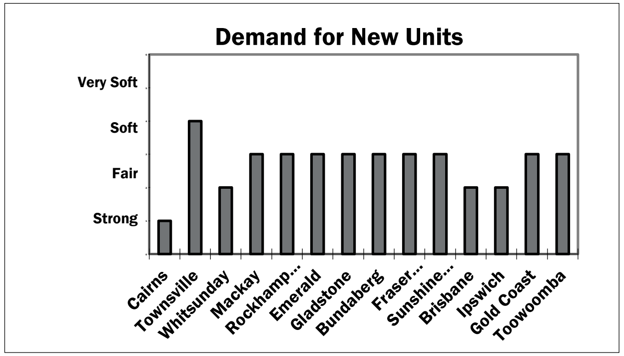
# Queensland Property Market Indicators – Units

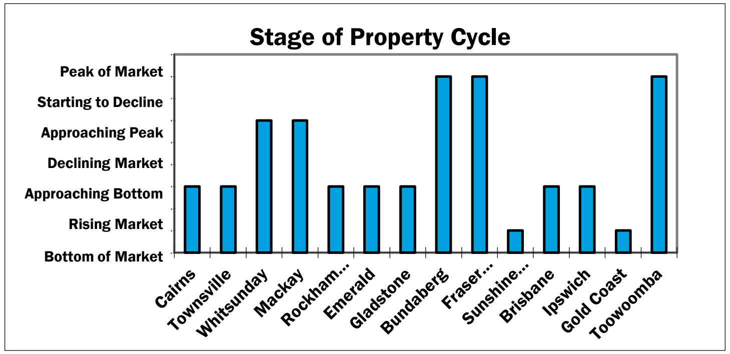
| Factor | Cairns | Townsville | Whitsunday | Mackay | Rock-hampton | Emerald | Gladstone | Bundaberg | Hervey Bay | Sunshine Coast | Brisbane | Ipswich | Gold Coast | Toowoomba |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property 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 | 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 | 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 sharply | Steady | Tightening | Tightening | Steady | Tightening sharply | Steady | Steady | Steady | Tightening | Steady | Steady | Steady | Tightening |
| Demand for New Units | Very strong | Soft | Strong | Fair | Fair | Fair | Fair | Fair | Fair | Fair | Strong | Strong | Fair | Fair |
| Trend in New Unit Construction | Steady | Increasing | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Increasing | Increasing | Increasing | Steady |
| Volume of Unit Sales | Increasing | Increasing | Increasing | Increasing | Increasing | Increasing | Increasing | Steady | Declining | Declining | Increasing | Increasing | Steady | Increasing |
| Stage of Property Cycle | Rising market | Rising market | Approaching peak of market | Approaching peak of market | Rising market | Rising market | Rising market | Peak of market | Peak of market | Start of recovery | Rising market | Rising market | Start of recovery | Peak of market |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Occasionally | Occasionally | Occasionally | Occasionally | Occasion-ally | Occasionally | Occasionally | Occasionally | Occasionally | Occasionally | Occasion-ally | Occasion-ally | 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*



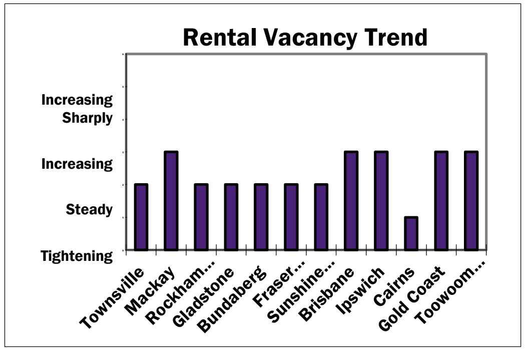



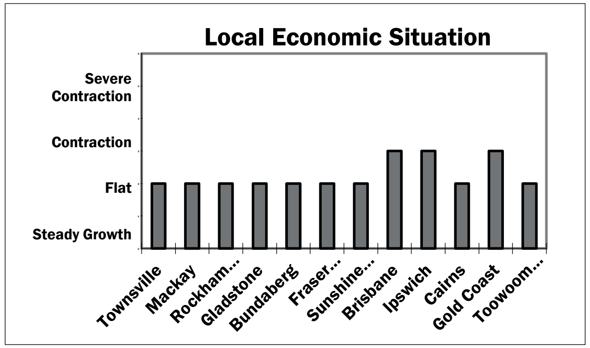
# Queensland Property Market Indicators – Industrial

