DIXON JOHNSTON
Quality Property Report

June 2006

Strength & opportunity

The fundamental strength of Queensland's economy, underpinned by a protracted boom in the resources sector and the immense enduring appeal of our climate and lifestyle continue to drive Brisbane's strong quality property market.

Despite concerns that the Brisbane market would follow the example of the southern capitals into regression after the boom earlier this decade, Brisbane has in fact held up extremely well. In fact, the resilience of the the market - most particularly the prestige end - has surprised a great many.

That said, we are not about to fuel unrealistic expectations. This issue of the Quality Property Report analyses the various market factors at work and seeks to identify opportunities in the market place.

Additionally, we highlight an increasing trend for many upmarket property sales to occur 'under the radar'. Communications technology - and more particularly, improving capacities of real estate professionals to maximise the opportunities improvements in technology afford - is changing the way we market and sell properties. More and more sales are being successfully concluded 'silently' and at speed thanks to quality micro-managed databases and continually evolving Internet based capabilities.

In this issue, the vexed topic of stamp duty is raised again. We have long opposed the very short-sighted nature of this unfair tax on property owners and investors which has become quite a 'cash cow' for the state government. Come July, rather incredibly, these will rise again ignoring the highly publicised fallout of similar tax grabs in NSW. Is it being done in forlorn hope that by doing the same thing as other states we might get a different result?

We have a government which gives massive concessions to attract corporate and other forms of investment to the state but yet which at the same time makes it progressively less attractive for anyone to make the ultimate and more permanent investment for any state which is in its property.

Finally, we have analysed where the top money in property was in 2005, providing an overview of the blue chip sales in the various residential categories.

We hope you find our latest report interesting and informative, and we look forward to any feedback you might like to give.

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Steady as she goes for 2006

outlook for consolidation & opportunities

Outlook is positive and economic confidence remains high

As we approach mid-year, it is worth looking at what property industry pundits are predicting for 2006-07 and beyond. The consensus is for a slower residential market nationwide, though individual forecasts range from subdued to somewhat optimistic. This makes it time to look for overlooked opportunities.

The property market is typically a creature of habit. It follows a clear cycle and though the duration and extent of peaks and plateaux in a full cycle vary, the baseline pattern is consistent when viewed over time. I use the word 'plateaux' rather the 'troughs' for good reason. While sales volume activity levels can vary by up to 25% one year to the next, across the board and particularly in the quality property sector, values rarely if ever fall. In fact, there has only ever been one year in the last 36 (since reliable records have been kept) where the market has actually gone backwards. This was in 1995 and the retraction was just 2% (See table Page 04).

Similar fundamental patterns apply geographically. History shows generally Sydney and Melbourne move (peak or plateau) first in each new cycle, followed 1-2 years later by Brisbane, Adelaide, Canberra and Hobart in no set order. The capitals farthest from the start of the cycle, namely Perth and Darwin, traditionally bring up the rear. These latter capitals are currently still enjoying the tail of this cycle which when it moderates will signal the end of a complete cycle.

Back to Brisbane and environs, it is evident that the market peaked here in mid to late 2003 and that we have entered the plateau phase. How long each plateau lasts is a function of many things but particularly interest rates, inflation and the underlying strength of an economy. Whilst complex to grasp, a simple rule of thumb to apply seems to be 'the lower the interest rate regime, the longer the property price plateau'.

