



Herron
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Independent Property Advisors

Westpac

PROPERTY REPORT

Queensland



2011 residential property outlook – national overview

For this edition of our quarterly residential property report, we have sought the opinions of Herron Todd White valuers from around the country on what 2011 has in store for the nation's property markets – and generally, they paint a subdued picture.

As we celebrate the start of a New Year, most major markets have an abundance of properties listed for sale. This is keeping a lid on prices and in some cases forcing values down, a situation likely to continue throughout 2011.

The interest rate hikes of 2010 forced many prospective and existing buyers to rethink their capacity to pay off a home. Recent months have seen rising numbers of forced or mortgagee in possession sales and this could become more commonplace over the next 12 months – especially if interest rates continue to rise.

However, rate hikes are only partly to blame for the current market cooling. In States like Tasmania the closure of key employers has undermined buyer confidence. In other areas, such as Queensland's Gold Coast, population growth is slowing as workers seek employment opportunities elsewhere.

Faced with plenty of competing properties and limited buyer interest, many vendors will be looking at two main choices in 2011 – lowering price expectations or accepting longer selling periods. On the flipside though, 2011 is shaping up as a year that will offer real opportunities for buyers.

Also, there are plenty of locations offering good prospects for longer term capital growth. Many of these enjoy the support of government infrastructure prospects, such as the new Fiona Stanley Hospital in the Perth suburb of Murdoch or the transit-oriented development taking place in the Adelaide suburb of St Clair.

The mining boom continues to support property values in other parts of Australia. Darwin will benefit if the proposed Inpex Gas Project receives approval, and in Queensland, the Gladstone area is the focal point of a number of proposed resource-based developments. In Western Australia, the government-funded Pilbara Cities Program will provide long term support for the State's northern mining centres.

Although 2011 is likely to prove challenging for vendors, it should be a year that gives many buyers – from first timers through to investors – a valuable chance to secure a residential property at a sharper price.

It would be remiss if we didn't mention the destructive floods in January. It's still too early to tell what impact they will have on the economy and prospects of a number of property markets in Queensland, New South Wales, Victoria and Tasmania.

Many of the floods in Queensland, for example, reached levels not seen for over 30 years, and in some instances, set all time records. With the passage of time memories fade, and the differentiation between flood-free and flood-prone property will grow smaller. However, these unfortunate events provide a timely reminder of the damage flooding can cause to property and belongings. As a result, we expect that buyers will be more likely to adopt a somewhat more cautious stance toward flood affected property and areas.

The floods could also have a significant impact across many businesses and sectors of the economy. However, it is likely to create strong demand for building services firms and provide a significant financial injection into local economies – although some regional towns may face capacity constraints.

Brendon Hulcombe

Chief Executive Officer, Herron Todd White

HERRON TODD WHITE
WESTPAC PROPERTY REPORT

QUEENSLAND
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Queensland

Cooler conditions make 2011 a year of opportunity for buyers in many parts of Queensland.

Brisbane

The outlook for the Brisbane property market varies in line with location. The city's inner suburbs are likely to attract moderate buyer interest in 2011, particularly in the \$400,000 to \$700,000 price range that saw consistent trading throughout 2010. Prestige properties may not fare as well owing to increased supply and stalling demand.

Rentals for CBD units have plateaued and in some cases declined, and this is seeing subdued interest among investors. Under current economic conditions the rental market may remain static throughout 2011.

The outer suburbs of Brisbane are experiencing cooler market conditions, and the completion of new subdivisions will only add to the supply of stock. Coupled with buyer concerns over possible interest rate rises, prices may fall further in 2011.

Across the Brisbane market, selling times are rising as buyers wait for a property that 'ticks all the boxes'.

