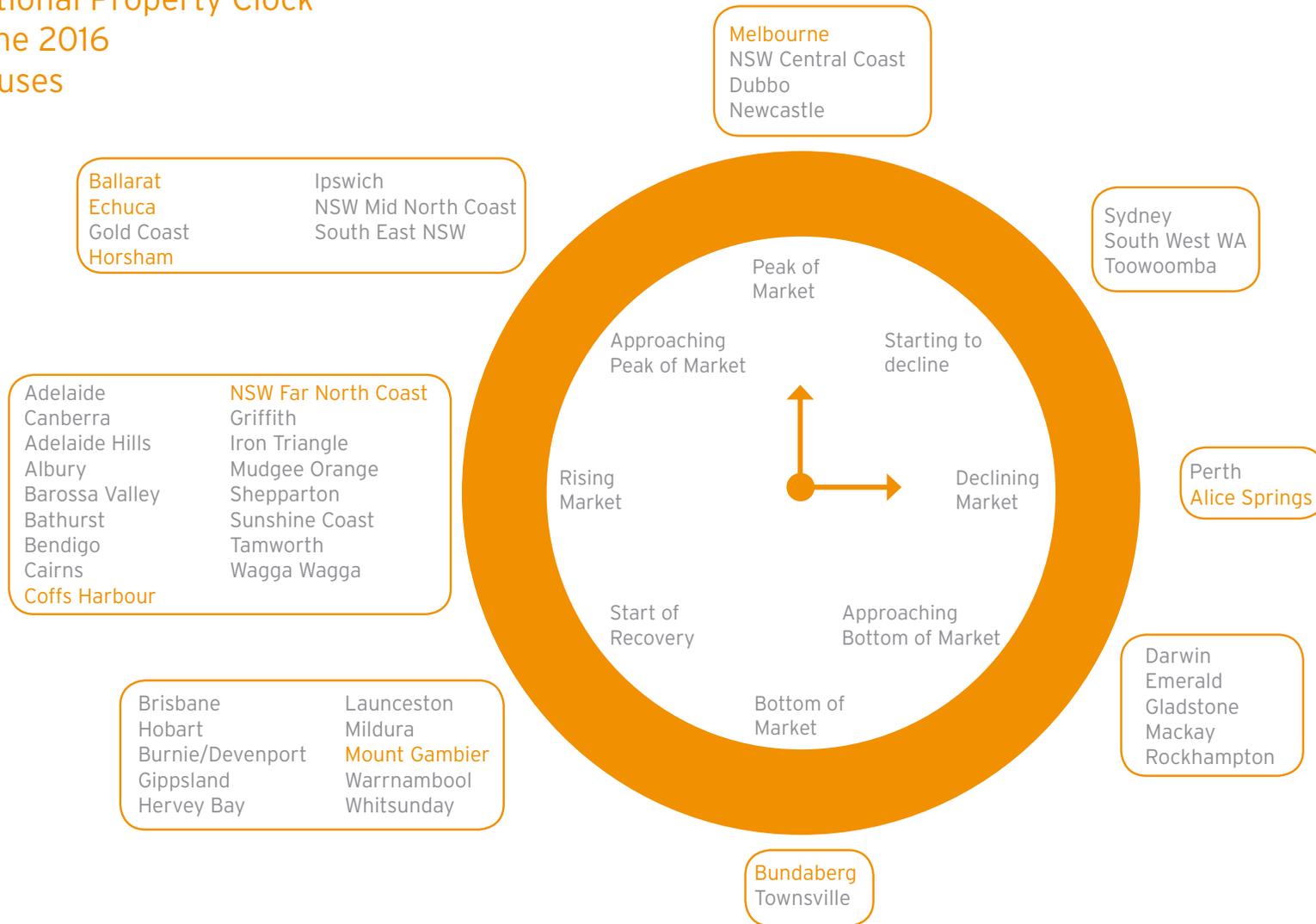


National Property Clock

June 2016

Houses



Entries coloured orange indicate positional change from last month.