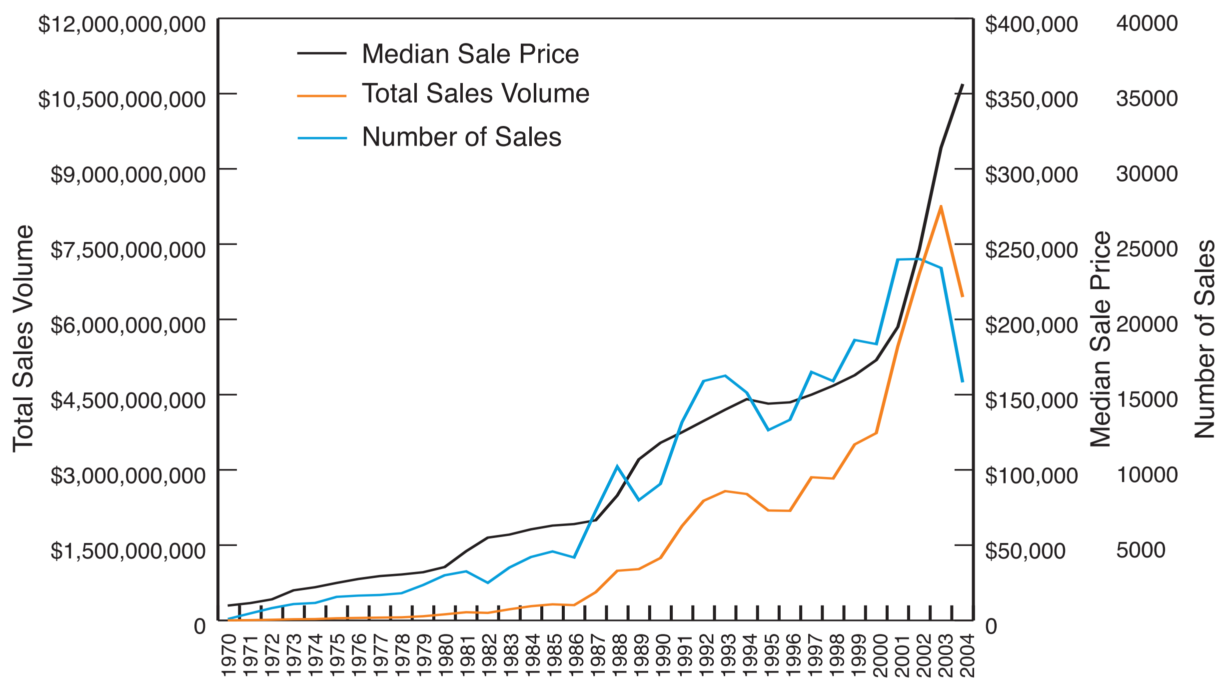
RIPPLE EFFECT

Geographic price growth patterns are also evident within capital cities themselves - each boom generally begins close to the City centre and flows out in a broken ripple effect. Brisbane's latest boom started in 2002 when most inner and near City properties appreciated significantly. This effect then extended to the mid and then outer suburbs progressively during 2003/04.

Price rises as a percentage value also become more pronounced as the ripples move out. For example, the Ipswich corridor saw amazing capital growth during 2004/05. This was a combination of affordability, market confidence and pent up demand (capital growth in suburbs farthest from the City centre traditionally tend to remain 'flatter' during plateau years than do their nearer City counterparts and consequently spring back more aggressively in subsequent upswings).

So what can we expect in 2006? When the Property Council of Australia recently released its 2006 Doomsayers and Soothsayers report on what to expect for the southeast Queensland market in the year ahead,

BRISBANE Median Sale Price Houses 1970-2004



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by John Johnston
Managing Director

any predictions of 'doom and gloom' were noticeably absent.

The report was in fact quite upbeat, suggesting high levels of market confidence and development growth with prices holding firm. The PCA forecasts that we are in for a year of consolidation, that the market will flatten without going soft , and that activity will be steady and sustained.

UNDERLYING STRENGTH

Similarly, the Housing Industry Association of Australia says, 'while the housing market is in for a softer year, a strong labour market and a stable interest rate environment will help support the sector'. They expect the residential building sector will not slow down to the extent seen in previous cycles.

Here at DIXON JOHNSTON Quality Property, the year has kicked off with near record sales levels, a trend likely to continue. The mid to upper end of the market has been particularly well supported with riverfront property standout performer.

With the 'feeding frenzy' over, sellers' expectations have moderated to become more in line with true market value. This is not to say that values have dropped - it is simply that sellers' sales price expectations have moved closer to prices achieved. Sellers price expectations generally hover at around a 10-15% premium to the market. During the boom, this differential blew out to around 25%.

Valuers Herron Todd White in their February Month in Review report observed Now more than ever it is most important when offering a property to the market that it have a realistic asking price that is reflective of local values .

The opportunity of achieving that 'record price' is becoming limited. However, prices paid for real estate with unique and highly desirable features such as water frontage or that which offers City or water views, will continue to have the best chance of exceeding market expectations.

The mid to upper end of the Brisbane real estate market continues to be very well supported.

GROWTH OPPORTUNITIES

As always, quality property offers the greatest long term capital growth security and potential. Given the very significant levels of price growth evidenced in the outer areas and historic trends in these areas, we now see capital growth in outlying precincts levelling off markedly. These areas had been 'playing catch up' and have probably reached their full potential for now.

Some residential property in prime near City areas (5-10k radius) however may have been overlooked in the rush outward. It is in these 'areas of exception' that we believe the opportunities in residential property will lie in the years ahead.

