

UDIA State of The Land 2018

National Residential Greenfield and Multi-Unit Market Study



NLSP
National Land Survey Program



NLSP National Land Survey Program

The NLSP is a research initiative that aims to communicate the role and performance of the nation's major Greenfield residential land markets.

Currently, the NLSP is supported by Research 4's proprietary National Greenfield performance and active supply data and Charter Keck Cramer's proprietary data for future non-developed land supply

2018 UDIA *STATE OF THE LAND* RESEARCH PARTNERS

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Welcome to tenth annual **State of the Land** report

The Urban Development Institute of Australia (UDIA) State of the Land report has evolved over the last decade to become regarded as the most authoritative annual overview of the state of the nation's greenfield land markets.

In this 10th anniversary edition the reporting remit of the State of the Land report has been expanded to include analysis of the multi-unit infill market utilizing exclusive data from CoreLogic. In addition, the report for the first time includes coverage of the ACT new home market.

For the fourth year running the National Land Survey Program (NLSP) undertaken by Research4 and Charter Keck Cramer provides the core data and analysis underpinning the report's greenfield analysis.

The NLSP is a rare "bottom-up" analysis of the critically important greenfield land market. The NLSP analyses the market performance of over 1,000 new residential land estates across the nation on a quarterly basis. UDIA is delighted to showcase the latest NLSP data and insights in this year report – which once again highlights the fundamentally important role of the greenfield sector for housing our growing population.

The customised multi-unit data provided by CoreLogic has allowed this year's report to provide analysis of the dynamic apartment and infill development sector evolving across the nation. As our urban regions continue to mature and policy settings continue to emphasize urban renewal and urban consolidation the role of multi-unit development will only increase across our nation's housing markets.

The new residential housing estates emerging in greenfield land release areas and the apartment projects being developed within established areas are where public policy hits the ground on issues such as housing affordability, population, city structure, economic growth, land release, infrastructure and energy use.

Ultimately the new communities being housed in the new estates and apartment complexes are home to a new generation of Australians. For these residents these new residential communities hold their aspirations for their families and their hopes for economic security.

As the recently elected National President of the UDIA it is my pleasure to commend the 2018 State of the Land report to you.



Darren Cooper
UDIA National President





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UDIA State of the Land 2018

At a Glance

GREENFIELD



NEW RELEASES (2017)

MEL 22,990

SEQ 13,268

SYD 9,411

PER 6,885

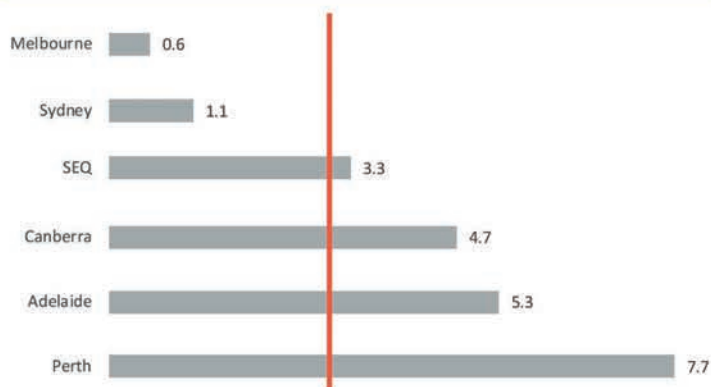
ADL 2,162

ACT 557

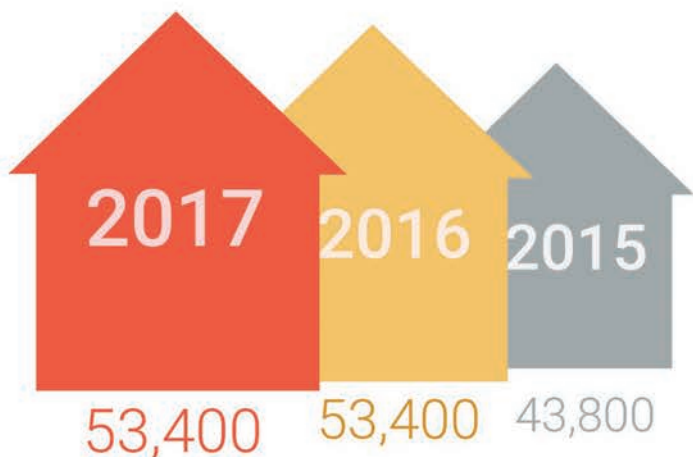
MEDIAN LOT PRICES (2017)



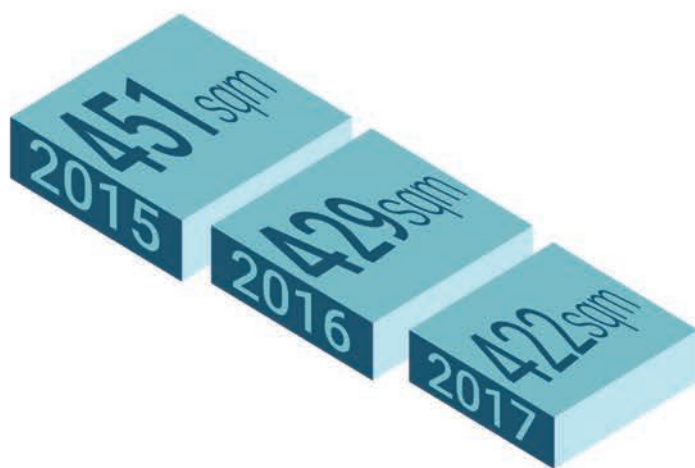
TRADING MONTHS OF STOCK (as at Q4 2017)



ANNUAL NATIONAL SALES



ANNUAL MEDIAN LOT SIZE



NEW UNIT COMPLETIONS (2017)



SYD 28,330

MEL 25,900

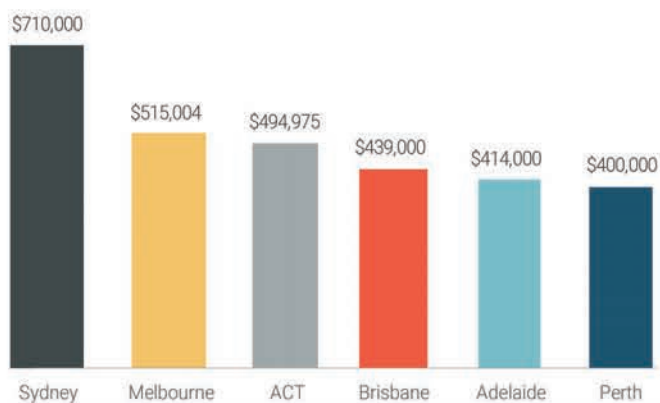
BRI 11,900

PER 4,990

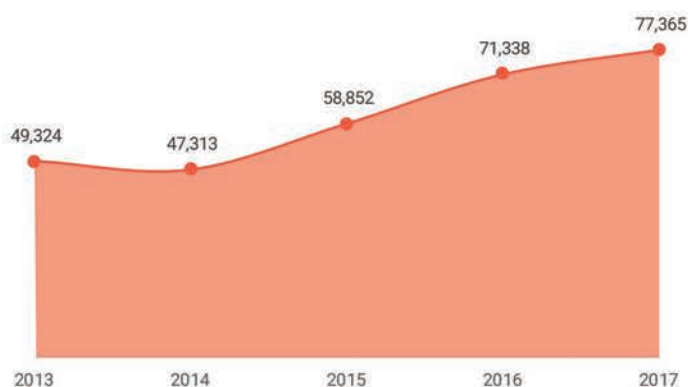
ACT 4,100

ADL 2,130

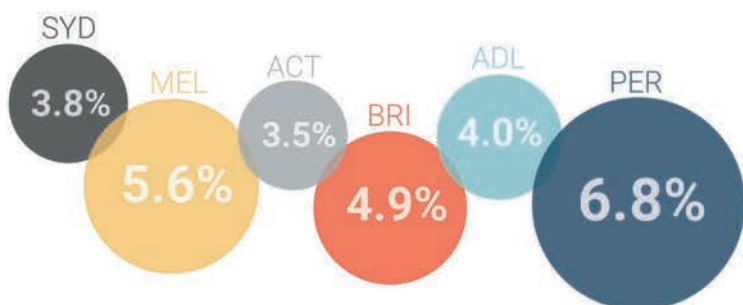
MEDIAN SALE PRICE OF NEW UNITS (2017)



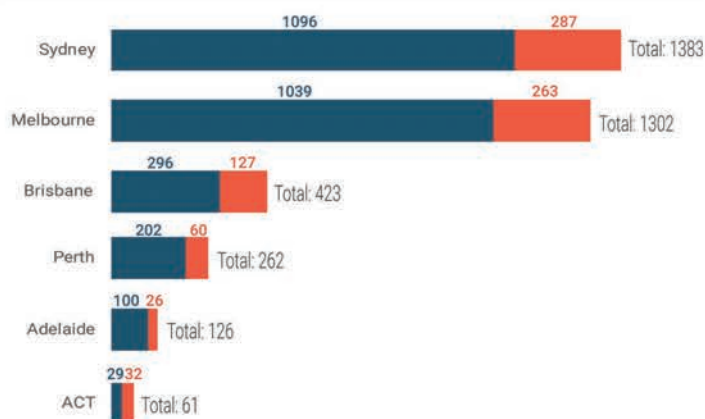
ANNUAL NATIONAL NEW UNIT COMPLETIONS



VACANCY RATES (as at Q4 2017)



ACTIVE PROJECTS (as at Q4 2017)



■ Approved ■ Under Construction

NATIONAL RESIDENTIAL MARKET OVERVIEW

Australia's residential developers have continued to respond to the national housing supply challenge with record levels of lot releases in residential greenfield land estates and record levels of completions of multi-unit/infill developments across the 2017 calendar year.

A combined total of 132,600 new greenfield housing lots and new multi-unit/infill dwellings were created across the major capital cities in 2017, which while only representing a 2% increase on 2016 levels is a remarkable 51% increase on 2014 output.

The heightened levels of new residential supply being delivered has been led by Melbourne which recorded a total production of almost 49,000 lots/multi-units in 2017, which was 96% increase on 2014. Melbourne's total market output accounted for 37% of the combined capital city lots/multi-unit production in 2017.

Sydney accounted for 28% of total market supply in 2017 with 37,740 lots/multi-units completions, which reflected a similar production output to 2016 and a 48% uplift on 2014. South East Queensland

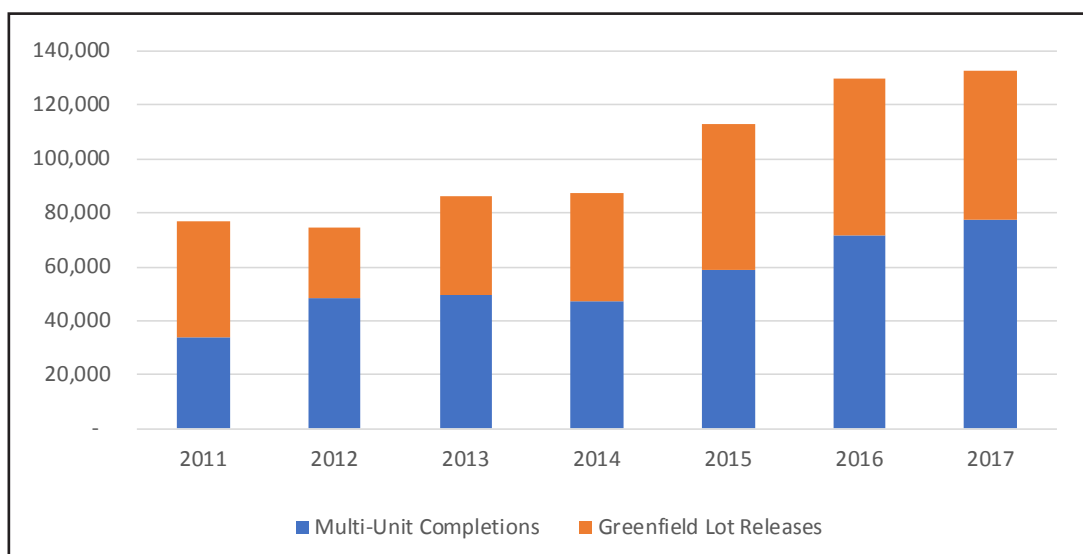
also recorded a similar level of residential production to the preceding year with 25,200 lots/multi-units in 2017 – which accounted for 19% of national capital city supply.

Residential supply from Perth has retracted sharply over the last three years, with the 2017 output of 11,900 lots/multi-units representing 9% of national capital city supply, down from the 16% national market share with 17,900 lots/multi-units in 2015.

Adelaide produced a total of 4,300 lots/multi-units in 2017 which represented 3% of national capital city supply. While this production was a 12% increase on 2016, more new residential supply was achieved in 2017 in the ACT – with a regional population approximately one third the size of Adelaide.

Population growth, or lack of it, is the primary driver of demand for new dwellings. This is reflected in the population growth profiles across the capital cities with the booming new home markets of Melbourne and Sydney attracting the majority of recent metropolitan area population growth, accounting for 39% (+527,200 people) and 29% (+392,000 people) of growth across 2011 to 2016 period respectively.

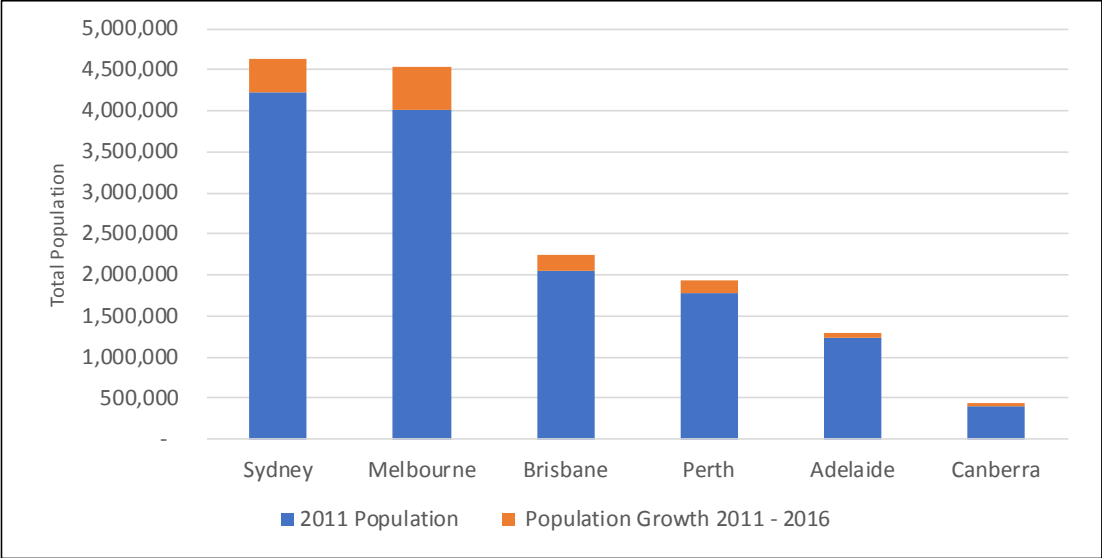
Combined Capital City New Residential Market Supply



Source: UDIA; National Land Survey Program; CoreLogic

NATIONAL RESIDENTIAL MARKET OVERVIEW

Capital City Population in 2011 & Growth to 2016

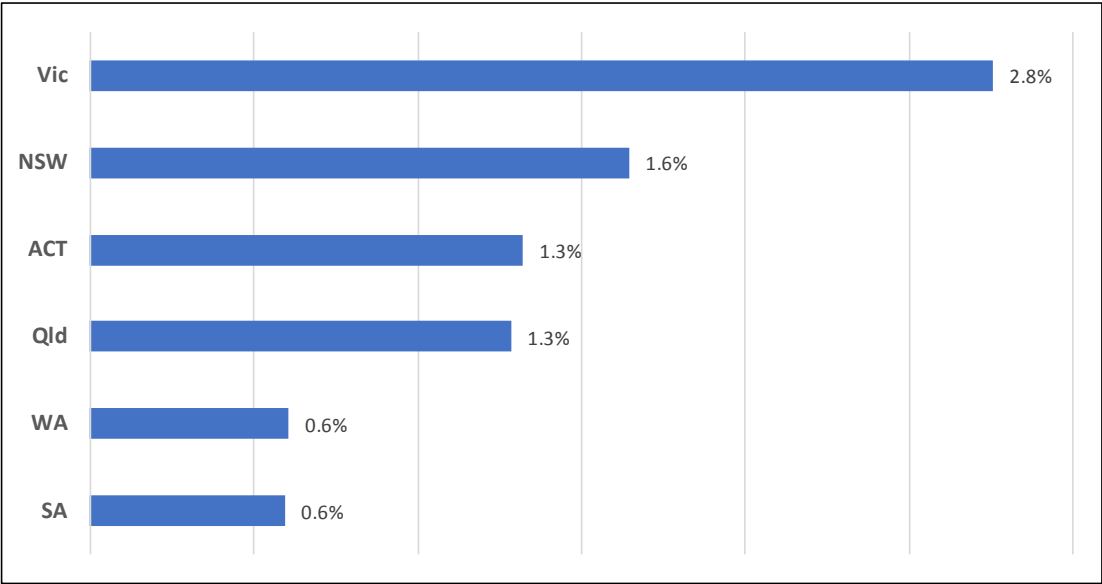


Source: ABS (Note: based off Significant Urban Areas Estimated Resident Population counts)

Job growth is another macro-economic factor underpinning the performance of housing market performance. Consideration of recent employment data highlights that while the stronger performing capital city markets have all been attracting robust employment

growth, the weaker housing markets exhibit relatively benign employment growth. The contrast between the average annual job growth in Victoria (2.8% per annum) versus Western Australia (0.6%) starkly reinforces this point.