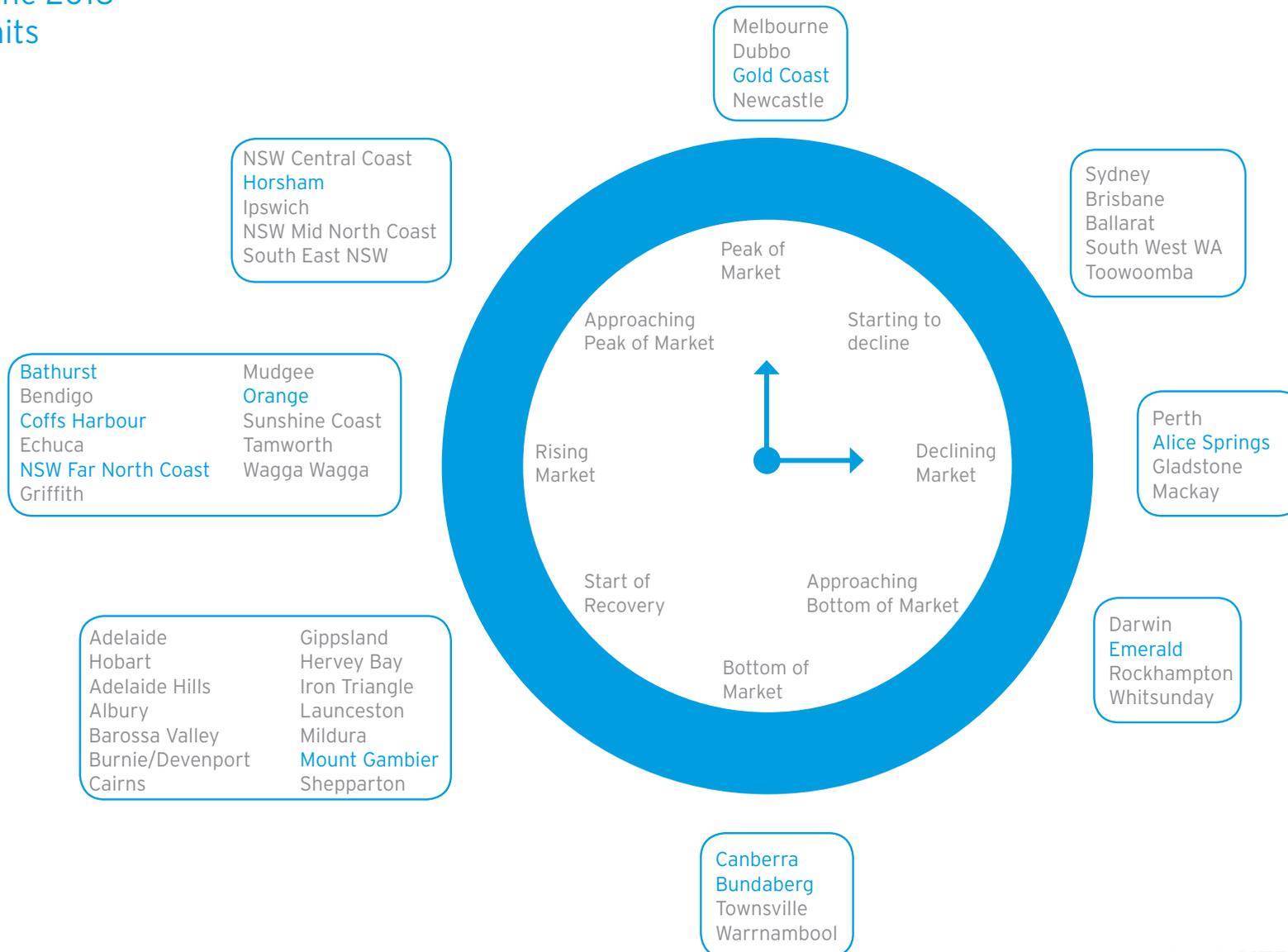
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National Property Clock

June 2016

Units



Entries coloured blue indicate positional change from last month.

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South Australia

Adelaide

The outer northern suburbs (Playford council area) comprising areas close to Elizabeth and the Holden manufacturing plant continue to experience negative sentiment with the effects of the imminent closure of the plant in 2017 yet to transpire. Chicken producer Ingham has recently announced it will spend \$275 million doubling the size of its South Australian operations. This will create an additional 850 jobs with the company looking to target workers set to lose their jobs in car manufacturing. The expansion will hopefully create new direct and indirect jobs for South Australians with Ingham focusing on two key areas - northern Adelaide and the Murraylands. We will monitor the market in coming months to track the impact this has on the northern property market.

Detached housing under \$450,000 within 15 to 20 kilometres of the CBD is experiencing reasonably good demand. This is likely to be attributed to this price point being an affordable option for investors and first-home buyers. The unit and apartment market remains relatively flat. In the CBD, two large apartment developments (Vue and Vision on Morphett) have been recently completed with pending settlements. We will be monitoring the effect this increase in supply has on this market segment particularly regarding rental property supply.