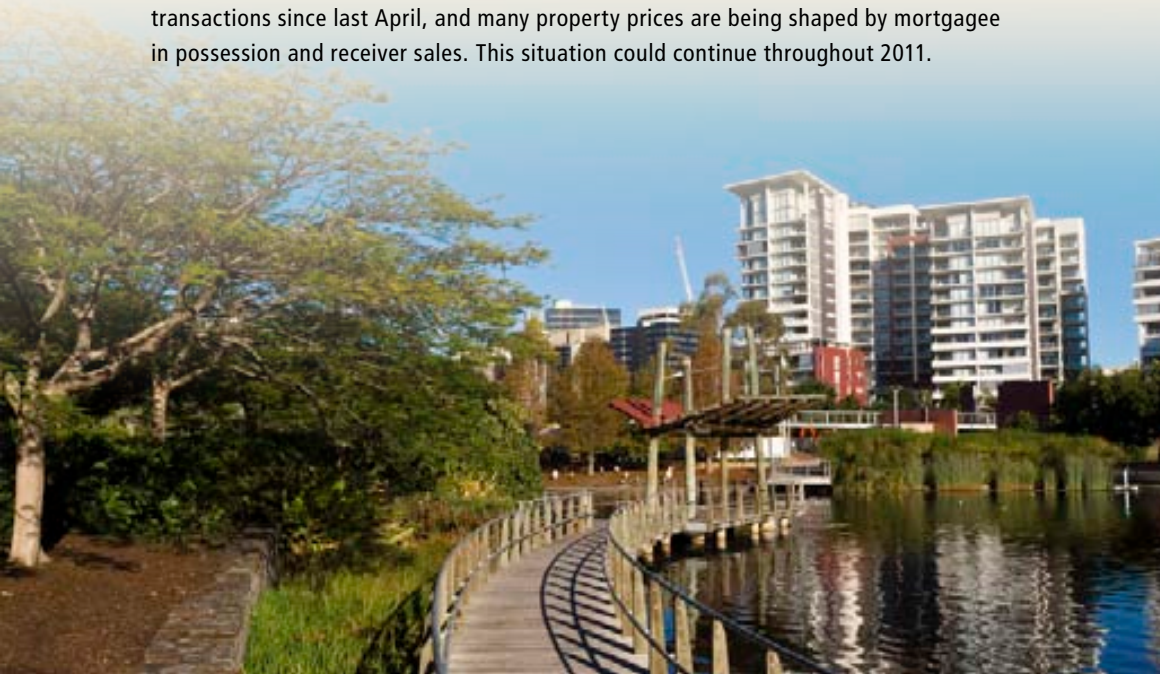
Gold Coast

The Gold Coast economy has been in the doldrums over the last six months reflecting a significant slowing of migration levels, a declining tourist trade and an exodus of workers from the Gold Coast to southern capitals and mining areas.

These conditions will continue to impact the Gold Coast economy in 2011 and buyer confidence is likely to remain low. Increasing stock levels are removing any sense of urgency among buyers, and a softening rental market will further push values down – especially for low end units.

The area's prestige market struggled through 2010 with only a small number of transactions since last April, and many property prices are being shaped by mortgagee in possession and receiver sales. This situation could continue throughout 2011.

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Sunshine Coast

Construction activity in the Sunshine Coast is being heavily impacted by slowing population growth and higher interest rates. This has created a 'nervous' market where sellers are being forced to lower their price expectations to secure a sale. First home buyers are scarce and investors remain inactive.

Relative affordability is improving but the lacklustre conditions are likely to persist throughout 2011. This will give buyers the opportunity to buy into more desirable locations, in some cases at below replacement cost values.

Toowoomba and Darling Downs

Affordability and increasing activity in the Surat Basin mining region are likely to underpin buyer activity in Toowoomba and the Darling Downs throughout 2011. Sales volumes are expected to increase, generating moderate increases in median prices.

Hervey Bay

House and land packages priced below \$450,000 are experiencing steady demand though packages priced below \$350,000 are available at a number of estates. This is likely to create a price ceiling for both new and established homes, limiting capital growth until package prices begin to increase.

Gladstone

Several major resource-based projects are currently on the drawing board for Gladstone, and if given the green light these projects will require a workforce of approximately 5,000. This is already bringing an influx of workers to Gladstone and vacancy rates are extremely low. Rents and property values are expected to rise in 2011.

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Rockhampton

The Rockhampton residential market slowed significantly during 2010 with a 52% reduction in sales volume compared to 2009, however, median prices held steady.

An expected increase in new infrastructure charges by the Rockhampton Regional Council is yet to be finalised but any increase in the cost to develop new land will have a dampening effect on the region's housing market.

Mackay

A number of mining projects in the nearby Bowen Basin and the expansion of several local shopping centres and the Base Hospital are scheduled to commence in the next 12 to 18 months. These projects offer increased employment opportunities and this should hold the Mackay property market in good stead.

Townsville

The outlook for Townsville's residential property market centres around the establishment of the 3RAR battalion in 2011/2012. This battalion will bring 1,500 troops to the Townsville region, further underpinning Defence Housing as a key driver of the area's property market.

Rental vacancies tightened by 1% in 2010 and currently sit at about 3%. Further tightening is likely in 2011, and this will place pressure on rents while generating renewed interest among first home buyers.

Cairns

Cairns continues to experience tough economic conditions, and the city's residential property market has experienced a significant slowdown in activity. Building approvals are languishing at rock-bottom levels and soft property market conditions are expected to remain in place for 2011.

Source: Herron Todd White

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