Average Annual Employment Growth 2014-2017



Source: ABS



The varied performance of the nation's major housing markets underscores the on-going challenge faced by the development industry. In addition to the requirement to adapt to evolving market conditions and demand profiles, the development industry is also confronted with persistent alteration of policy and regulatory settings, at all levels of government, which impacts in different ways on residential development.

The on-going deterioration of housing affordability across the nation is both a wicked public policy issue for government while also presenting a major challenge for the development industry. Across various measures it is far more expensive, and with much higher barriers of entry, to 'afford' to access the housing market than it was even a decade ago. As at September 2016 the median house price to median household income ratio was 8.3 in Sydney and 7.1 in Melbourne. This had increased from a ratio of 5.8 in Sydney and 4.1 in Melbourne in 2001.

Benchmarking cities from a variety of developed economies (including the USA, Canada and UK) on the basis of this median house price to median income basis the latest Demographia International Housing Affordability Survey (2018) ranks all of Australia's capital cities as 'severely unaffordable'; with Sydney currently ranked the second most unaffordable city in the rankings – well ahead of other global cities such as New York and London, and behind only Hong Kong.

Aspiring First Home Buyers (FHBers) are a key group impacted by the housing affordability crisis which is reflected in the wholesale reduction of FHBers in the contemporary national housing market. Across all jurisdictions, except Western Australia, the proportion of FHBers in the market is lower than the long term trend. In NSW the retreat of FHBers is most pronounced with a 2017 market presence of 11% of total home loans as compared to 17% across the 1991-2017 period. In Victoria the FHBER cohort has declined from 21% to 17% and South Australia 16% to 12%.

Housing Affordability Measures (as at September 2016)

	Price to income ratio	% of household income required for a 20% deposit	% of household income required to service a 80% LVR mortgage	% of household income required to rent a home
Sydney	8.3	168%	44%	29%
Melbourne	7.1	143%	38%	26%
Brisbane	5.7	114%	30%	25%
Adelaide	6.2	124%	33%	26%
Perth	5.5	111%	29%	22%
ACT	5.2	104%	27%	21%

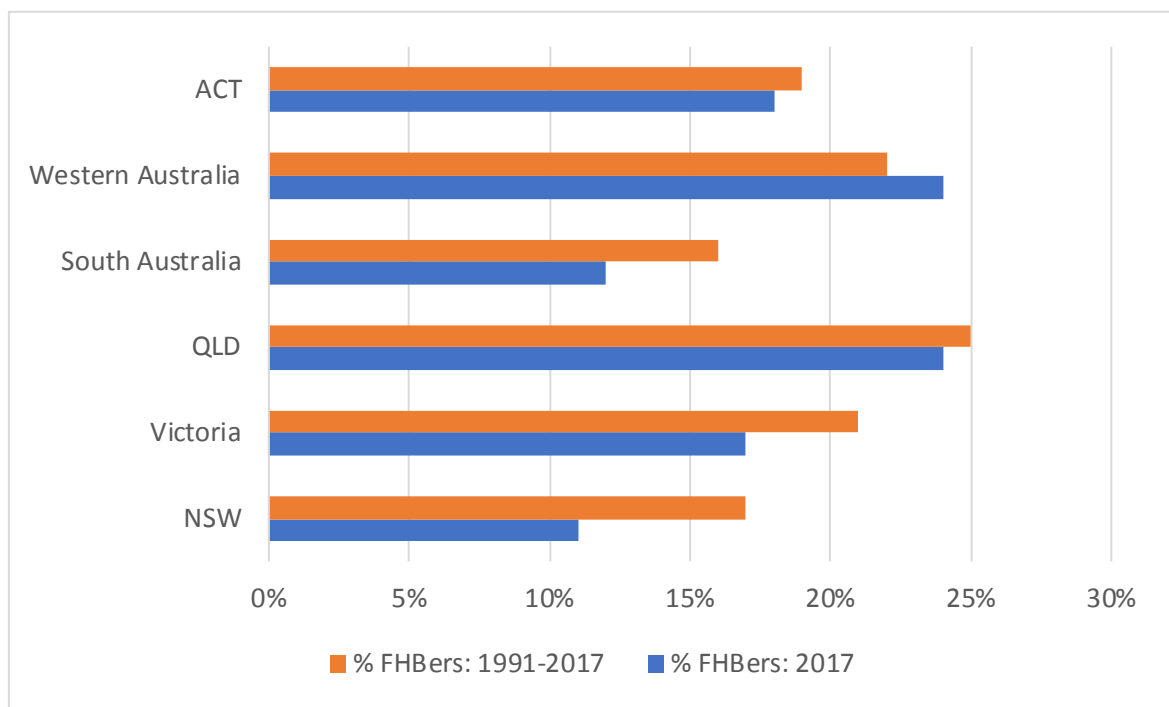
Source: CoreLogic



The key to long term, sustainable, housing affordability is matching supply to demand including delivery of a diversity of housing products. While the development industry has been able to respond to the significant increase in demand over the last three years, the reality is that Sydney and Melbourne (in particular) need to continue to deliver supply at these historically high levels year-on-year for the next two decades.

Across all jurisdictions the development industry faces a number of market and policy challenges in 2018. As the historically high levels of population growth experienced over the last few years appear to be 'the new norm' it is critical that new planning policy formulation promotes efficiency and transparency and enables the industry to continue to deliver housing to market in a timely manner.

First Home Buyers as a % of Total Home Loan Market



Source: ABS



NATIONAL RESIDENTIAL MARKET OVERVIEW

GREENFIELD MARKET SUMMARY

LOT PRODUCTION

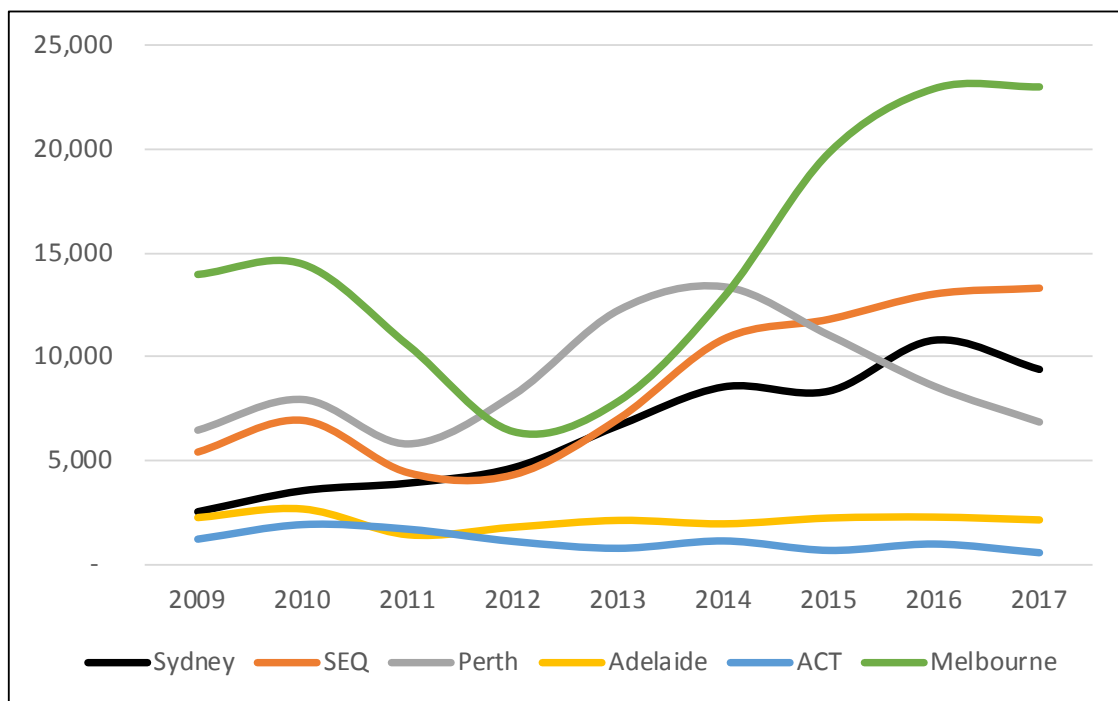
After four straight years of growth in residential land lot release output, 2017 saw a 6% reduction from 2016 production levels, with 55,270 lot releases recorded for the calendar year across the major capital city markets. Melbourne maintained its 40% share of the nation's new lots but appears to have reached its development production ceiling at circa 23,000 lots per annum.

South East Queensland was the only market to record an increase in lot releases (+2%) and comfortably retains the mantle of second most important greenfield market in the country with 13,200 lots released.

After a historic peak in production in 2016, Sydney recorded a 13% decline in lot releases in 2017 to 9,400 due to a lack of zoned and serviced land.

The maintenance of challenging market conditions in Perth is underscored by the 20% annual decline in releases to 6,885 – representing half the volumes achieved in 2014. The smaller markets of Adelaide and the ACT also recorded modest net reductions in releases in 2017, which broadly reflects the moderation of momentum experienced across the national housing market.

Annual Lots Released



Source: National Land Survey Program



NATIONAL RESIDENTIAL MARKET OVERVIEW

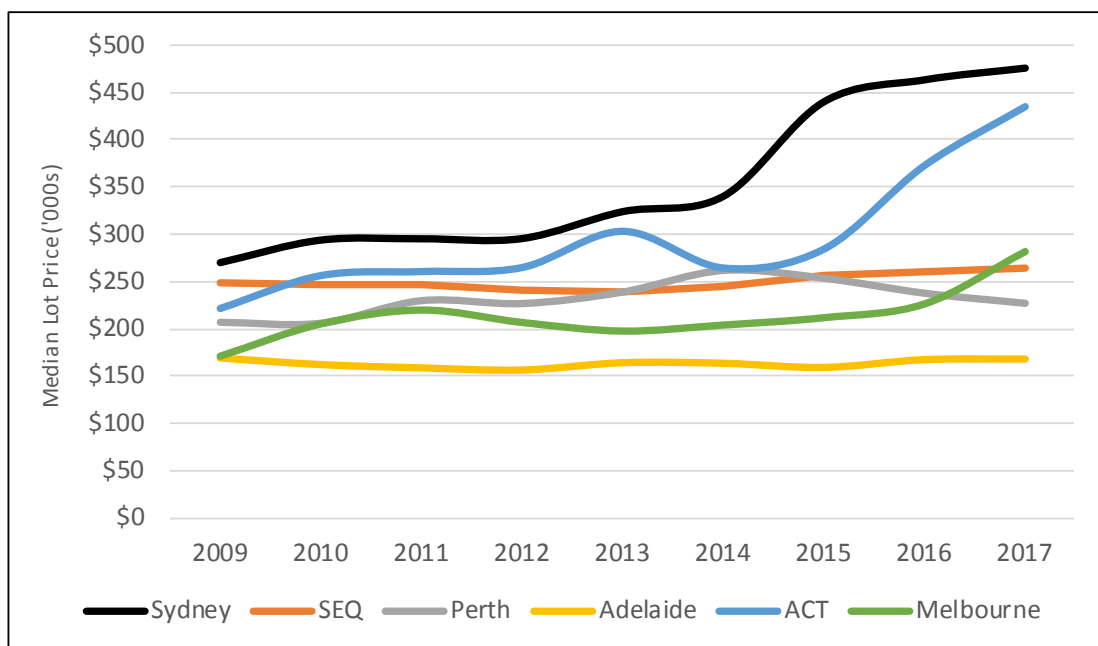
LOT PRICES

The national median lot price rose 10% across 2017 to finish the December Quarter at \$313,000.

Sydney remains the most expensive land market with a median advertised lot price across 2017 of \$476,000, which has grown 40% since 2014 but only 3% across the 2017 calendar year. The ACT has experienced a 64% increase in the median lot price since 2014 to continue to close the gap on Sydney pricing – albeit this is calculated off comparatively low sales volumes.

Price growth was most prolific in Melbourne which grew by 24% to \$281,000 per lot in 2017 which represents the strongest annual price growth metropolitan Melbourne has recorded since 2009. SEQ once again recorded a modest growth in pricing (+1.6%) with Perth lots reducing in price for the fourth consecutive year to an annual figure of \$227,000. Adelaide remains the most affordable capital city with a median lot price of \$167,000 which is lower than the median pricing achieved in 2008 reflecting the enduring and general weakness in the Adelaide land market.

Median Lot Price



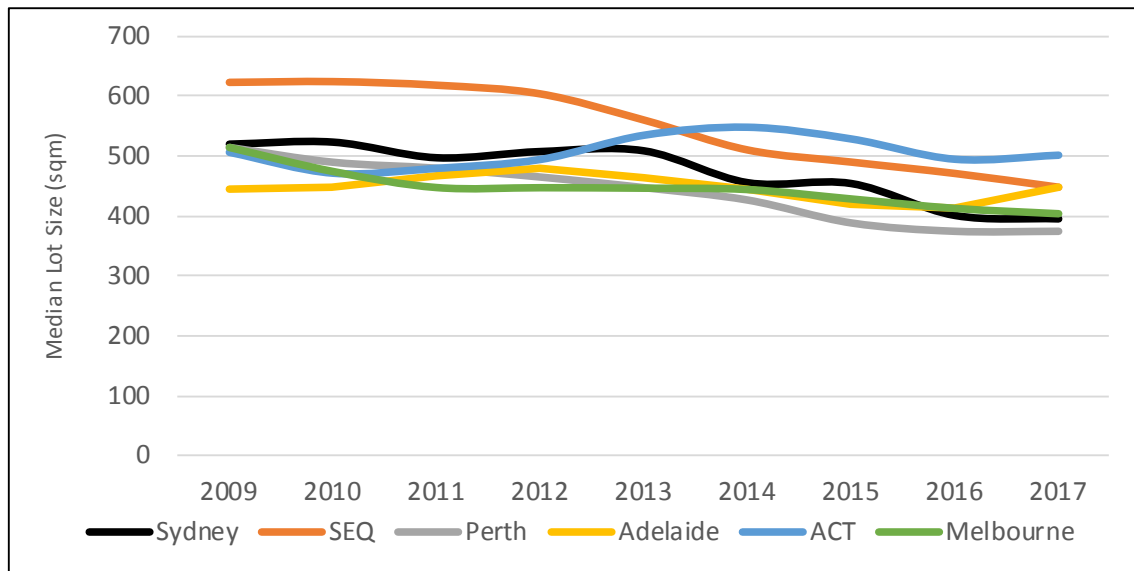
Source: National Land Survey Program

LOT SIZES

The trend of declining lot sizes highlighted in previous State of the Land reports has continued through 2017, with a 1.8% decline for the year to average 422 sqm which represents a 16% reduction from 2014. In all markets the median lot size is now below 500 sqm, with the exception of the ACT where

the median lot size across the year was 502 sqm. Perth retains the smallest median lot sizes in the country at 375 sqm. Developers are reducing lot size in response to affordability constraints and in certain cases limited supply and the high cost of land.