We feel that key Brisbane localities worth investigating include on the Northside; suburbs around Enoggera or Kedron, to the East; Morningside and Murrarie (particularly property with a City view), to the South; Tarragindi and Yeronga which offer great amenity, proximity and convenience; and to the West; the 'golden triangle' suburbs of Toowong, St Lucia and Indooroopilly where again, proximity to the City, the river and to the University of Queensland are key factors when viewed from an investment perspective. A well researched acquisition in any of these areas we believe will make for sound investing moving forward. An enhanced outcome might be achieved through any potential for future subdivision in the purchased property.

FOCUS ON YIELD

For property investors, many respected forecasters are suggesting that attention should shift away from a capital gains bias towards potential rental yield. On this point, economic analysts BIS Shrapnel, the HIA and Herron Todd White all agree.

Amongst the capital cities in the eastern states, BIS Shrapnel said in a recent statement that Brisbane has the largest deficiency of dwellings and the highest rental growth. The HIA pointed to tight rental markets as one factor that would underpin residential market strength.

And, according to HTW, the biggest opportunities for those looking to invest in Brisbane in 2006 will be for property with upside in the short term on existing rental. Some of the rental levels currently being achieved are surprising many in the marketplace, particularly within the inner and near City suburbs, they said.

Due to the unlikelihood of significant capital gain over the short term, those investors looking to minimise their risk should become increasingly focused upon the income yield that a property may generate.

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In summary, the outlook is positive and economic confidence remains high. The southeast Queensland market is underpinned by massive migration from the southern states. Our state's economy is growing at a solid 2 per cent a year and employment grew by a hefty 5.2 per cent over the year to June 2005. Economic conditions remain sound and underlying housing demand is running at healthy levels.

The HIA went as far as to predict 2006-07 would mark the start of a recovery.

There will be excellent opportunities for house buyers and investors alike as sellers progressively meet the market. As stated, many quality areas have significant scope for capital growth. Further, investors can take advantage of strong rental demand currently and even greater predicted demand to maximise upside.

SNAPSHOT

Brisbane median house prices have increased by an average 11.04% per annum (compound) since records began being kept by the REIQ in 1970 - from less than $10,000 in 1970 to $356,000 in 2004. 2005's figures just released highlight a further increase to $360,000.

There are excellent opportunities for buyers

BRISBANE Median Sale Price Houses 1970 - 2004

Year	Land Use	Volume	Number of Sales	Median Sale	% Change over Year
1970	HOUSES	$1,127,755	109	$9,910	
1971	HOUSES	$6,085,177	469	$11,500	16.0%
1972	HOUSES	$12,994,390	821	$14,000	21.7%
1973	HOUSES	$23,450,246	1085	$20,000	42.9%
1974	HOUSES	$27,216,564	1160	$22,047	10.2%
1975	HOUSES	$42,166,573	1565	$24,900	12.9%
1976	HOUSES	$48,867,187	1647	$27,500	10.4%
1977	HOUSES	$55,441,751	1690	$29,450	7.1%
1978	HOUSES	$60,860,756	1806	$30,500	3.6%
1979	HOUSES	$82,773,071	2348	$32,000	4.9%
1980	HOUSES	$120,599,361	2997	$35,450	10.8%
1981	HOUSES	$163,062,678	3260	$46,000	29.8%
1982	HOUSES	$149,678,945	2495	$55,000	19.6%
1983	HOUSES	$221,419,470	3513	$57,000	3.6%
1984	HOUSES	$283,178,482	4213	$60,500	6.1%
1985	HOUSES	$320,016,278	4582	$63,000	4.1%
1986	HOUSES	$303,786,419	4181	$64,000	1.6%
1987	HOUSES	$562,363,277	7277	$66,500	3.9%
1988	HOUSES	$989,460,986	10213	$83,000	24.8%
1989	HOUSES	$1,022,391,968	7991	$107,000	28.9%
1990	HOUSES	$1,243,885,829	9068	$118,000	10.3%
1991	HOUSES	$1,882,460,239	13173	$125,000	5.9%
1992	HOUSES	$2,384,261,125	15904	$132,500	6.0%
1993	HOUSES	$2,576,967,129	16259	$140,000	5.7%
1994	HOUSES	$2,519,750,739	15132	$147,000	5.0%
1995	HOUSES	$2,190,395,681	12645	$144,000	-2.0%
1996	HOUSES	$2,183,729,424	13329	$144,900	0.6%
1997	HOUSES	$2,853,019,246	16505	$150,000	3.5%
1998	HOUSES	$2,828,016,228	15902	$155,900	3.9%
1999	HOUSES	$3,507,917,925	18631	$162,900	4.5%
2000	HOUSES	$3,733,555,302	18358	$173,000	6.2%
2001	HOUSES	$5,461,113,977	23978	$195,000	12.7%
2002	HOUSES	$6,917,655,349	24017	$246,750	26.5%
2003	HOUSES	$8,234,165,049	23417	$314,000	27.3%
2004	HOUSES	$6,457,748,569	15855	$356,000	13.4%