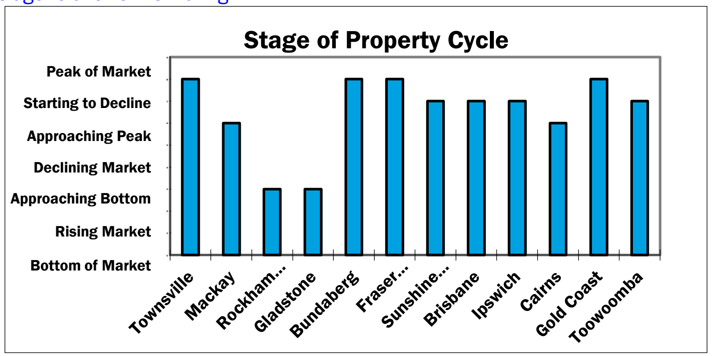
| Factor | Townsville | Mackay | Rockhampton | Gladstone | Bundaberg | Hervey Bay | Sunshine Coast | Brisbane | Ipswich | Cairns | Gold Coast | Toowoomba |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Balanced market | Balanced market | Shortage of available property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

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

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



# SA, NT and WA Property Market Indicators - Houses

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

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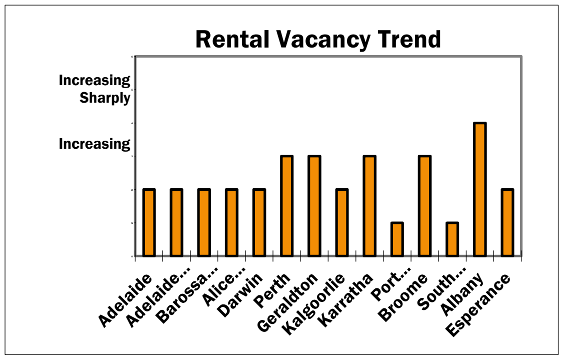
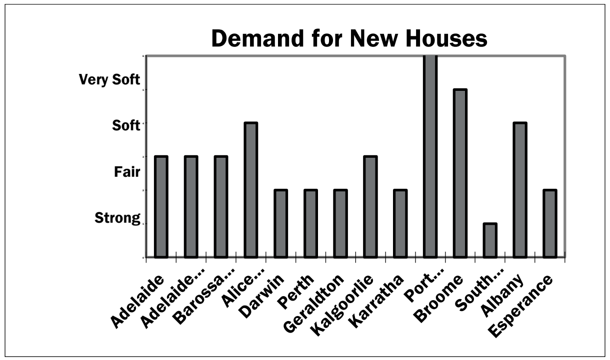
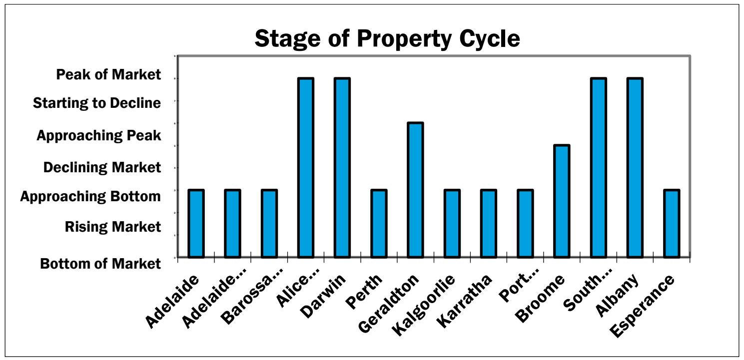
*Blue entries indicate change from 3 months ago to a lower risk-rating*



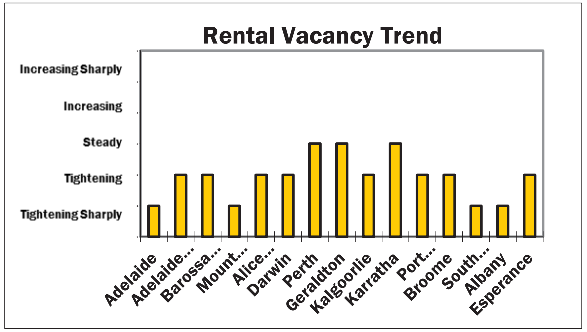



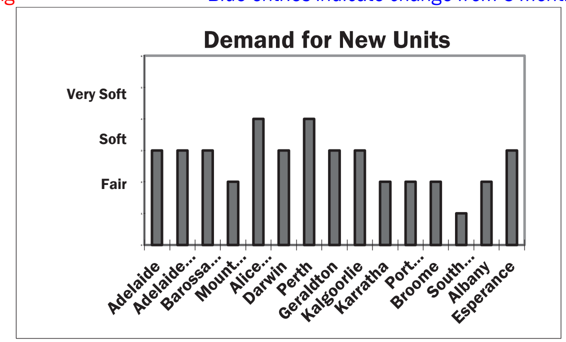
## SA, NT and WA Property Market Indicators – Units