Median Lot size



Source: National Land Survey Program

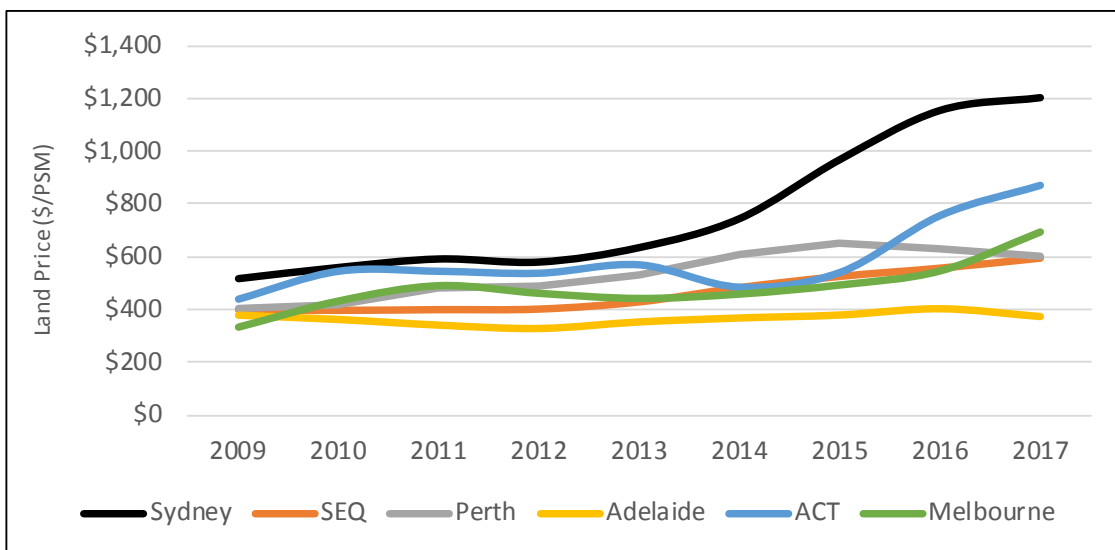
LAND PRICE

The reduction in lot sizes coupled with the rises in lot prices has delivered a significant increase in the price of land on a per square metre basis (per sqm). The national median price as at the end of the December quarter was \$746 per sqm which represents annual growth of 11.2%.

to \$692 per sqm. The ACT also experienced a strong 15% annual growth in land price to average \$868 per sqm. Far more modest annual growth in land pricing was experienced in Sydney (+4%), however at \$1,202 per sqm, Sydney's land price is 62% above the national average and has grown a substantial 89% in four years.

Melbourne's land price grew 27% in 2017

Median Land Price (\$/SqM)



Source: National Land Survey Program

NATIONAL RESIDENTIAL MARKET OVERVIEW

MULTI-UNIT MARKET SUMMARY

This year's State of the Land report includes an overview of the performance of the residential multi-unit/urban infill market across the capital cities utilising customized data provided by CoreLogic. This multi-unit sector analysis represents a significant evolution and expansion of the State of the Land report and a progressive step towards presenting complete and 'whole of housing

market' data analysis in future reports.

The term 'multi-unit' in this report refers to the following residential typologies/dwelling descriptors: apartments/flats/units/multi-unit/row/terrace/townhouse. Other categories of multi-unit development including aged-care/retirement and student housing is excluded from the analysis.

MEDIAN NEW UNIT SALE PRICE

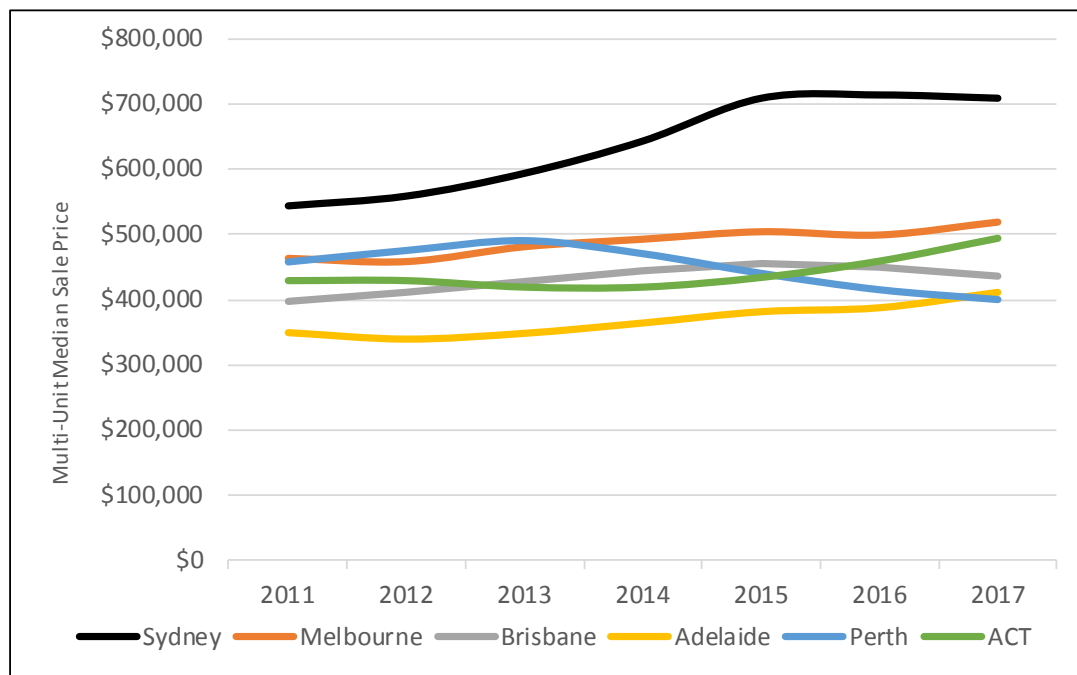
CoreLogic have examined the settled sales transactions of all new residential multi-units across the capital cities between 2011 and 2017. Resale transactions of established unit stock have been removed from the analysis.

The median sale price profile of new units highlights, once again, the significant pricing premium the Sydney market commands. Despite a 1% annual contraction in median unit pricing in 2017 (and no overall growth since 2015) Sydney units are still 37% more

expensive than Melbourne's units (\$519,000) and 63% more expensive than the ACT (\$495,000).

Prices have been contracting over the last two years for new units in Brisbane, which recorded a median sale price in 2017 of \$435,000. Meanwhile in Perth there has been a four year slide in pricing which has now been surpassed by Adelaide with median price points for new units sitting at \$400,000 and \$412,500 respectively.

Median New Multi-Unit Sale Price



Source: CoreLogic

MULTI-UNIT COMPLETIONS

Based on CoreLogic's estimates a record high 77,365 multi-unit completions took place in 2017 across the major capital cities- based on completions within projects yielding 10-units or more. This represented an 8% increase on 2016 and a 64% growth on unit completions from three years earlier.

Sydney and Melbourne have been the focal point for the significant uplift in multi-unit dwelling supply over the last two years accounting for 68% of net additions to the national housing market.

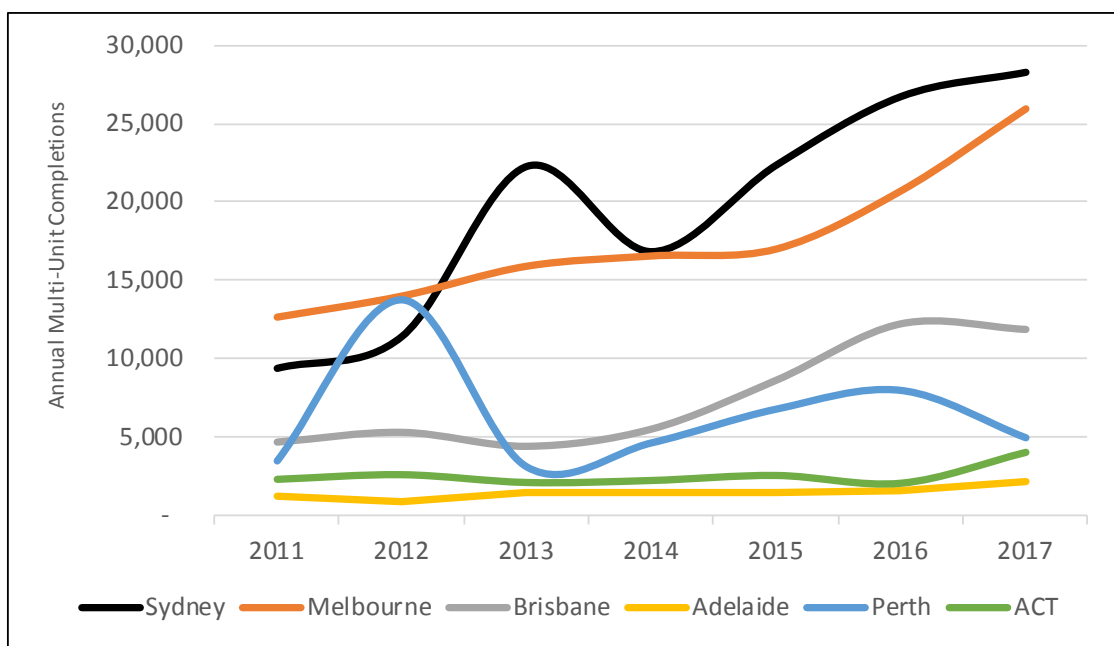
There was an estimated 28,300 multi-unit completions in Sydney in 2017 which accounted for 73% of total dwelling completions across the metropolitan region. This underscores the critical role that multi-unit production plays in the Sydney housing market. A significant decline in multi-unit production would have a very significant

impact on the ability to reach the NSW State Government's annual housing targets.

Melbourne recorded an estimated 25,900 multi-unit completions in 2017 which represented a 25% increase on 2016 completions and a 53% increase on 2015 completions. Expectations are that 2017 will represent a peak year of multi-unit supply in Melbourne as the forward development pipeline indicate a moderation in production output over the coming two years.

Multi-unit supply has started retracting modestly in Brisbane (-3% annual change) and very significantly in Perth (-38% annual change). While both comparatively low volume multi-unit markets to the other capital cities, the ACT and Adelaide both recorded strong production increases in 2017 of 100% and 39% respectively.

Multi-Unit Completions



Source: CoreLogic



NATIONAL RESIDENTIAL MARKET OVERVIEW

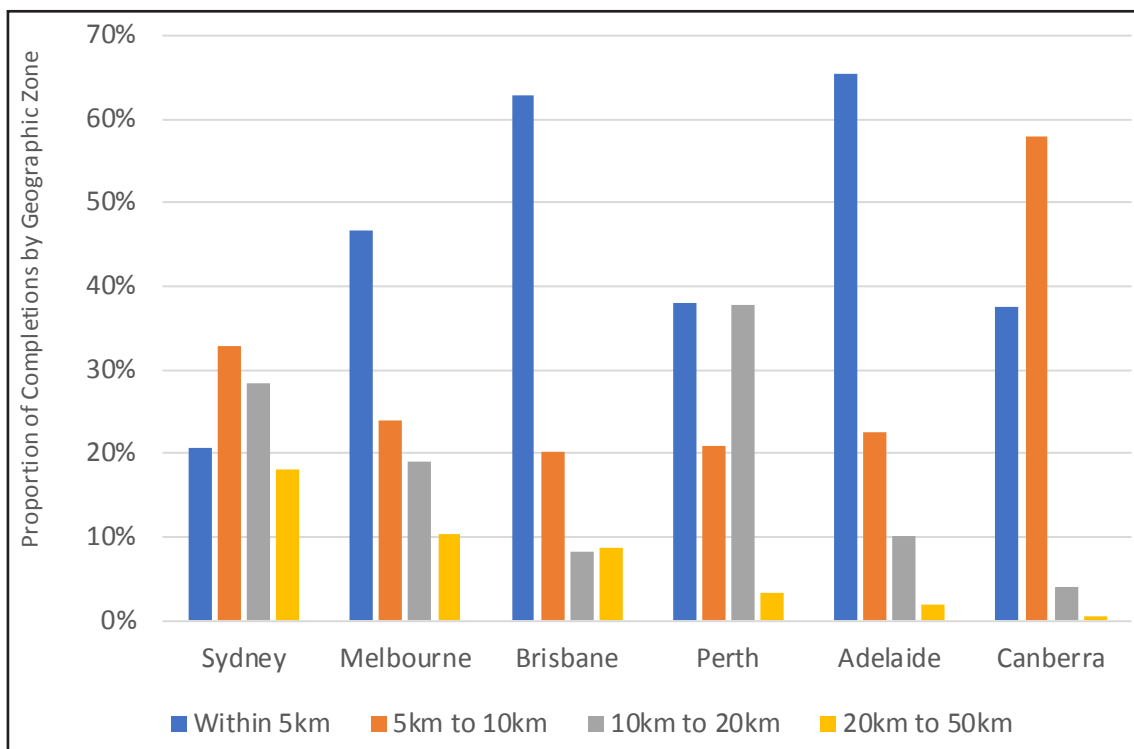
MULTI-UNIT COMPLETIONS BY GEOGRAPHIC DISTRIBUTION

The distribution of new multi-unit supply is highly geographically variable across the capital cities. Sydney exhibits the most even spread of new unit stock completions across the metropolitan area with:

- 21% in the central and inner ring 5km from the Sydney GPO;
- 33% within the 5km-10km band;
- 28% within the 10km-20km band; and
- 18% within the 20km-50km band.

This spatial distribution of multi-unit supply reflects Sydney's longer history and greater market acceptance of apartment development across the metropolitan area as compared to all the other capital cities. By way of contrast, 65% of Adelaide's new supply is within the 5km inner ring, 63% of Brisbane's supply is within the inner ring, with Melbourne also having 47% of all new multi-unit supply emerge in 2017 also from this inner 5km ring.

Multi-Unit Completions by Geographic Zone



Source: CoreLogic



Image: Unison by Mirvac



MARKET OUTLOOK

The residential land development industry is expected to sell a similar level of greenfield lots in 2018, however, supply will be challenged as the sector navigates capacity constraints in Sydney and Melbourne and weak demand persists in Perth and Adelaide.

The multi-unit sector is set for another strong year with robust pipelines of projects in place across the nation. While the bulk of new supply will continue to emerge primarily from Sydney, Melbourne and Brisbane the remaining capital cities will continue to also add new stock – albeit at a lower level than 2017.

The stimulus to the housing market provided by the historically and enduringly low interest rates has passed well past the peak as banks continue to ratchet up mortgage lending rates and tighten the lending for investors. While tougher access to bank finance is impacting retail consumers, developers are also facing significant funding challenges. With the retreat of the major institutional banks, particularly for multi-unit projects in deemed 'risky' locations, alternative wholesale and retail funding sources are emerging – including crowd-source funding platforms.

A range of additional macro scale economic, regulatory and political challenges may also impact the residential development sector in the year ahead while other drivers will vary from city to city. This includes economic growth, or lack of it, the state of supply and a range of political measures which could be stimulatory.

South East Queensland has a positive outlook ahead with expectations of increases in employment and population growth (including increasing levels of interstate

migration from NSW and Victoria) to support housing construction following downturns in mining investment and weather impacts earlier in the decade. The greenfield sector is expected to perform strongly again this year with land products generally being made available in locations and price points that match consumer demand. In terms of infill areas, an over-supply of investor grade units in some inner Brisbane locations will continue to be slowly absorbed across another generally challenging year for apartment developers.

In **Sydney** it is expected that 2018 will present another robust year for the housing market with slightly higher levels of new completions expected to total circa 40,000. However, there is medium-term concern with sales volumes trending downwards for new apartments following a slowdown in obtaining approvals, particularly for major projects. These slowdowns resulted from the planning hiatus of Council mergers and 18 months of 'Draft District Plans' from the Greater Sydney Commission causing uncertainty. Policy uncertainty is also impacting investment acquisition in the greenfield corridors with further development taxes and levies being mooted.

Maintenance of robust supply pipelines in **Melbourne's** greenfield market revolves around reform to the inefficient post-Precinct Structure Plan (PSP) environment- which is plagued by inefficiencies and delays. For infill development there is also need for planning reform and improvement, as the increasingly temperamental nature of planning system is compromising business and investment certainty. Not-with-standing these issues 2018 promises to be another strong year for the Melbourne development sector.

Maintenance of robust supply pipelines in Melbourne's greenfield market revolves around reform to the inefficient post-Precinct Structure Plan environment- which is plagued by inefficiencies and delays. For infill development there is also need for planning reform and improvement, as the increasingly temperamental nature of planning system is compromising business and investment certainty. Not-with-standing these issues 2018 promises to be another strong year for the Melbourne development sector.

Adelaide's infill development market is expected to remain strong with several government initiatives continuing to drive demand for CBD apartments. Very low population growth will continue to constrain expansion of the residential greenfield market. The 2018 State Election will bring a period of adjustment as the incumbent or new government determines the exact shape of the new planning system.

The **Perth** housing market is expected to move more fully into recovery mode during the course of the year with various positive economic and market signs beginning to emerge. Also on a positive footing is the greater clarity emerging regarding the policy environment within which the development industry operates in Western Australia. Government strategy and policy settings are likely to generate new development opportunities which coupled with increasing consumer confidence provides a generally positive development industry outlook.

The **ACT's** robust population growth rate will continue to underpin strong housing market performance. While multi-unit production will likely moderate from the historic high of 2017 there is a strong expectation of an uplift in lot sales with several estates moving into the next release stages.