Brisbane's Top Sales for 2005

Where the top money was in Brisbane in 2005

The highest price achieved for a residential dwelling sold in Brisbane during the 2005 calendar year was $7 million (paid for a non-riverfront property in Swann Road, St Lucia). Brisbane's all-time record sale price for a single dwelling still stands at $8.2 million, (set by this agency in 2003 for a luxury riverfront home in Needham Street, Fig Tree Pocket).

Following is a snapshot of where the top money was paid in Brisbane in 2005. Our 'overview' lists the top five sales recorded across all residential dwelling categories (houses, land and apartments but excluding residential development sites). We then break down the sales into property types which include residential development sites.

Disclaimer: Statistics are sourced from RP Data Ltd and DIXON JOHNSTON Quality Property s own records. The information contained herein is believed to be correct at the time of publishing, but accuracy is reliant on sources and is not guaranteed.

OVERVIEW

TOP 5 RESIDENTIAL SALES (incl. houses, apartments, land):		
1	$7,000,000	Swann Road, St Lucia
2	$5,900,000	Musgrave Road, Robertson
3	$5,500,000	Jesmond Road, Fig Tree Pocket
4	$5,300,000	Leura Terrace, Hawthorne
5	$4,455,000	King Arthur Terrace, Tennyson

SPECIFIC SALES CATEGORIES

TOP 5 HOUSE SALES (non-riverfront)		
1	$7,000,000	Swann Road, St Lucia
2	$4,300,000	Sutherland Avenue, Ascot
3	$4,200,000	Windermere Road, Hamilton
4	$4,050,000	Lawes Street, Hamilton
5	$4,000,000	Dickson Terrace, Hamilton
TOP 5 HOUSE SALES (riverfront / riverside)		
1	$5,500,000	Jesmond Road, Fig Tree Pocket
2	$5,300,000	Leura Terrace, Hawthorne
3	$4,455,000	King Arthur Terrace, Tennyson
4	$4,450,000	Jesmond Road, Fig Tree Pocket
5a	$4.100,000	Archer Street, Toowong
5b	$4,100,000	Virginia Avenue, Hawthorne
TOP 5 RESIDENTIAL ACREAGE SALES (land area 1 acre/ o.4ha +)		
1	$5,900,000	Musgrave Road, Robertson
2	$5,500,000	Jesmond Road, Fig Tree Pocket
3	$3,500,000	Jesmond Road, Fig Tree Pocket
4	$2,400,000	Kenmore Road, Fig Tree Pocket
5	$1,800,000	Gold Creek Road, Brookfield
TOP 5 APARTMENT SALES		
1	$3,500,000	27 Moray Street, New Farm
2	$3,400,000	21 Pixley Street, Kangaroo Point
3	$2,530,0003	44 Queen Street, Brisbane
4	$2,250,000	190 Bowen Terrace, New Farm
5	$2,240,000	371 Queen Street, Brisbane
TOP 5 DEVELOPMENT SITE SALES		
1	$27,500,000	1 Macquarie Street, Newstead
2	$10,750,000	582-590 Coronation Drive, Toowong
3	$7,245,000	65-69 Moray Street, New Farm
4	$5,800,000	5-15 Wendell Street, Norman Park
5	$5,070,000	1029 Brunswick Street, New Farm

Stamp duty madness
sorry state of affairs continues

Stamp duty has continued to rise

Stamp duty, or transfer duty as it is now called, will increase again in Queensland from 1 July, 2006 for all property sold for more than $500,000. It is a move that has the potential to further harm Qld's key residential property sector and the wider economy at large. With Queensland on the rise as Australia's economic and lifestyle powerhouse, introducing such a disincentive to all forms of residential property investment simply beggars belief.

For more than a decade now, this report has covered the vexed issue of stamp duty. It has always been our contention that the tax is nothing more that a poorly disguised, extremely short-sighted form of Governmental revenue raising. Our position on the subject hasn't changed with the latest tax hike on the back of significant appreciation in the value of Queensland property, just adding to our frustration.