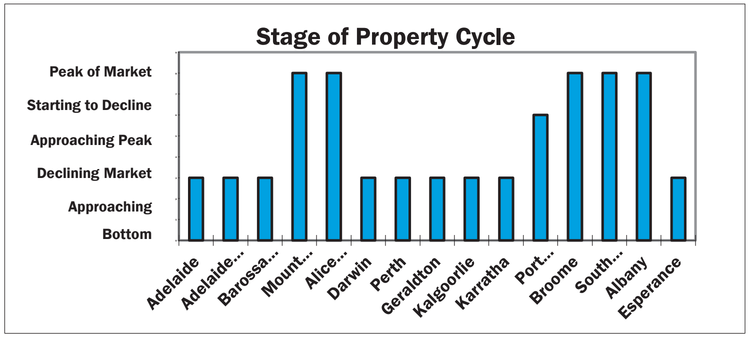
| Factor | Adelaide | Adelaide Hills | Barossa Valley | Mount Gambier | Alice Springs | Darwin | Perth | Geraldton | Kalgoorlie | Karratha | Port Hedland | Broome | South West WA | Albany | Esperance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | Severe shortage of available property relative to demand | 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 | Tightening | Tightening | Steady | Steady | Tightening | Steady | Tightening | Tightening | Tightening sharply | Tightening sharply | Steady |
| Demand for New Units | Fair | Fair | Fair | Fair | Soft | Fair | Soft | Fair | Fair | Strong | Strong | Strong | Very strong | Strong | Fair |
| Trend in New Unit Construction | Increasing | Increasing | Increasing | Steady | Increasing | Declining | Increasing | Steady | Steady | Steady | Steady | Steady | Declining significantly | Declining significantly | Steady |
| Volume of Unit Sales | Declining | Declining | Declining | Steady | Declining | Increasing | Steady | Steady | Steady | Steady | Steady | Steady | Increasing | Increasing | Steady |
| Stage of Property Cycle | Rising market | Rising market | Rising market | Peak of market | Peak of market | Rising market | Rising market | Rising market | Rising 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 | Almost never | Almost never | Occasionally | Occasionally | Occasionally | Occasionally | Almost never | Almost never | Very frequently | Occasionally | Almost never |

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

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



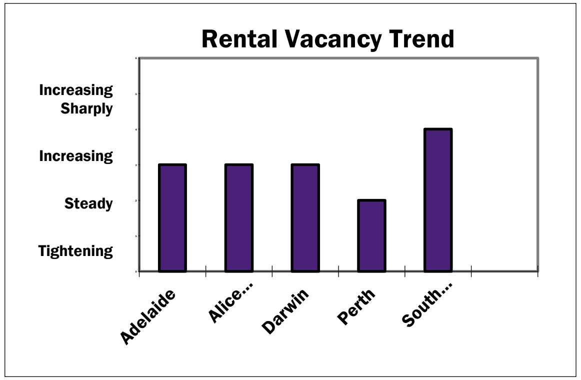



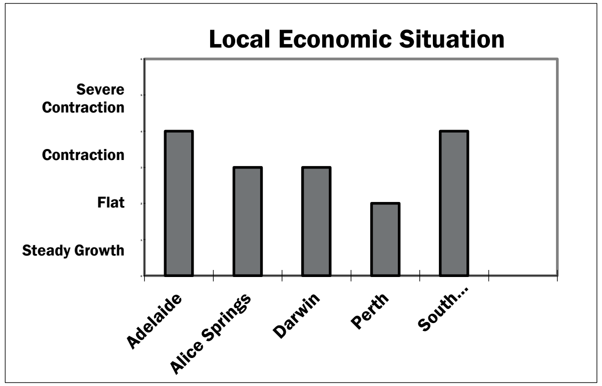
# SA, NT and WA Property Market Indicators – Industrial

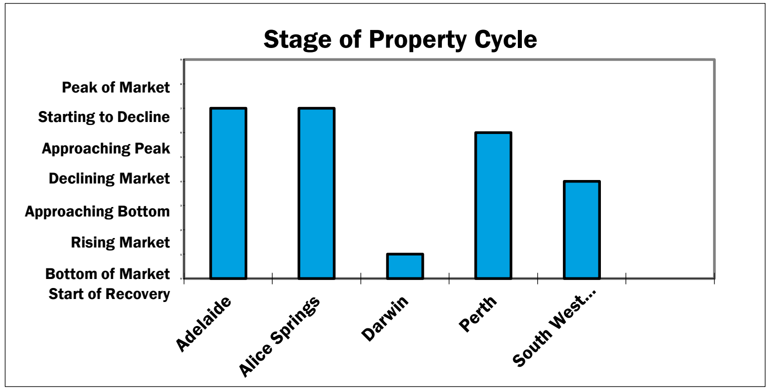
| Factor | Adelaide | Alice Springs | Darwin | Perth | South West WA |
|---|---|---|---|---|---|
| Rental Vacancy Situation | Severe shortage of available property relative to demand | Balanced market | Over-supply of available property relative to demand | Severe shortage of available property relative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