RECOMMENDATIONS

Providing sufficient volumes of appropriately located, accessible and affordable housing for Australia's rapidly growing population is one of the greatest on-going challenges facing the nation.

The property development sector is united in responding to the on-going housing challenge while a variety of changes continue to sweep across the industry resulting in a need to adapt and alter the nature and character of business operations.

The multi-unit sector will continue to expand with the need for a greater supply of medium density or 'missing middle' housing to compliment the higher volumes of apartment projects being delivered.

The polycentric city model will continue to become more of a focus for urban planning and with the mounting costs of congestion weighing on productivity we will be building more urban centres and nodes and less traditional suburbs as we look to embrace the '30-minute city' aspiration.

Transport infrastructure will be critical to access these centres and to attract new knowledge intensive jobs to these locations. Public transport needs to evolve to be less radial to the CBD and is likely to include more light rail, and in time driverless buses and mini-buses. The opportunities to embrace efficiencies based on smart city technology harnessing the Internet of Things (IoT) will enable greater productivity, which is ultimately the goal for our global competitiveness.

UDIA will continue to forge a leadership position championing new and innovative urban planning initiatives and policies designed to facilitate the planning and urban development outcomes our cities need to thrive and flourish into the future.

While ranking highly on quality of life and liveability leaderboards, Australia's cities continue to rank amongst the most unaffordable in the world (as previously noted based on a median household to median house price measurement). To robustly address the affordability crisis it is critical that governments at all levels continue to address underlying inefficiencies that increasingly undermine the delivery of affordable land supply and new home construction.

Taxes and charges remain high with some governments foreshadowing further levies on development which must be avoided if government is serious about improving housing affordability.

A recent research report by the Reserve Bank of Australia entitled *The Effect of Zoning on House Prices* presents a compelling argument for wholesale reform of Australia's planning systems. The analysis quantifies the contribution that zoning regulations have had on raising the cost of housing by restricting supply. As of 2016 it was determined that zoning restrictions had raised detached house prices 73% above marginal costs in Sydney, 69% in Melbourne, 42% in Brisbane and 54% in Perth. Zoning was also found to have raised the price of apartments well above the marginal cost of supply, especially in Sydney.

The UDIA makes the following recommendations to improve housing affordability and support jobs and economic growth in Australia's development industry:



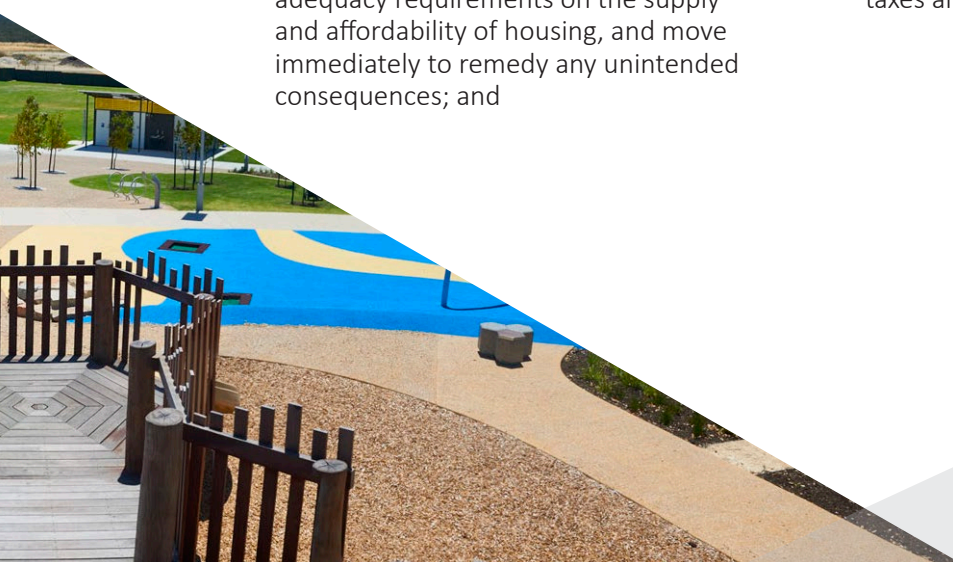
Federal Government should:

- Focus on policies that address housing affordability on boosting supply and providing a certain regulatory environment for industry;
- Closely tie the National Cities Performance Framework to how and where future City Deals are struck, by highlighting locations where liveability, productivity and future prosperity can be enhanced through alignment of planning, investment and governance between the three levels of government, the community and the private sector;
- Restart the National Housing Supply Council to benchmark costs and provide leadership in planning a national housing supply strategy to address the housing affordability crisis;
- Support foreign investment that assists unlocking supply of new housing;
- Increase funding to the National Housing Infrastructure Facility to further catalyse housing supply;
- Commonwealth uses its balance sheet to deliver infrastructure investment for public and social infrastructure using sound infrastructure prioritisation methodologies;
- Maintain existing arrangements for negative gearing and capital gains tax; Carefully examine the effect of capital adequacy requirements on the supply and affordability of housing, and move immediately to remedy any unintended consequences; and

- Remedy the unintended consequences from restrictions on foreign purchasers of agricultural land by clarifying the Agricultural Land definition used by the Foreign Investment Review Board to exempt land that is clearly designated for residential purposes.

State and Local Governments should:

- Undertake major planning reform to increase the supply of urban land and reduce delays and uncertainty associated with zoning, planning and the approvals processes;
- Move away from stamp duty on property transactions and replace it with a more efficient broad-based form of taxation, which more reasonably shares the burden of new infrastructure;
- Carefully consider the application of value capture mechanisms to fund new infrastructure and ensure that they aren't just another tax on new housing and that all beneficiaries of the "Value Gain" contribute to the value capture;
- Reduce up front charges and levies on new housing by favouring the recovery of costs through broad base recurrent taxes over longer time frames;
- State and Local governments need to ensure planning agreements for rezonings do not become betterment taxes; and
- Remove foreign buyer and developer taxes and surcharges.



SOUTH EAST QUEENSLAND

SUMMARY

The land development industry in South East Queensland (SEQ) continues to operate at a high level. This has been the fourth year of high land development activity. Lot sales and supply are well matched overall across the growth corridors to meet customer demand.

Significant apartment construction has occurred since 2015 in Brisbane with over supply present in some markets. This stock is having some effect on existing apartment prices and rents, however take up of stock will be assisted by improving Queensland population and employment. Population growth will however create a challenge to increase lot supply levels while limiting price increases. There are some concerns regarding land supply and levels of demand on the Gold Coast, Moreton Bay and Sunshine Coast sub-markets. The SEQ land market in general has performed well in maintaining high supply levels and particularly prices.

It is critical policy, planning processes and particularly infrastructure provision arrangements maintain pace to not cause price pressures.

GREENFIELD MARKET ANALYSIS

Lot releases in SEQ rose again in 2017 to 13,268 for the year, up 2.2% on 2016. This was the highest of recent high levels since 2014. Current sales levels are well matched to supply, with current trading stock (stock in hand) tight but improved to an equivalent to three months of supply (from 2.7 months in 2016). In general land product is being made available in locations that match customer demand and the product is reflecting its customers' wants.

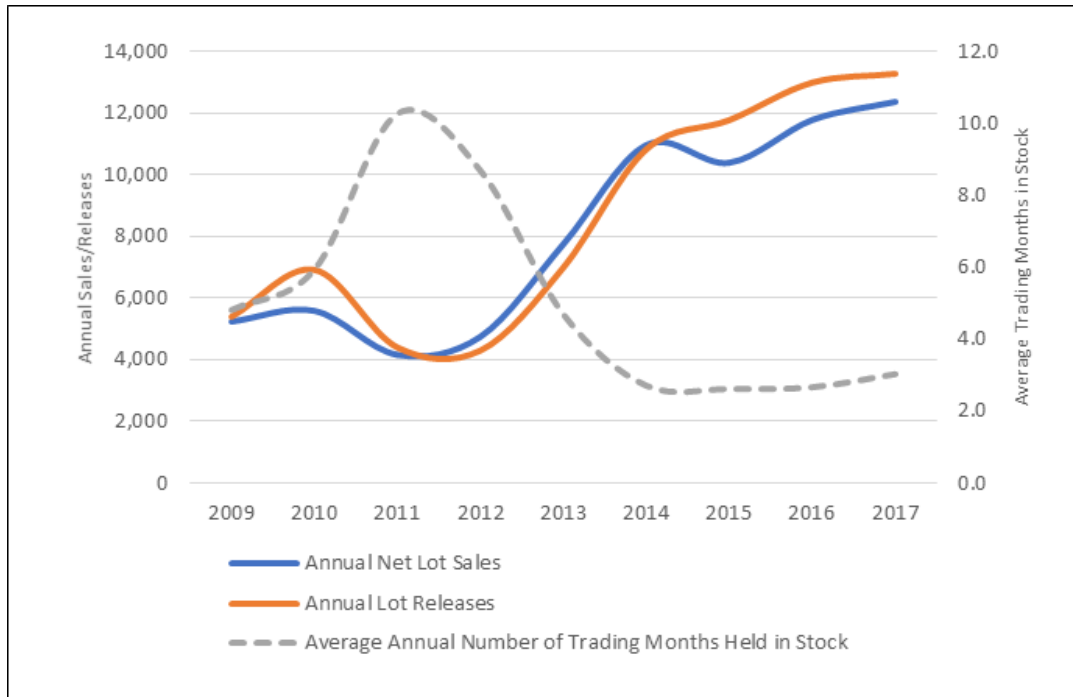
The median lot price for SEQ remained stable at \$264,000 with a 1.5% increase from December 2016. Median prices by local government area included:

- Ipswich \$215,000;
- Logan \$229,000;
- Moreton Bay \$275,000;
- Redland \$285,500;
- Sunshine Coast \$287,000;
- Gold Coast \$309,000; and
- Brisbane \$419,000.

The Logan median price increased over the year, likely reflecting greater acceptance and maturation of estates in the area. With limited affordable land estate options on the Gold Coast and a stronger developer profile, Logan appears to be developing as a real Gold Coast alternative.

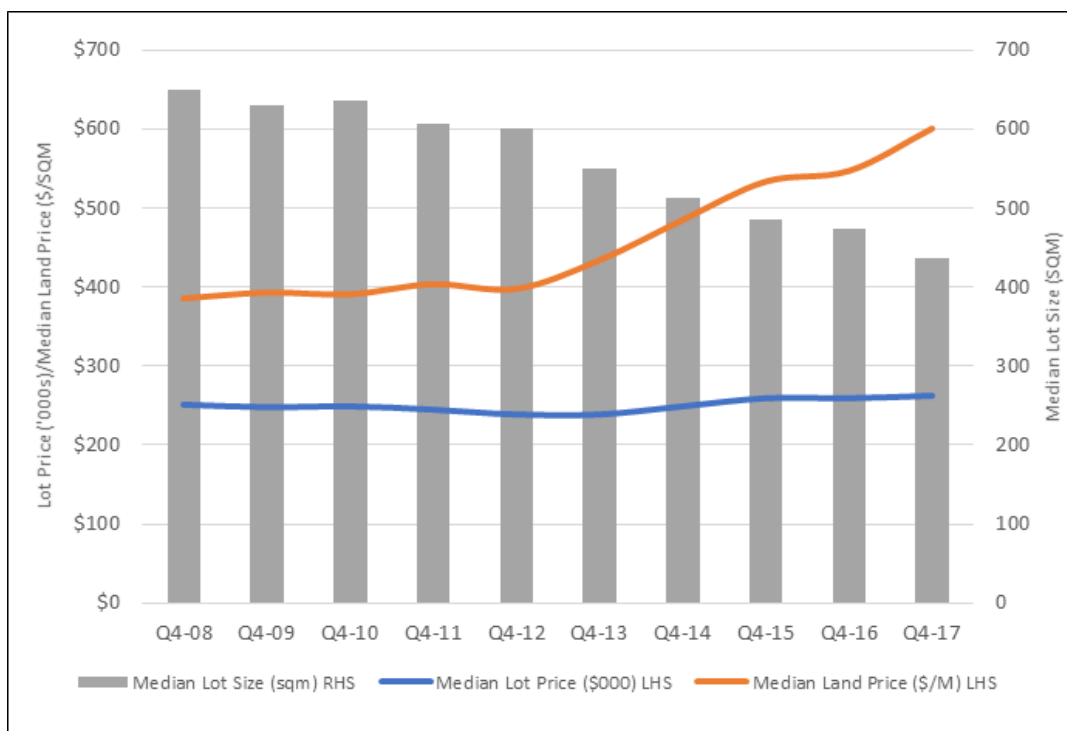


Annual Greenfield Activity



Source: National Land Survey Program

Median Lot Price, Land Price (\$/SQM) and Median Lot Size



Source: National Land Survey Program

NLSP Summary Table

	Annual Net Lot Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (sqm)	Annual Median Lot Price	Annual Median Land Price (\$/M)
2009	5,238	84	622	\$248	\$398
2010	5,586	107	623	\$247	\$396
2011	4,161	129	617	\$246	\$399
2012	4,749	148	603	\$242	\$401
2013	7,752	158	559	\$239	\$428
2014	10,958	170	509	\$245	\$481
2015	10,383	144	489	\$256	\$523
2016	11,773	143	470	\$260	\$554
2017	12,356	163	447	\$264	\$591

Source: National Land Survey Program

BROADER MARKET TRENDS

A declining housing land supply market share in the Moreton Bay Region (15% of SEQ activity) is noted with a greater share being picked up by Sunshine Coast developments (18%). The median land price in Moreton Bay also increased by 6% over the past year. This may reflect some development delays in greenfield areas of the corridor. The potential impact of this includes difficulties for the local community in finding well located land, higher costs and reduced affordability, and greater pressure on other markets in the region and services.

A number of larger developments, representing around 20% of supply, are providing more affordable product to the market and are being well supported by buyers. The SEQ median lot size continued its long term decline to 447 sqm, down from 470 in December 2016. The median size in 2017 was however the second largest of the states surveyed.

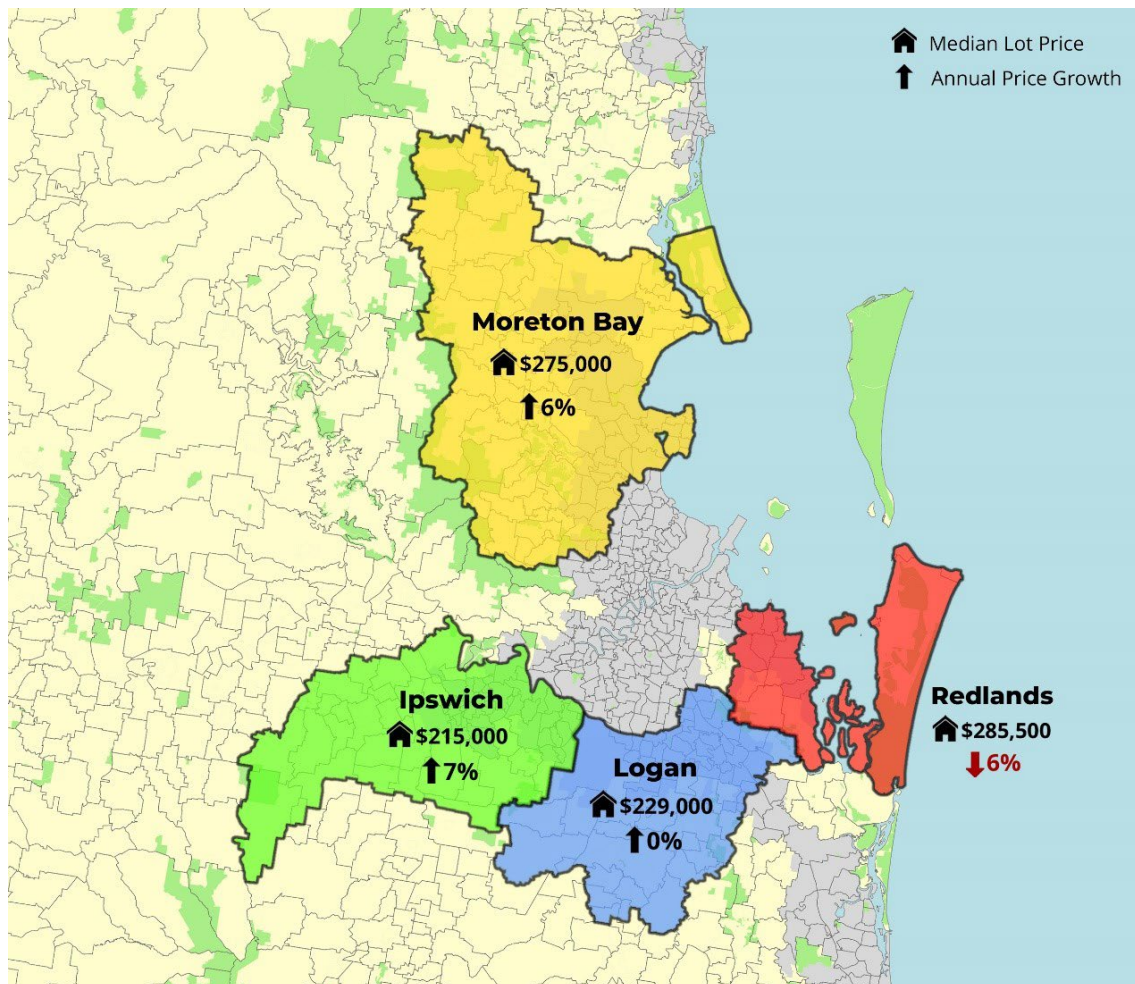
In the fourth quarter of 2017, 58% of vacant lots in SEQ were under 450sqm and the Sunshine Coast had supplied 14% of new lots in the quarter at under 250sqm. No lots sub 250sqm were released to market in the Brisbane or Gold Coast areas. These local governments are not realising the opportunity of small lots (at least without a body corporate control

The price per sqm of land rose by 9% to \$601 per sqm over the year to December 2017. It appears lot size is being increasingly traded by buyers to maintain overall lot affordability.