> For more than a decade, this report has been covering the vexed issue of stamp duty

SORRY HISTORY

As far back as 1996, we urged the State Government to remember the original purpose of stamp duty. Stamp Duty, as the name implies, is supposed to be a 'user pays' fee to cover the Government's cost of stamping (recording) transactions and recording and protecting property titles.

In 1993, when the Goss Labor Government introduced the so-called 'mansions tax' which slugged buyers of homes worth more than $250,000 (a figure then in excess of the median price of a Brisbane home), the Opposition labelled it a ploy to rip off Queenslanders . The unfair tax was made all the more irksome to real estate buyers when, in 1995, considerable concessions were given to sharemarket investors.

Then the promise that stamp duty would be eliminated under the GST regime failed to materialise. Yet generous exemptions and low stamp duties continued to be granted for share traders and multi-nationals.

BONANZA FOR THE COFFERS

Our 1996 prediction that, before long, $250,000 would represent an average Brisbane family home materialised soon thereafter. The arbitrary 'mansions tax' figure of $250,000 was predictably not indexed, so this 'stealth tax' has gone the way of most 'bracket creep' taxes and is now an absolute boon for State coffers. It is now a highly prized and vigorously defended 'cash cow'.

Stamp duty, despite the undertakings to the contrary, has risen inexorably with very few and only very minor concessions.

That could easily be said of the latest changes which while giving a molehill by increasing the concessional threshold very meagrely from $300,000 to $320,000, take a mountain by increasing transfer duty applied for all property above $500,000, a price point which will soon represent the average price paid for all property in South-East Queensland.

Someone buying a $250,000 investment property has to part with a further $7,225 in stamp duty. If the figure is $500,000, the Government becomes almost $16,000 richer for the privilege of the investment in their state. From 1 July, the transfer cost for the purchase of a $1 million property jumps from an already ridiculous $34,725 to $37,475. (see table)

POTENTIAL NEGATIVE IMPACTS

Peak real estate industry body, the Real Estate Institute of Queensland (REIQ), warned of potential economic harm immediately the stamp duty changes were announced in the mini-budget brought down in the wake of Queensland's health crisis. They wrote to the Government outlining their concerns.

Tinkering with transfer duty to bail out an ailing health system ignores the fundamental importance of property to the state's economy, said REIQ Chairman Peter McGrath. These changes will largely affect the upper end of the investment market at a time when the market's sensitivity is high and can't afford any potentially destabilising forces.

The government is right in claiming that Queensland's economy is ahead of other states' - however, they run the risk of undermining that strength by threatening the health of the property industry.

We couldn't agree more. Sure, it would take some serious blunders to completely blunt Queensland's broad appeal for investment, but this short-sighted disincentive to investment and interstate migration is certainly a

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Stamp duty madness continued...

further large stride in the wrong direction. If the government does not remember the story of 'The Golden Goose' then perhaps an analysis of the recent NSW Stamp Duty debacle might suffice.

The unfair and cancerous milking of home buyers and property investors through Stamp Duty manipulation - which seems all the more discriminatory considering the huge incentives and concessions given to multi-nationals to move to our state - is fundamentally inept. Any short term revenue gains will be far outweighed by the long term loss of investment to other states or overseas and by the long term damage done to the past reputation of Queensland as a financially attractive place in which to invest.

The following tables show the current transfer duty regime and how it will change again on 1 July.

Dutiable value	Rate to 30 June 2006	Rate from 1 July 2006
$0 - $20,000	$1.50 for each $100, or part of $100	No change
More than $20,000 but not more than $50,0000	$300 plus $2.25 for each $100, or part of $100 by which the dutiable value is more than $20,000	No change
More than $50,000 but not more than $100,000	$975 plus $2.75 for each $100, or part of $100 by which the dutiable value is more than $50,000	No change
More than $100,000 but not more than $250,000	$2,350 plus $3.25 for each $100, or part of $100 by which the dutiable value is more than $100,000	No change
More than $250,000 but not more than $500,000	$7,225 plus $3.50 for each $100, or part of $100 by which the dutiable value is more than $250,000	No change
More than $500,000 but not more than $700,000	$15,975 plus $3.75 for each $100, or part of $100 by which the dutiable value is more than $500,000	$15,975 plus $4.00 for each $100, or part of $100 by which the dutiable value is more than $500,000
More than $700,000	$15,975 plus $3.75 for each $100, or part of $100 by which the dutiable value is more than $500,000	$23,975 plus $4.50 for each $100, or part of $100 by which the dutiable value is more than $700,000