Popular beachside suburbs such as Henley Beach and Grange are also experiencing good demand. The sale

of a renovated bungalow in Grange attracted a high level of interest when sold at auction in March. The property which sold for \$1.51 million offered good quality accommodation on a substantial allotment along with a swimming pool and entertaining area.



Source: realestate.com.au

Quality housing in suburbs within ten kilometres of the CBD continues to experience good demand. A renovated symmetrical cottage in Evandale (some four kilometres from the CBD) sold at auction in

April. The auction was attended by over 80 people with 20 registered bidders. With an initial price guide of \$715,000, the property eventually sold for \$898,000.



Source: realestate.com.au

There are a number of new infrastructure projects currently underway in Adelaide including the Torrens to Torrens project, O-Bahn busway extension and Darlington road upgrades. All of these projects have recently commenced.

There is ongoing investment to improve South Road. The Torrens Road to River Torrens Project (Torrens to Torrens) will deliver a four kilometre non-stop roadway (incorporating three kilometres of lowered motorway), between Ashwin Parade, Torrensville and Pym Street, Croydon Park, providing significant travel time saving to commuters and freight. The total project cost is in the vicinity of \$896 million. The Department of Planning, Transport and Infrastructure website states that the concept design includes:

- A four kilometre non-stop section of roadway (incorporating the lowered road section) between Pym Street, Croydon Park, and Ashwin Parade, Torrensville
- A three kilometre section of lowered non-stop motorway from Pym Street, Croydon Park to Gawler Avenue, West Hindmarsh
- Parallel surface (at-grade) roads along the length of the lowered motorway to connect most local roads and arterial roads to South Road
- An overpass of the Outer Harbor railway line
- Intersection upgrades at Pym Street, Torrens Road, Hawker Street, Port Road and Grange Road
- Improved cycling and pedestrian facilities
- Landscaping and noise barriers (where required)



Source: www.infrastructure.sa.gov.au/nsc/torrens_road_to_river_torrens_project and t2alliance.com.au

This improvement is unlikely to benefit any specific suburb with the greatest benefit likely to be for industry with improved travelling times and ease of movement.

The DPTI website states that: "The O-Bahn City Access Project builds on the State Government's significant investment in a stronger public transport

network. The primary objective of the O-Bahn City Access Project is to improve travel times and reliability for users of the O-Bahn service between the end of the busway at Gilberton and Grenfell Street and to reduce traffic congestion and delays, particularly on the Inner Ring Route.

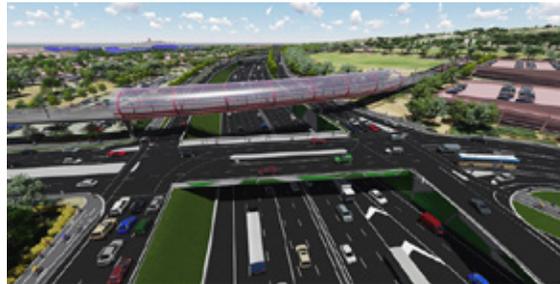
The project will extend the O-Bahn system from the end of the busway at Gilberton into the cross-city priority (bus) lanes on Grenfell Street. The project will include the creation of centrally aligned priority bus lanes along Hackney Road and a dedicated bus tunnel from adjacent the National Wine Centre to near Grenfell Street, providing quicker, more reliable access for O-Bahn buses into the city."



Source: http://www.infrastructure.sa.gov.au/public_transport_projects/o-bahn_city_access

The Darlington Upgrade Project should see travelling times reduced for the southern suburbs. It is the next step in the upgrade of Adelaide's North-South Corridor and will deliver an upgrade of approximately 3.3 kilometres of the existing Main South Road, including:

- A non-stop motorway between the Southern Expressway and Tonsley Boulevard
- A lowered, non-stop motorway passing underneath Flinders Drive, Sturt Road, Sutton Road/Mimosa Terrace and Tonsley Boulevard
- Grade separation of the Main South Road/Ayliffes Road/Shepherds Hill Road intersection
- Main South Road (at grade) service roads along both sides of the lowered motorway to provide connections to Flinders Drive, Sturt Road and most local roads
- Full free flow interchange at the Southern Expressway/Main South Road with dedicated ramps providing direct access to the new motorway and Main South Road