SOUTH EAST QUEENSLAND

South East Queensland NLSP Greenfield Sub-Market Reporting corridors:
Median Lot Price (Q4 2017) & Annual Price Growth (2017)



Source: Research4; UDIA



SOUTH EAST QUEENSLAND

MULTI-UNIT | INFILL ANALYSIS

The multi-unit sector across Greater Brisbane recorded 11,900 new completions in 2017 which represented a 3.3% reduction from the preceding year. Despite the slightly lower volume in 2017 this supply level was still 138% higher than the annual average recorded across the 2011- 2014 period.

High numbers of apartment completions occurred in the Bowen Hills, Fortitude Valley, Newstead and Herston areas immediately to the north of the CBD and to the south around South Brisbane, West End, and Highgate Hill.

In the next 12 months substantial unit numbers are forecast to be completed around the same areas as well as 1,915 new units around Dutton Park, Woolloongabba South East of the CBD, and 1,490 new units in the central CBD, Spring Hill, and Petrie Terrace areas.

Apartment pricing also moderated across 2017 with the median new unit sale price of \$435,000 representing a 3.3% contraction from the 2016 result.

The number of building approvals for apartment buildings of 4 storeys and above had increased to more than double the long term level in 2015. This has now returned to around the long term rate.

Oversupply of investor- style units is reported in some inner Brisbane locations. This is evident in some modest negative impact on prices of older stock and rental vacancies. Gross yields however remain favourable compared to other east coast cities. Oversupplied stock will be slowly absorbed in these areas.

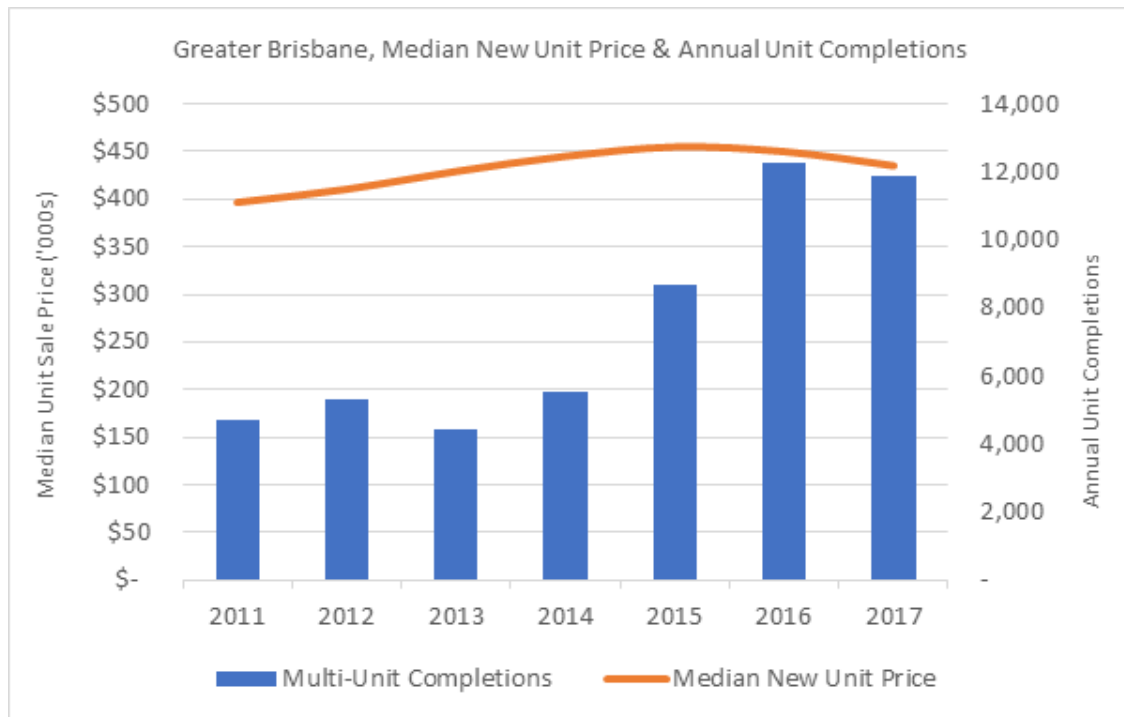
Multi-Unit Summary Table (Greater Brisbane)

	2017	Annual Change
Median Multi-Unit Settled Sale Price (new stock/first time sales)	\$435,000	-3.30%
Total New Multi-Unit Completions	11,900	-3.30%
Median Multi-Unit Rental Asking Price - per week (all of market)	\$380	-1.30%
Vacancy Rate	5.60% (Dec 2017)	6.00% (Dec 2016)

Source: CoreLogic



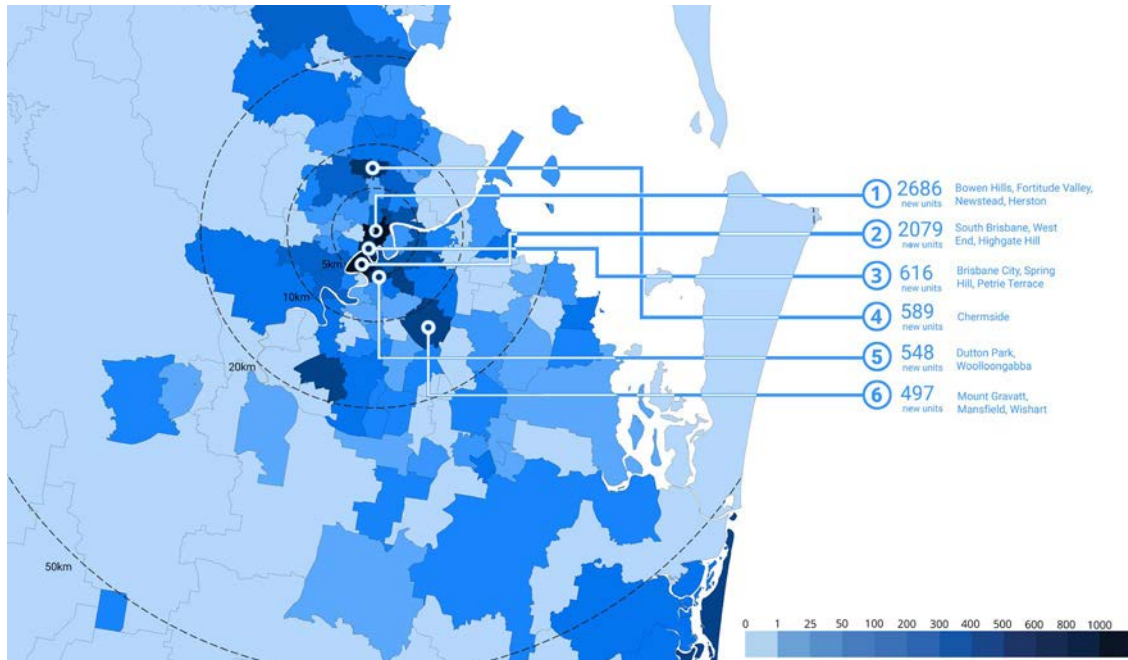
Median New Unit Price & Annual Unit Completions (Greater Brisbane)



Source: CoreLogic



Multi-Unit Completions by 2017, by postcode



Source: CoreLogic, UDIA

BROADER MARKET TRENDS

The population of Queensland increased by 79,580 in 2016/17 and up from a 64,659 increase the previous year. Overseas and interstate migration comprised 39.1% and 21.9% respectively of the year's growth and both have been increasing since 2015.

Housing demand is strongly related to growth in employment and over the year to January 2018 the number of people employed in Queensland increased by 110,400 in trend terms. Job advertisements in the year to January 2018 also increased 12.5% to 33,000.

Dwelling building approval numbers remained high at 41,193 for the year to December 2017. High numbers of apartment building approvals obtained during 2014 to 2016 have returned closer to the long term average. Higher numbers of detached house approvals are keeping approval numbers at high levels.

Building approvals of 2 or more storey townhouses and terraces have also increased in number since late 2015 and are nearly 50% higher than long term levels. Difficult economic circumstances in some regional areas are restraining home construction in those areas compared to SEQ.

The overall outlook for the State is for continued increases in employment and population growth to support housing construction following downturns in mining investment and weather impacts earlier in the decade.



STATE POLICY ENVIRONMENT

The Queensland industry faces a number of policy challenges in 2018. To meet the South East Queensland Regional Plan forecasts the industry and government will need to increase dwelling provision over time by around 20 per cent. Research conducted for the UDIA Queensland looked at infill and near urban greenfield land resources. Startlingly, the majority of source lots (51%) are less than 0.5ha in size, most (~98%) are less than 5ha, while the overall average lot size is 1.01ha.

It is critical that additional growth areas are investigated and the Institute obtained State Government support of a program to the address issues that are involved in the developing fragmented areas. Improved infrastructure delivery arrangements will also be critical.

A related challenge for the industry is in effective Local Government Infrastructure Plans (LGIPs). A number of LGIPs have recently been completed planning for transport, land for parks, and community facilities but some of these overly aim to reduce infrastructure costs on local government.

Environmental legislative controls will likely increase in 2018 with new koala conservation controls, water quality requirements on smaller developments, and vegetation clearing controls.

A strategic assessment of the Commonwealth and State environmental significance of SEQ growth areas is to be carried out. This process has been undertaken in other states and could reduce approval processes. The review will also examine the concerning proliferation of local government environmental controls.

Other concerns for the industry include:

- The proposed project bank account that will require a greater administrative burden on building projects to improve subcontractor payment security
- The proposed banning of developer donations to political parties which unnecessarily besmirches the industry without addressing the uncertainty of local government development assessment decision making
- Proposed increased charges on foreign buyers of property.

The State Government is continuing the \$20,000 First Home Owners Grant for new homes in 2018. The grant has been an important building stimulus.



SYDNEY

SUMMARY

The Sydney metropolitan housing market experienced a record year of new supply in 2017 with 38,700 new dwellings being added to the established housing stock. This represents a 14% increase on 2016 completions and a 23% lift on the four-year average. More importantly, this represents a high watermark for Sydney dwelling completions across the last sixty years. Significantly, over 73% of this new supply in Sydney in 2017 came from multi-unit development.

Despite representing a peak level of supply this is still below the quantum of annual completions required for the next twenty years to deliver the forecast 825,000 new homes by 2036. On the government's current growth estimates exhibited in the Greater Sydney Region Plan an average of 41,250 dwelling are required each year to satisfy underlying demand and address the pent-up demand resulting from a decade of undersupply.

While some of the heat has come out of the broader housing market, evidenced by a moderation of median house price growth and lower auction clearance rates, the Sydney new home market remains robust with a knock-out year for multi-unit completions and near peak year for sales of greenfield lots.

Securing new development sites at an economical price for both apartment and greenfield subdivision projects is one of the development industry's major challenges in Sydney. Additional taxes and levies being foreshadowed on development by the NSW government is of major industry concern. With the new dwelling construction sector powering the State economy at present, the NSW government needs to be careful not to 'kill the golden goose'.

GREENFIELD MARKET ANALYSIS

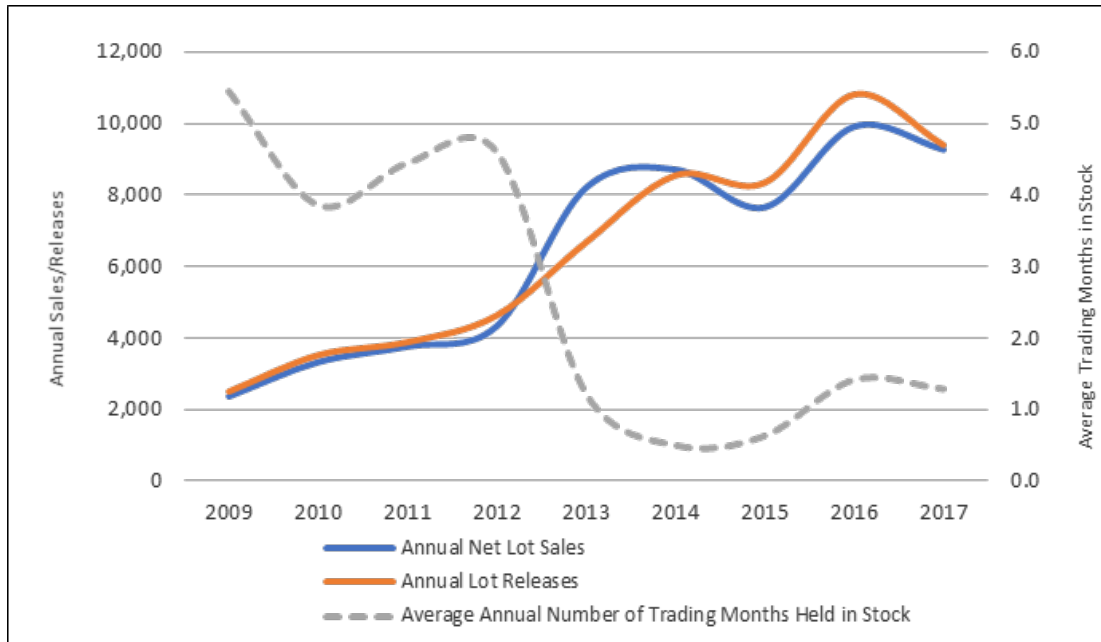
The metropolitan Sydney new land market since June 2008, has on average responded to 19% of estimated underlying demand for new housing across Greater Sydney. The role of the greenfield market in responding to underlying housing demand has increased over the past 2 years, with the new land market responding to an estimated 27% of underlying total metropolitan housing demand.

Despite the increased role, the Sydney new land market's supply response, of 27%, is well below the role of greenfield markets in other states. The Melbourne new land market responds to 50% of underlying demand; South East Queensland responds to 52%; and in Perth, greenfield supply typically responds to 61 percent of estimated underlying demand for housing.



Image: Putney Hill terraces and houses by Frasers Property Australia

Annual Greenfield Activity



Source: National Land Survey Program

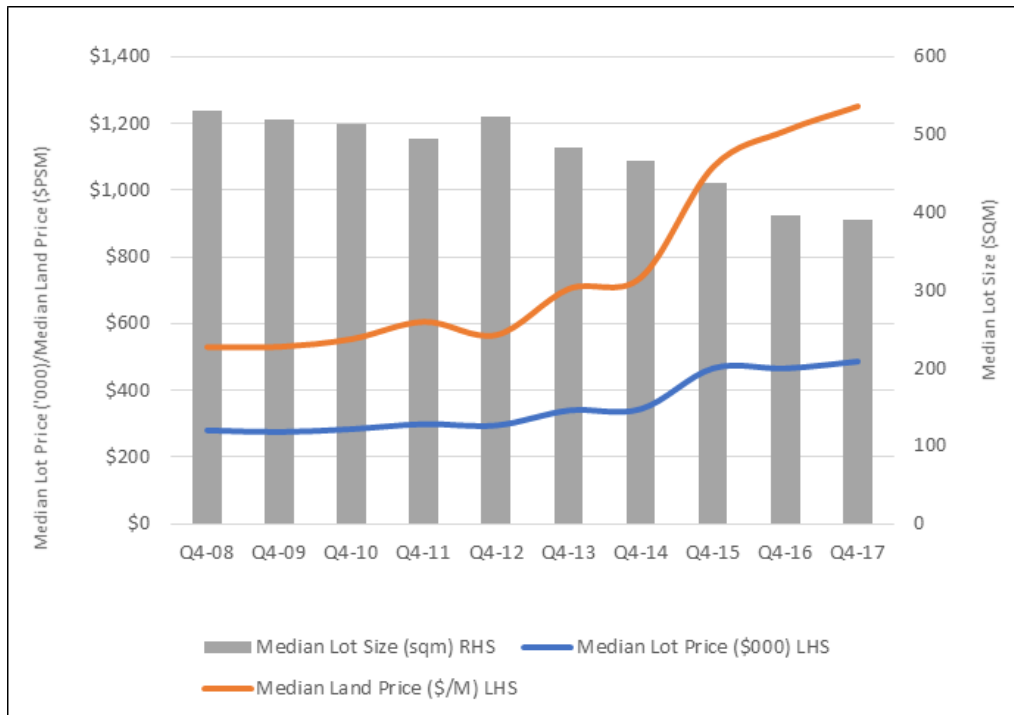
According to the NLSP the Sydney new land market has averaged 772 lot sales per month for the 2017 year, continuing on from a strong 2016 year where monthly average lot sales were 826 lot sales. This translates into an annual sales volume for 2017 of 9,269 lots which represents a decline of 7% on 2016.