* Source: Queensland Government, Office of State Revenue — www.osr.qld.gov.au

Property Value	Investment Properties			Principal Place of Residence		
	Current	New	Change	Current	New	Change
$300,000	$8,975	$8,975	0	$3,000	$3,000	0
$400,000	$12,475	$12,475	0	$6,000	$5,500	-$500
$500,000	$15,975	$15,975	0	$9,500	$9,000	-$500
$600,000	$19,725	$19,975	$250	$13,500	$13,250	-$250
$700,000	$23,475	$23,975	$500	$17,500	$17,500	0
$800,000	$27,225	$28,475	$1,250	$21,250	$22,000	$750
$900,000	$30,975	$32,975	$2,000	$25,000	$26,500	$1,500
$1,000,000	$34,725	$37,475	$2,750	$28,750	$31,000	$2,25

Source: Gilshenan & Luton Lawyers

Millions change hands
... through undercover agents

The process requires intimate market knowledge

You might just wake up tomorrow morning without warning to find you have new neighbours.

"But, I didn't know their house was even on the market," you might say. "There was no sign, No ads in the paper, nothing!."

This scenario is becoming increasingly common. No less than half of our multi-million dollar sales outcome for the bumper December quarter was negotiated 'off market' and even more significantly, almost 80 per cent of our December monthly tally was transacted off market, (including a very significant $5.5m sale in Fig Tree Pocket).

The trend is gathering pace in some quarters thanks to the ever increasing sophistication and capabilities of technology and agents' ability to apply this technology as a highly effective selling mechanism.

As off market sales increase and there are fewer For Sale signs or advertisements in the paper, a perception can emerge that there is a diminution of activity in the market. The reality is quite the reverse. Our sales records show that as much middle to top end property is selling as ever and in the case of riverfront property, more than ever and for record prices.

EMBRACING TECHNOLOGY

In the coming years, Real estate agents who embrace technology effectively will replace those who don't, with the proviso that know-ledge, negotiating skills and ultimately complete trustworthiness will always be key prerequisites for enduring success in the real estate sales industry.

UNDER THE RADAR

The sales are going through under the radar for two reasons. Many buyers today are very 'time poor' and can find the hard slog of traditional forms of house hunting inconvenient. They welcome the opportunity to leave much of the legwork to an agent whom they feel they can genuinely rely on to satisfy their needs.

At the same time and for much the same reasoning, an increasing number of vendors appreciate the convenience and privacy that off market selling can offer. It can also give sellers a more discrete option, often an appealing one given the social and business status of our clients.

The 'silent' sales are achieved largely through careful, and often, creative database management. Company wide we have a data-base of more than 25,0000 middle - high net worth individuals, many of whom live interstate or overseas. The systems and processes we put in place to maximise such a resource is critical.

PROPERTY MATCH-MAKING THROUGH TECHNOLOGY

When a property becomes available for sale, through the application of unique designer software, we are able to accurately present the property via a specialised web based emailing facility immediately to all appropriately qualified buyers, buyers whose needs and desires we have comprehensively documented previously.

The process we use is essentially an advanced form of 'property/ purchaser match-makeing.

Technology can allow less people to do more in less time when effectively applied. Effectiveness is critical to the process with the ultimate challenge moving forward being our ability to maintain the depth of personal relationships that are a key driver in our business as the number of sales per agent increases.

We are also very aware that we need to be very particular when targeting clients on-line. It could be reasonably said that true effectiveness is as much about knowing when 'not' to contact the client as when 'to' contact the client. Given the justifiably poor reputation of call centre marketing and email/internet canvassing generally, what is sent out, when, and to whom must be managed with extreme care and attention to detail. An agent's credibility can be seriously damaged and quickly if clients receive communications that they shouldn't.

Still, despite the advances in technology, we are certainly not ready yet to dismiss more traditional marketing methods; advertising, signage, etc., any time soon.

Print advertising remains a crucial part of real estate marketing.

Well designed and micro-managed database management systems coupled with effective, high exposure and particularly 'easy-use' websites, through sheer weight of numbers can create sales opportunities that were not available in the past.

Overlaying the many new forms of technology-driven marketing on traditional marketing methods can give a greatly increased level of exposure for any property. With increased exposure comes an increased pool of potential buyers, and increased competition breeds increased price.