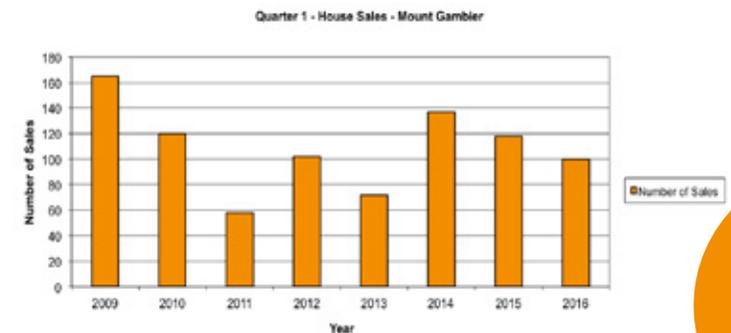


Source: http://www.infrastructure.sa.gov.au/nsc/darlington_upgrade_project

All of these projects will provide Adelaide with improved roads and infrastructure. Given the continued urban sprawl, improved access to the city is a positive for property owners situated away from the CBD. The general effect these projects are likely to have on property prices will be evident once the projects are finished in the next couple of years. The Darlington Upgrade project in particular will improve accessibility to the CBD for suburbs south of Darlington and users of the Southern Expressway. The impact on property values will not be evident until completion of the project in the next couple of years but it is likely to be positive.

Mount Gambier

The property market in Mount Gambier is currently relatively stable. There has been a slight decrease in house sales for the first quarter in 2016 compared to the first quarter of 2015, however sales are still noticeably higher than they were in 2011 when sales levels had softened. The chart below shows that in the first quarter of both 2014 and 2015 sales numbers were up on previous years dating back to 2009/10. This is a positive sign for the Mount Gambier housing market. Sales numbers tend to indicate that the Mount Gambier market has stabilised and we are returning to the sales numbers experienced in previous years when there was more positivity in the local property market.



Sales evidence indicates that most of the dwellings sold in Mount Gambier in the first quarter of 2016 are in the price range of \$250,000 to \$300,000. This is a reflection of the first quarter of 2015.

The price range of \$250,000 to \$300,000 is affordable for owner occupiers entering the market and for investors looking at property that provides a stable rental return. Dwellings under \$150,000 are generally in less sought after locations and have limited market activity. Dwellings over \$500,000 are at the top end of the market and have a reduced market segment.

Unit sales for the first quarter of this year are also similar to the first quarter of 2015, with the most popular range being \$150,000 to \$200,000.

The upper price range in Mount Gambier is showing good signs, with dwellings between the price range of \$400,000 to \$450,000 having doubled compared to the first quarter of 2015 and with three houses selling for over \$500,000 this quarter. In the first quarter of 2015, there was only one sale for \$500,000. The three properties that sold for over \$500,000 in the first quarter of 2016 are listed beside.