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

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



TALK TO YOUR LOCAL EXPERT

Commercial

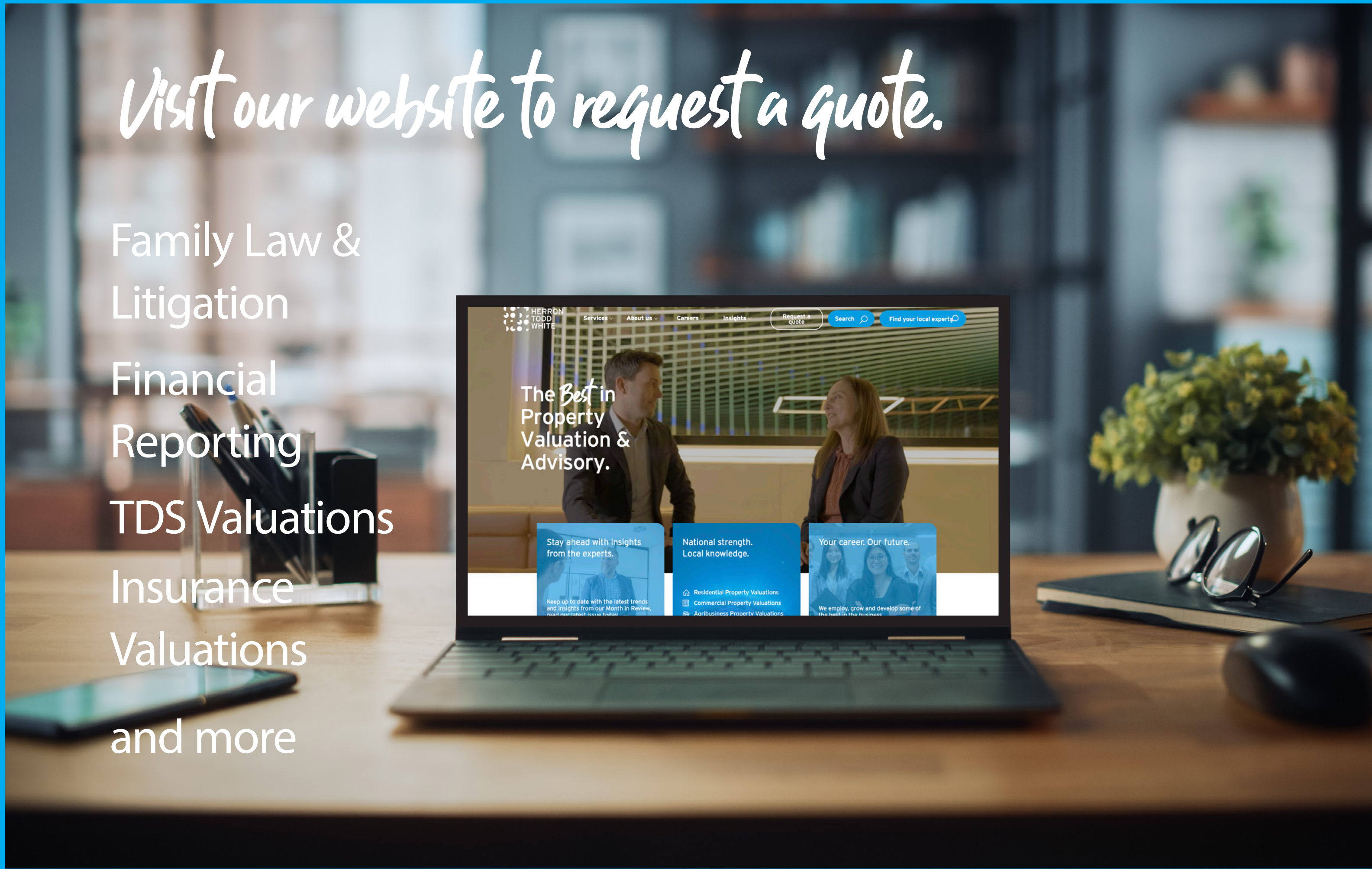
| | |
|---|---|
| NT | Terry.Roth@htw.com.au |
| SA | Chris.Winter@htw.com.au |
| QLD | Alistair.Weir@htw.com.au |
| ACT | Scott.Russell@htw.com.au |
| VIC | Jason.Stevens@htw.com.au |
| WA | Greg.Mullins@htw.com.au |
| NSW | Angeline.Mann@htw.com.au |
| TAS | Andrew.Peck@htw.com.au |

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 |




HERRON TODD WHITE

www.htw.com.au


1300 880 489
admin@htw.com.au