The South West greenfield market accounted for 35% of total activity while the North West represented 42% of total net lots sales for the wider Sydney new land market. The West greenfield market accounted for 13 percent of total activity. The performance of the Western corridor has been held back by a lack of trading estates. In 2014, this market represented 18% of total Sydney land activity;

current land sale volumes are 50% below what was sold in 2014.

The Sydney new land market for the 2017 year produced 9,410 lots from an estimated 83 residential land estates. The sale to production ratio was close to 1:1. The market has seen a fall away in the number of trading estates, mainly due to smaller estates located in the North West market coming to an end of trading. The North West market has relied upon a larger number of smaller estates to maintain supply. At its peak, there were 54 trading estates; currently there are 32. The challenge will be ensure that there is a reliable pipeline of new estates to replace the rapid sell down of smaller ones.

Median Lot Price, Land Price (\$/SQM) and Median Lot Size



Source: National Land Survey Program

The South West market has experienced less movement in the number of trading estates, mainly due to the fact that this market has a greater proportion of larger residential land estates with stronger supply lines. However, the estimated supply remaining in these South West estates is low; suggesting that the South West will need to bring on an estimated, 26 new trading estates over the next 5 years for expected underlying demand to be addressed.

There was an estimated 849 lots ready for sale at the close of the December NLSP survey. The December result represents a 22% reduction in total stock for the quarter. The current level of stock is equal to 1.1 months of trading, which suggests that the supply side is under pressure, or that there should be some upward pressure on prices. Stock levels have been fairly even throughout 2017, albeit, the level of stock has been low. Normally, stock

levels this low would trigger upward price movement, however, the market is aware that lot prices are in line with the established housing market price points.

The median lot price for the December 2017 quarter was \$488,000. The median lot price for Sydney lifted by 2.7% for the quarter and is 4.5% higher for the year.

The Liverpool sub-market (as defined by the NLSP) is currently the most expensive sub-market in Sydney with a median lot price across 2017 of \$550,000. This position has been maintained over the last two years and is primarily the function of being comprised of just six active estates which have all benefited



SYDNEY

from close proximity/good accessibility to the now operational Edmondson Park rail station. All of these Liverpool corridor estates have maintained strong median sales performance (i.e. +\$525,000) across 2017.

The North West market has traditionally been the most expensive metropolitan Sydney corridor, but with 32 active trading estates offering a broad range of product it has been consistently eclipsed by Liverpool on a median pricing basis.

Never-the-less the North West is the only other sub-market where the median lot price is above \$500,000 with an average of \$523,000 for 2017. In terms of “fair value”, the North West market is arguably \$50,000 undervalued. New land across this market has traditionally averaged 62% of the median Sydney house price, over the past year the ratio has been 54%. The reduced ratio is likely to have been driven by the changing role and location of the North West market.

With the market now moving further out and with a greater number of trading estates, the relationship between land and housing has been adjusted downward. It can be suggested that affordability across the North West has been improved via the introduction of additional supply and more importantly competition. The estimated affordability gain would be equal to 8% of the median Sydney house price.

The South West sub-market’s new land price has traditionally averaged 44% of the median Sydney house price. This ratio has been fairly stable since 2008, however more recently; it has jumped to 49%. A jump in the ratio can be a result of a change in the markets perception of value in the place. A higher ratio generally indicates that the market places a greater value on the location and people are prepared to pay more to live in the area.

Finally, the West sub-market’s new land pricing is currently more-or-less in line with the long running pricing relationship with the Sydney housing market, with a current average of 47% of the metropolitan median house price – against a traditional average of 50%.

In summary, Sydney land prices are in line with the established housing markets price points. Residential land estates have demonstrated self-discipline when it comes to holding price. Estates could have been tempted to push prices due to very low stock levels and a falling count of trading estates; however, estates have at a macro level resisted this temptation. This level of sensibility has helped the Sydney new land market to retain market share and to see its role increase.



NLSP Summary Table

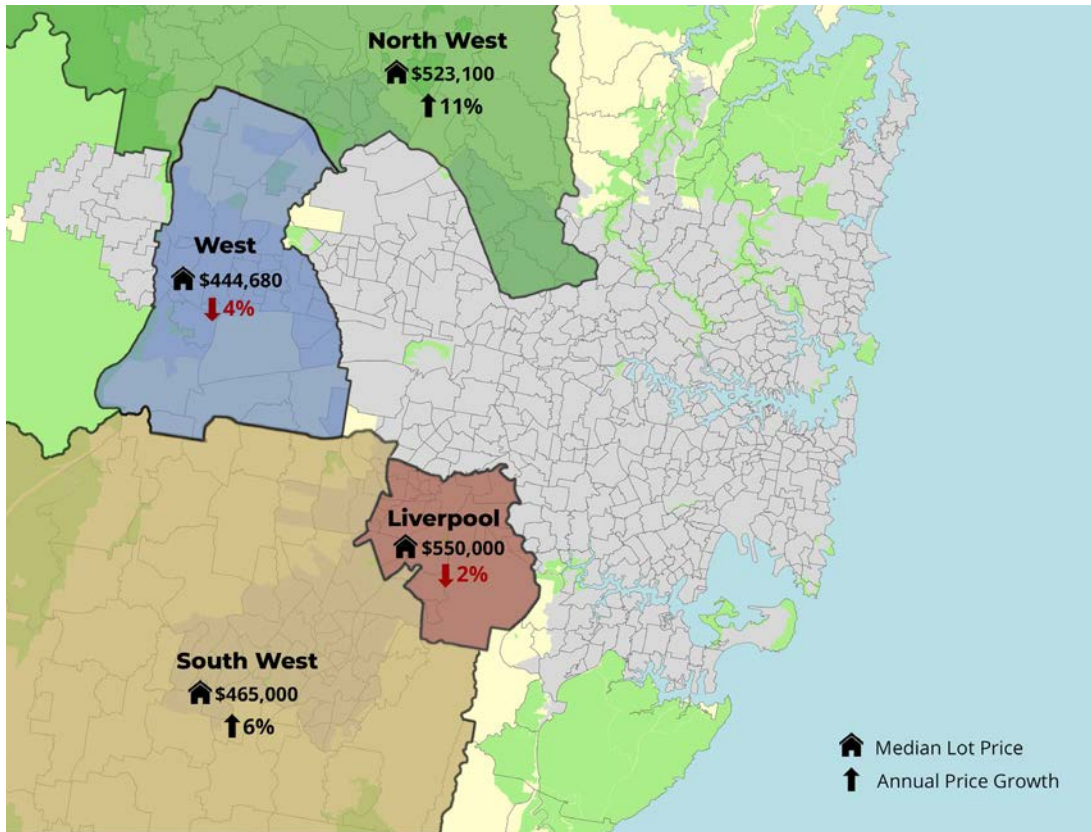
	Annual Net Lot Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (sqm)	Annual Median Lot Price	Annual Median Land Price (\$/M)
2009	2,378	38	520	\$269	\$517
2010	3,337	41	524	\$293	\$560
2011	3,771	48	498	\$295	\$592
2012	4,344	63	508	\$295	\$580
2013	8,206	67	509	\$323	\$635
2014	8,712	49	456	\$340	\$745
2015	7,659	54	455	\$440	\$968
2016	9,909	87	402	\$463	\$1,154
2017	9,269	83	396	\$476	\$1,202

Source: National Land Survey Program



SYDNEY

Sydney NLSP Greenfield Sub-Market Reporting corridors: Median Lot Price (Q4 2017) & Annual Price Growth (2017)



Source: National Land Survey Program





Image: Marina Square
By Billbergia Group

UDIA NSW SYDNEY LAND SUPPLY FORECAST

UDIA NSW, based on consultation with key development industry participants, expects a gradual increase in greenfield lot production over the next five years.

Based on the traditional historical development split of 70:30 between infill and greenfield dwelling production, Sydney will need to produce a minimum of 12,375 greenfield lots per annum for the next twenty years in order to meet current NSW Government forecasts for a additional 1.7 million people to 2036.

The latest UDIA NSW forecasts indicate development industry capacity to exceed this annual benchmark production figure across each of the forward years to 2021/22. This is, however, contingent on various supportive factors remaining in place including maintenance of the current demand profile.

There is deep concern across UDIA NSW members on the medium and longer term impact on greenfield supply from various policy and regulatory changes – both announced and in the wind. The uncapping of Section 94 charges and new draft Special Infrastructure Contribution (SIC) levies being foreshadowed by the NSW Government adds to uncertainty – which is translating into a slow-down in development site acquisition activity – particularly in the fragmented North West Growth Centre. The downstream consequences of reduced acquisition activity (particularly from the medium and smaller scale developers) is difficult to accurately quantify however it is certainly likely to impact on the depth of the forward supply pipeline.

Council	2017/18	2018/19	2019/20	2020/21	2021/22	5 Year Forecast
Camden	2,860	3,000	1,960	2,190	2,300	12,310
Liverpool	1,650	1,850	1,550	1,700	1,400	8,150
Campbelltown	960	1,700	1,700	1,700	1,450	7,510
Wollondilly	250	800	1,150	1,000	1,300	4,500
Fairfield	-	-	100	100	100	300
Sutherland	160	-	-	-	-	160
Penrith	400	1,100	1,050	1,350	1,200	5,100
Blacktown	3,600	2,950	3,100	3,300	3,250	16,200
The Hills Shire	2,400	2,400	2,500	2,700	2,500	12,500
Hornsby	-	-	200	200	-	400
Northern Beaches	-	-	200	200	200	600
Hawkesbury	300	400	400	450	450	2,000
Total	12,580	14,200	13,910	14,890	14,150	69,730

Source: UDIA NSW Land Development Committee

SYDNEY

MULTI-UNIT|INFILL ANALYSIS

The significant lift in overall dwelling supply being brought to market across the Greater Sydney region over the last four years has been underpinned by multi-unit production.

CoreLogic estimates that there were a total of 28,300 multi-unit completions in 2017 which represents a 6% increase on 2016 and 68% on the volume achieved in 2014.

Sydney holds the most expensive multi-unit stock in the nation with the median price for new product sales in 2017 sitting at \$710,000. This median pricing reflects settled sale transactions and represents a 37% premium on median sales pricing in Melbourne and 63% premium on Brisbane – the other major capital city multi-unit markets.

The median weekly rental asking price in 2017 across Greater Sydney was \$520 which reflected a 1.9% growth on the 2016 rate. The vacancy rate at December 2017 was 3.8% which was the lowest of the major capital cities.

The very strong demand profile driving the Sydney apartment market showed various signs of softening across 2017 in response, in part, to tighter macroprudential measures and a crack-down on foreign investors. Price growth plateaued across the broader market in 2017 with various sub markets experiencing modest price growth corrections.

Sydney has the most geographically diverse supply of new units with completions observed across the Sydney basin. The central city and inner city band up to 5km from the Sydney GPO held 21% of completions in 2017. 33% of units were then completed in the 5-10km band, followed by 28% in the 10-20km band followed by 18% in the 20-50km band.

The broad geographic spread of new unit supply is underscored by the point that the second and third ranked postcodes in terms of new unit supply were postcode 2127 (Sydney Olympic Park/Newington/Wentworth Point) and postcode 2118 (Carlingford/Kingsdene) is located in the 10-20km middle ring band.

It is expected that 2018 will present a year of modest price growth for the broader Sydney market with sales volumes for new apartments trending downward following slowdowns in obtaining approvals, particularly for major multi-unit projects. These slowdowns resulted, in part, from the planning hiatus of Council mergers and 18 months of Draft District Plans preparation and amendments from the Greater Sydney Commission – causing industry uncertainty.

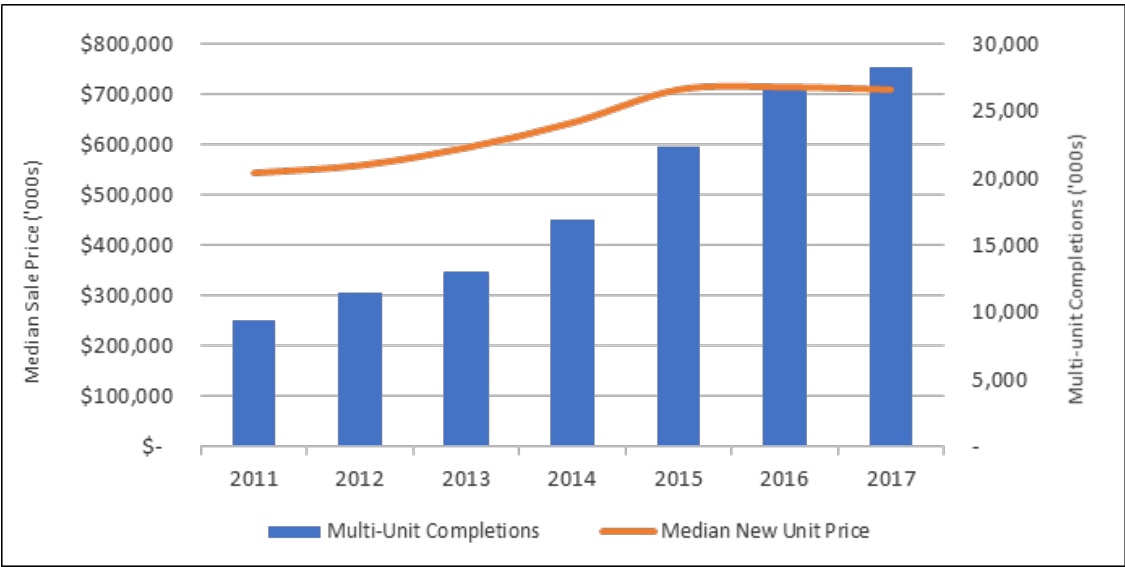
It is feared that these approval slowdowns will be reflected in falling completions over the medium term and the high levels of supply added to the market over the past few years will not be replicated – despite demand remaining at a similarly high level.

Multi-Unit Summary Table

	2017	Annual Change
Median Multi-Unit Settled Sale Price (new stock/first time sales)	\$710,000	-0.70%
Total New Multi-Unit Completions	28,300	5.8
Median Multi-Unit Rental Asking Price - per week (all of market)	\$530	1.90%
Multi-Unit Vacancy Rate (all of market)	3.8% (Dec 2017)	4.2% (Dec 2016)

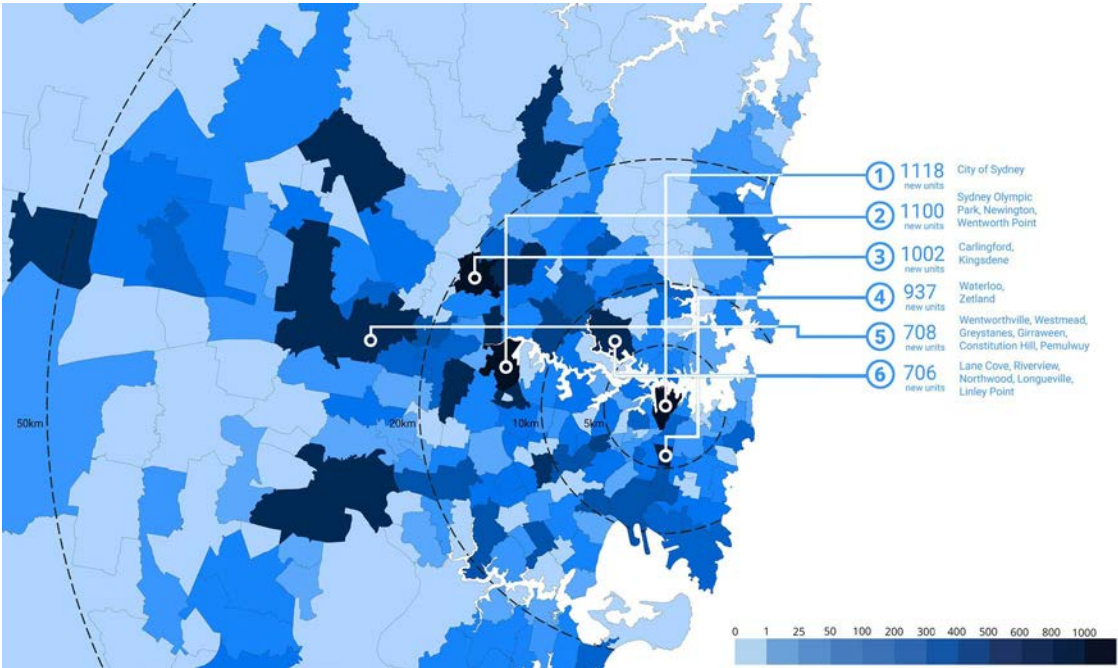
Source: CoreLogic

Median New Unit Price & Annual Unit Completions



Source: CoreLogic

Multi-Unit Completions by 2017, by postcode



Source: CoreLogic; UDIA

BROADER MARKET TRENDS

The Sydney housing market performance across 2017 was underpinned by high population and solid employment growth. An estimated total of 94,000 additional people were added to the base metropolitan Sydney population in the 12 months to June 2017. This is the highest population gain recorded over the last twenty five years, over which time the average has been 53,740 net population growth. The current NSW Government population forecasts (medium series) indicate that an average growth in the population of 85,000 per annum is expected for the next two decades to 2036. Accordingly, this (approximate) level of population growth achieved in 2017 should be the expected as the 'new norm'.