5 Queens Avenue, Mount Gambier - \$580,000



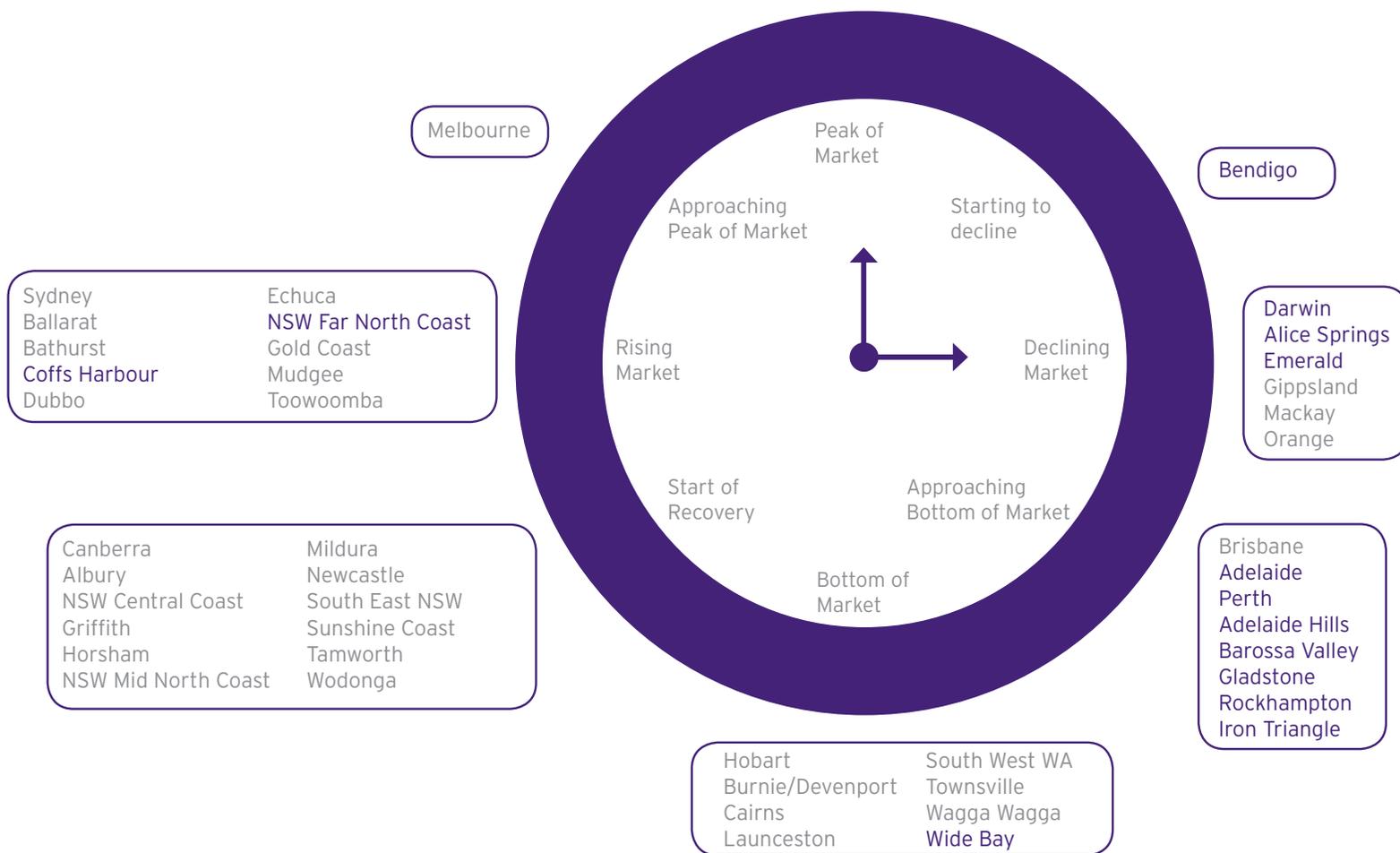
24 Power Street, Mount Gambier - \$567,000



10 Dawn Court, Mount Gambier - \$560,000

There is an optimistic outlook for the remaining half of 2016 and overall, we are expecting this year to be quite similar to last year with no major fluctuations in the local market.

National Property Clock
 June 2016
 Office



Entries coloured purple indicate positional change from last month.

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South Australia

Adelaide

Throughout 2015 and into 2016 the economic climate in South Australia has been subdued. This has had a dampening effect on commercial markets generally and has had an impact on the Adelaide CBD and fringe markets.

The announcement that Arrium is under the control of administrators is another blow to an already strained regional economy. Employing over 3,000 people this has a significant destabilising effect throughout the state which is still dealing with the continuing decline of the manufacturing sector. Recent media reports indicate that modelling undertaken by Flinders University has estimated the state-wide economic impact of the Arrium closure to be \$770 million.

The announcement that Federal Government has secured a submarine manufacturing deal which supports local construction may potentially offer some relief but the extent of the benefit remains to be seen. Media reports are estimating that 3,000 jobs will be created with the construction of a new factory imminent.

In an economic climate such as this, office leasing continues to be a challenging environment. Agents are reporting that there is little incentive for tenants to act quickly with little competition in the market.

This is leading to a growing use of incentives which is masking the true impact of the market stagnation.

This is particularly noticeable within lower grade office space with vacancy growing as businesses gravitate towards premium grade smaller accommodation which is more functional and may have a lower overall cost. That said, the vacancy rate within premium grades in the Adelaide CBD at 7% (Property Council of Australia data as at January 2016) is only considered low by comparison with C grade being 16.5% and D grade accommodation at over 20.5%.

While the vacancy rates aren't very comforting more concerning reports are from agents who are finding the leasing market increasingly risk adverse making it difficult to finalise agreements.

The general expectation is that rental rates have not improved and are not likely to in the immediate future, however some positive signs are around. Employment statistics show a firming of the unemployment rate from a national high in September 2015 of 7.9% down to 5.7% in March 2016. Additionally the appeal of development within the CBD is resulting in older lower grade office buildings being converted to residential apartments. The altered use of these building may eventually contribute to a reduced supply of office space and assist in increased rentals throughout the CBD.