Elevated net overseas migration (NOM) has been the driver behind higher levels of population growth into the Sydney market. In the twelve months to June 2017, 81% of net population growth was attributable to NOM across NSW, as compared to an average of 62% for the 2013-2015 period.

Newly arrived migrants from various Asia Pacific nations including China, India and Korea are strongly represented in the contemporary NOM profile. This has translated into elevated demand for apartments (in particular) across metropolitan Sydney, as apartment living is the accepted norm in the country of origin for many of the new arrivals.

"THE 2017 SYDNEY MULTI-UNIT MARKET RECORD DELIVERY OF 28,300 HOMES - 73% OF ALL NEW HOUSING STOCK IN 2017 - RESULTED FROM PLANNING DECISIONS TAKEN IN 2013, 2014 AND 2015. THE DRAMATIC SLOWDOWN IN MAJOR PROJECT APPROVALS IN 2016 AND 2017 WILL PREVENT THESE LEVELS FROM BEING ACHIEVED IN COMING YEARS. UNCERTAINTY CAUSED BY COUNCIL MERGERS AND ITERATIONS OF 'DRAFT' DISTRICT PLANS HAS HAD THE UNINTENDED CONSEQUENCE OF CREATING UNCERTAINTY FOR THE INDUSTRY AND PLANNING AUTHORITIES ALIKE. COUPLED WITH GOVERNMENT AND BANKING INITIATIVES AIMED AT LIMITING INVESTOR PURCHASES OF NEW HOUSING, THIS WILL ULTIMATELY INCREASE THE COST OF RENTAL HOUSING AS SLOWING SUPPLY TIGHTENS THE RENTAL STOCK OVER THE NEXT TWO TO THREE YEARS."

Rick Graf, Development Director
Billbergia Group

In the latest CommSec 'State of the States' economic performance report card (January 2018), NSW secured the top ranking on five out of the eight economic indicators: retail trade, dwelling starts, equipment investment, construction work and unemployment. As a result NSW was ranked on top of the national performance rankings – a position maintained across 2017. The cornerstone to this outcome has been strong population growth which has underpinned the housing market performance.

Image: Spring Cove Estate By Spring Cove Developments

STATE POLICY ENVIRONMENT

The 2017 calendar year commenced with a new Premier who announced housing affordability as a priority, and supply as a solution; but then proceeded to lift taxes on the industry.

The expansion of taxes and charges continues to be a challenge for the industry. Last year brought the uncapping of section 94 (now 7.11) contributions, the introduction of 25 new SICs, and potential for expanding inclusionary zoning. Government taxes and charges already consist of approximately a third of the cost of a new home, and further increasing taxes will serve to further diminish feasibility. UDIA NSW continues to strongly advocate to government for more reasonable development contribution policies that support, rather than stifle, the continued release of housing supply and affordability.

In better news, the proposed reforms to biodiversity protections will be implemented through a strategic bio-certification process, which will provide certainty for proponents and has worked well for the former North West and South West Growth Centres.

Government recognises Sydney needs to build 825,000 homes by 2036 to fill the supply backlog and demand, which translates to 41,250 new homes each year. The Greater Sydney Commission released its draft Greater Sydney Region Plan in December 2017 aligned with a draft Future Transport 2056 strategy. This is the first-time government has attempted to align long term planning and transport in a generation in NSW, a welcome development.

The Greater Sydney Region Plan and the District Plans prepared by the Greater Sydney Commission are expected to be finalised in early 2018; however, industry is still waiting on the release of the 10-year housing targets. While the plans prepared by the Commission are not Government policy, it is critical the Commission continues to provide leadership and accountability for targets. With a state election in March 2019, there may be a desire to wait until after the election to make difficult decisions.

Industry requires 2018 to be a year of action and implementation for local government, to ensure we can continue to deliver supply. The amended Environmental Planning and Assessment Act that came into effect on 1 March 2018 has emphasized councils' role in strategic planning. Councils' will be required to prepare 'local planning strategies' by mid-2019 to guide the development of new LEPs, which will be critical to fulfil the vision and meet the targets set by the Greater Sydney Commission.

Local Government as providing upfront strategic planning, has also been emphasized with the introduction of mandatory Independent Hearing and Assessment Panels. Councillors and politicians are now confined to influencing strategic plans and are no longer to be involved in development assessment. Instead, planning experts will be undertaking development assessment as members of an independent panel. This is a critical reform to depoliticise planning and ensure development is assessed on merit. However, UDIA NSW cautions this must not further slow down the approval process and harbours concerns over capacity constraints of the independent panels.





MELBOURNE

SUMMARY

Ranked for the seventh year running as the world's most livable city (by the Economist Magazine) Melbourne is in a strong yet precarious position. With population growth underpinning the housing market and the state economy, the pressure is on the Victorian government and industry to ensure Melbourne continues to attract investment for the housing and infrastructure required to meet the demands of population growth and put downward pressure on home prices.

While 2017 saw historically high levels of activity across all sectors of the new housing market in Melbourne, UDIA Victoria's 2016/17 Residential Development Index (RDI) found that the volume of dwelling commencements in the years to come would not be enough to sustain the high levels of demand for new housing if the supply of new housing across all market segments did not increase.

Fortunately, towards the tail end of the 2017 calendar year, we saw an increase in building approvals that will yield increased supply. If Melbourne can maintain current rates of building activity, the market should be able to achieve a healthy balance of supply and demand moving forward.

Looking to the next 12 months, the main challenge for the greenfield market is an inefficient post-Precinct Structure Plan (PSP) environment that is plagued by delays and inefficiencies.

The main issue for the infill market is an increasingly temperamental planning system that is compromising business and investment certainty.

GREENFIELD MARKET ANALYSIS

The Melbourne greenfield market continued to out-perform other capital cities over the 2017 calendar year – 40% of all lots released nationally were in Melbourne, and the median lot price at \$304,000 (at the end of December 2017 quarter) remains lower than that of the national average at \$313,000.

However, affordability concerns remain as the median lot price experienced a 29% price increase across the calendar year. This price growth has taken place whilst not seeing a deterioration in the median lot size which remains at 400sqm, causing the median lot price to increase to \$760 per sqm.

23,750 lot sales were recorded across calendar 2017, representing an increase of 3.8% from the previous year, setting a new record high. This outcome for Melbourne reflects a sales share of 42% of the national total.

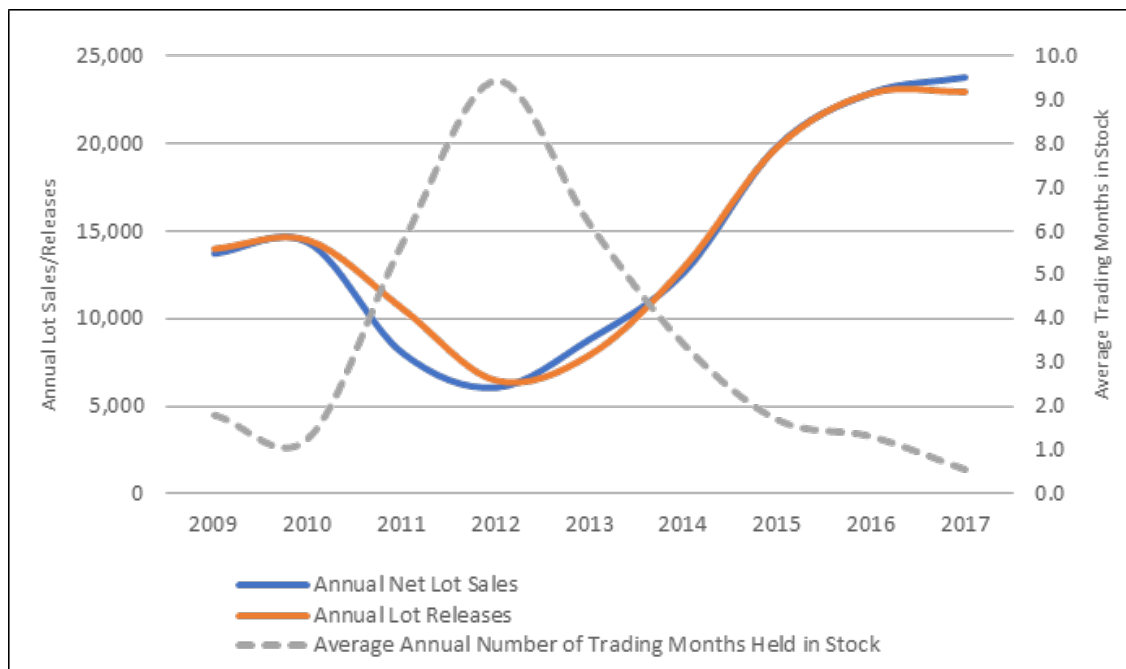
A critical issue remains around title timeframes, which are stretching beyond 15 months across the majority of the estates, resulting in a 9.3% decrease in stock released over the December quarter 2017 when compared to the same period a year earlier. A further point to note is that by the December quarter 2017, there were only 112 active estates, compared to 158 active estates in 2014. This restricted level of supply over the second half of calendar 2017 has seen in the average number of trading stock fall from 1.3 months in 2016 to a minimal 0.6 months in 2017. As a general guide, a market which has

less than four months of trading stock indicates that supply is not keeping up with demand.

At present, the robust population gains seen in recent years suggests the industry needs to deliver between 22,000 and 24,000 lots per year in the Melbourne growth corridors. This is up from the long term industry average of around 15,000 lots. This required elevated level of supply has, and will continue to, put the industry under significant stress in delivering these lots in a timely manner.

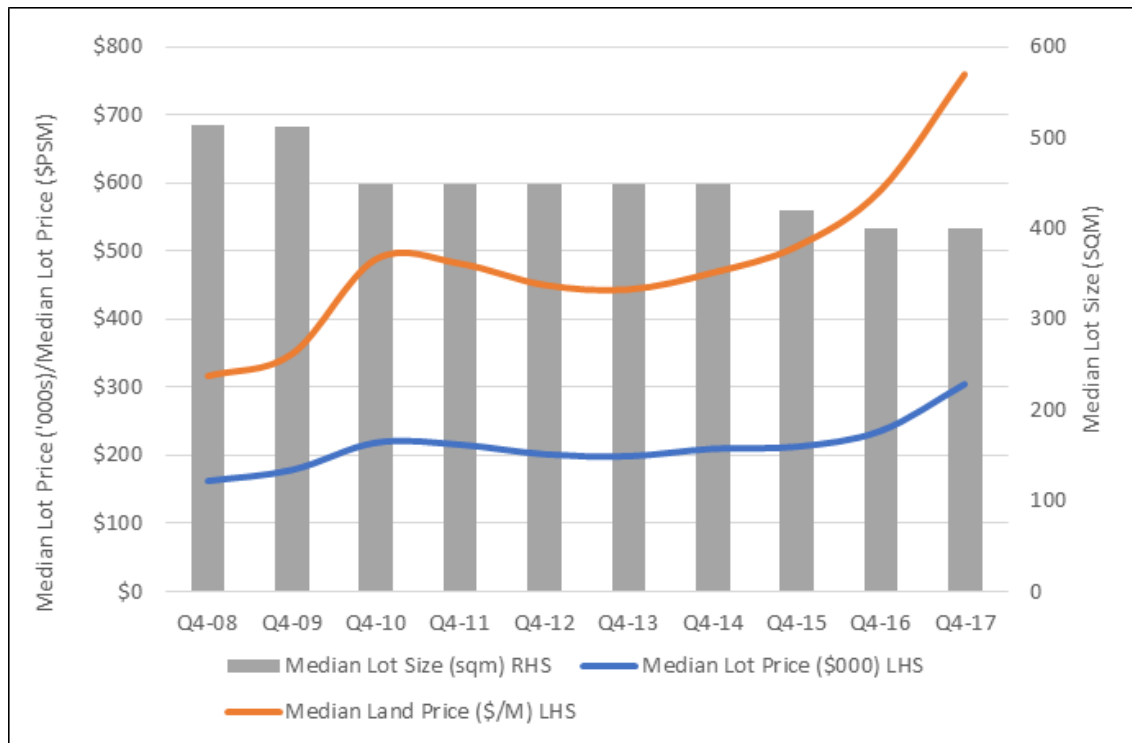
The release of new PSPs and subsequent additional lots which will create competition amongst estates, is required to slow down price growth across the market. Further, addressing a number of post-PSP inefficiencies will help the industry bring more stock to market in an appropriate timeframe.

Annual Greenfield Activity



Source: National Land Survey Program

Median Lot Price, Land Price (\$/SQM) and Median Lot Size



Source: National Land Survey Program

Historically the South East has contributed the lion's share of sales across metropolitan Melbourne's greenfield market. This is no longer the case with almost seven out of every 10 lots sold over calendar 2017 located in the western corridor.

The Wyndham corridor; with the areas of Hoppers Crossing (26%) and Point Cook (4%); contributed the largest share with 30% of total sales through 2017. This is compared to an overall share of 27% two years ago, which indicates the area has more or less maintained its market share. Point Cook

recorded the highest median lot price of any growth area in Melbourne at \$461,000 by December quarter 2017. This has resulted in an exodus of first home buyers who have been priced out of the area.

Melton East/Melton township contributed 17% of sales across 2017, which also recorded a significant 47% increase in the land price to end at a still affordable \$234,000. Historically, Melton and its regions have seen defined price variations (Melton East sitting above Melton West for instance). However, with



MELBOURNE

Plumpton and Rockbank sitting well above the Melton suburbs, in time the competing Melton suburbs will converge and form one 'total Melton' price.

Within the Brimbank sub-market, which includes Rockbank and the newly released Plumpton PSP, sales contributed 6% through the calendar year of 2017. This share is likely to increase significantly as new estates come onto the market over the first half of 2018.

The Craigieburn/Donnybrook area contributed 15% of total sales across 2017. This is likely to increase further through 2018 and beyond, with the addition of estates through the

Donnybrook/Woodstock PSPs. Similarly, Wollert contributed 8% which is likely to

expand further as additional estates come on the market. In addition, over calendar 2017 a price increase of 25% was recorded to end at a median of \$315,000 – slightly below that of Craigieburn at \$325,000.

To highlight the issues with sales activity through the south east, the Casey corridor contributed only 15% of total sales. This is down from a share of 24% two years ago. Further still, Casey sits as the second most expensive median, with a lot price of \$365,000. In addition, Cardinia only contributed on average 25 sales a month through 2017 (contributing a mere 3% of total Melbourne sales) as compared to 160 sales a month 12 months earlier.

NLSP Summary Table

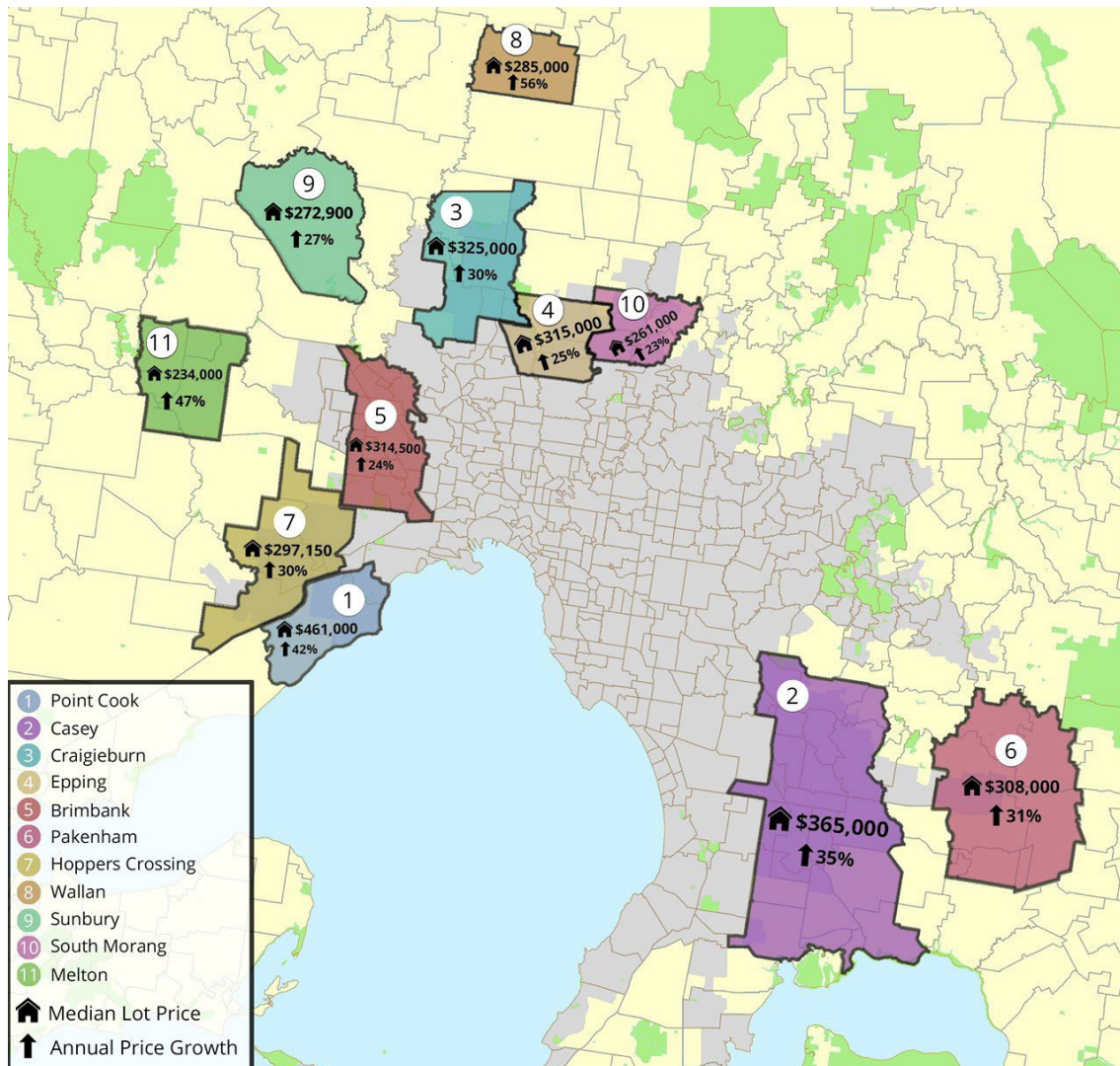
	Annual Net Lot Sales	Annual Number of Active Estates	Median Lot Size (sqm)	Annual Median Lot Price	Annual Median Land Price (\$/M)
2009	13,713	100	514	\$171	\$333
2010	14,337	90	474	\$205	\$432
2011	8,058	117	448	\$220	\$490
2012	6,066	141	448	\$207	\$461
2013	8,823	151	447	\$198	\$442
2014	12,616	153	445	\$204	\$458
2015	19,835	154	429	\$212	\$493
2016	22,876	138	414	\$226	\$546
2017	23,750	123	405	\$281	\$692

Source: National Land Survey Program



MELBOURNE

Melbourne NLSP Greenfield Sub-Market Reporting corridors: Median Lot Price (Q4 2017) & Annual Price Growth (2017)



Source: Research4; UDIA

MULTI-UNIT|INFILL ANALYSIS

Melbourne saw relatively high levels of apartment supply in 2015 and 2016, fuelling oversupply claims particularly relating to Melbourne's central city and inner suburbs. However, in the first half of the 2017 calendar year, Melbourne saw a significant decline in new apartment activity, challenging the perception of an oversupply. When analysed in the context of the strong forward projections for population growth, UDIA Victoria found that it was more likely Melbourne would experience an undersupply of apartments in the medium to long term if apartment activity did not pick up again.

The second half of 2017 saw a recovery in apartment construction activity, placing

Melbourne back on the right track. According to CoreLogic construction data the year closed with a total of 25,900 completions across Melbourne's apartment and multi-unit market. This represented a 25% growth on 2016 completions and was a 70% increase on the average volume of completions across the 2011-2015 period, which is consistent with the levels required to accommodate Melbourne's booming population.

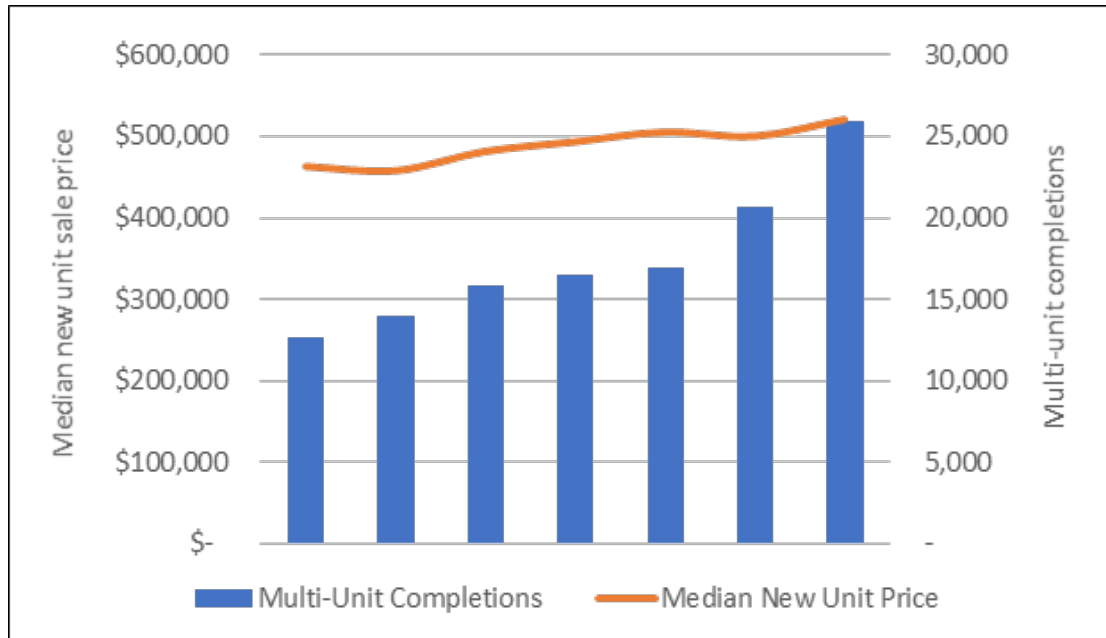
Moderately strong price growth for new apartment stock was recorded in 2017, rising 6% to a median of \$519,000. This reflects settled sales completed in the twelve months to December 2017.

Multi-Unit Summary Table

	2017	Annual Change
Median Multi-Unit Settled Sale Price (new stock/first time sales)	\$519,000	4%
Total New Multi-Unit Completions	25,900	25%
Median Multi-Unit Rental Asking Price - per week (all of market)	\$400	5.30%
Multi-Unit Vacancy Rate (all of market)	4.00% (Dec 2017)	4.80% (Dec 2016)

Source: CoreLogic

Median New Unit Price & Annual Unit Completions



Source: CoreLogic

New apartment supply across the 2017 calendar year was predominately focussed within the central city, city fringe and inner city regions with 71% of new apartments in 2017 completed within 10km from the Melbourne GPO.

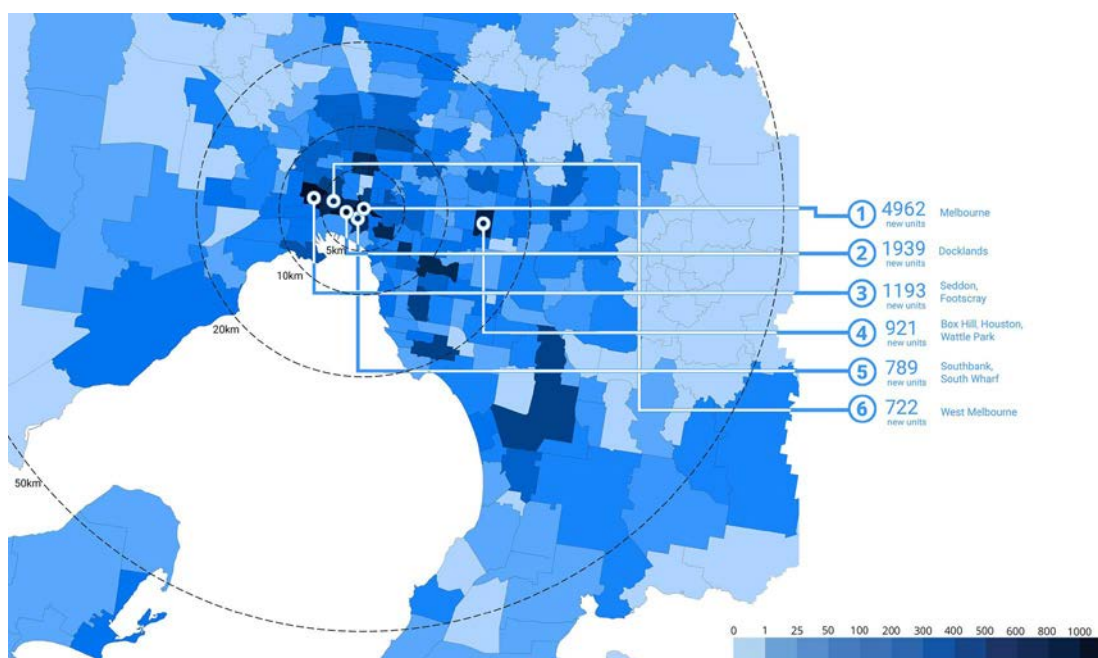
Five of the major apartment supply point postcodes are positioned within this 10km band led by postcode 3000 (Melbourne City) with almost 5,000 unit completions in 2017. This volume of completions in central Melbourne is the highest of any postcode in the country and is circa 85% higher than the second largest supply point in postcode

4006 (Fortitude Valley-Newstead-Bowen Hills) located in inner Brisbane. Meanwhile Docklands recorded almost 2,000 unit completions in 2017 as the build out of this significant urban renewal precinct continues.

The median sale price of new units within 5km of the Melbourne GPO was \$559,000, which was 10% lower than the 5-10km band at \$615,000. This reflects the higher volume of investor grade products being delivered in the central city as compared to the predominately owner occupier focussed stock from within the inner city projects.

MELBOURNE

Multi-Unit Completions by 2017, by Postcode



Source: CoreLogic; UDIA

BROADER MARKET TRENDS

The demand of new housing throughout the 2017 calendar year was driven by high population and employment growth. This growth is positive and has supported strong levels of activity from the sector as it delivers new housing which has progressed through the planning, approval and funding pipeline in recent years.

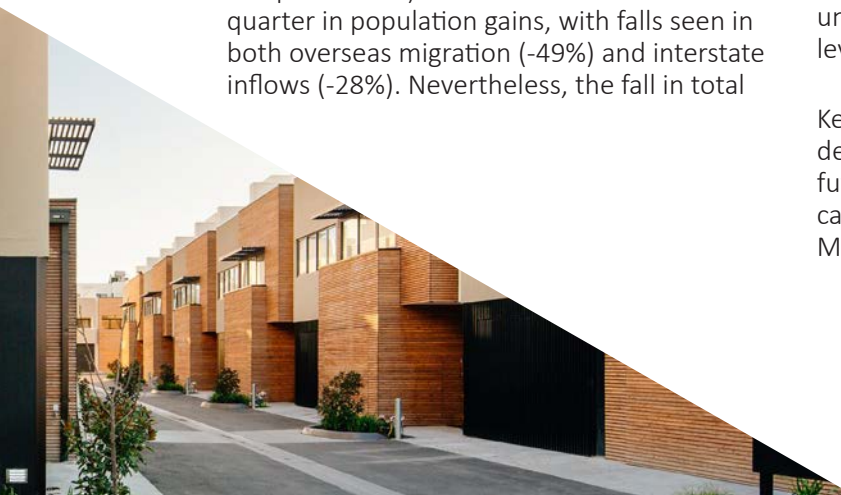
A near record total population growth of 144,400 was recorded for Victoria in the twelve months to June 2017.

It is worth noting that the latest available demographic data at June 2017 (at time of this publication) shows a fall of 29% over the quarter in population gains, with falls seen in both overseas migration (-49%) and interstate inflows (-28%). Nevertheless, the fall in total

population growth in the 12 months to June was still the fifth highest on record. Also worth noting, overseas migration fell from the historically high March quarter which is traditionally an inflated quarter due to the influx of overseas students coming into Victoria.

Historically high market activity highlights the robust state of the Victorian economy which saw State Final Demand improve by 4.7% over the 2017 calendar year — second only to the Northern Territory. Further still, the labour market recorded a gain of 142,600 jobs through the year, which accounted for 32% of the national gain. Nevertheless, the unemployment rate remained at an elevated level of 6.1%.

Key challenges for Melbourne's residential development industry include an unclear future urban renewal pipeline and production capacity challenges for new housing in Melbourne's growth corridors.





STATE POLICY ENVIRONMENT

The policy environment in Victoria has introduced new opportunities and challenges for the development community.

Through taxation changes introduced by the Homes for Victorians package, the State Government has increased the cost of delivering property to the rental market, with investors having to pay a greater amount of stamp duty. When considered in context with federal policy and regulatory changes affecting investors, UDIA is concerned that a growing number of investors may switch from property investment to other investment products. If this is the case, the apartment pre-sale environment in particular will suffer, considerably constraining apartment supply and the rental supply which we rely on investors to provide.

The Garden Area Requirement (GAR) was also introduced in 2017, with the aim of maintaining the green open character of neighbourhoods. UDIA Victoria harbours significant concerns around the unintended consequences associated with the GAR, which have the potential to stifle innovative housing proposals and threaten a legitimately accepted and preferred form of living for a broadening range of households, for example dwellings where balconies are the principal secluded private open space above ground level. Moving forward, the Victorian Government must closely consult with industry before introducing prescriptive policy that does not adequately consider the on-the-ground implications.

More recently, the use of parliamentary processes to overturn planning decisions for political reasons has threatened the integrity of Victoria's planning system. In late 2017 the Victorian Parliament voted to overturn approval for two Planning Scheme Amendments. This concerning trend looks set to continue with additional parliamentary moves made in 2018 to revoke planning approval for additional projects. UDIA

Victoria is therefore sending a very strong message to Victoria's elected officials: The state's economic growth and jobs pipeline relies on the ability of business to confidently commit to projects without the ongoing threat of political interference. This applies to city shaping infrastructure and new housing projects alike.

In better news, 2017 saw the Victorian Government consult widely on their Smart Planning initiative, which aims to deliver long term transformative change to the Victorian planning system. UDIA Victoria strongly supports the program and eagerly awaits further Smart Planning funding announcements.

Further, State Government has recognised several post-PSP inefficiencies and committed to working with UDIA Victoria and the broader industry to introduce solutions that will streamline the post-PSP process and enable industry to deliver housing to market in a timely manner.

“THE MELBOURNE METROPOLITAN MARKET IS PERFORMING WELL ACROSS ALL SEGMENTS WITH SIGNIFICANT DEMAND ACROSS THE SUB MARKETS AND RECORD DEMAND IN GROWTH AREA CORRIDORS. REGIONAL MARKETS ARE PERFORMING TO EXPECTATIONS WITH SIGNIFICANT GROWTH SHOWN IN THE GEELONG REGION. MAINTAINING A BALANCE OF AVAILABLE SUPPLY ACROSS THE DISTINCTLY DIFFERENT MARKET SEGMENTS IS THE KEY ISSUE FOR GOVERNMENT. THE POST PLANNING DELIVERY AND APPROVALS CYCLE IN VICTORIA REQUIRES SIGNIFICANT PERFORMANCE IMPROVEMENT TO PLAY ITS ROLE IN EFFICIENTLY DELIVERING SUPPLY TO MARKET.”

Damien Tangey, Managing Director
Intrapac Property



ADELAIDE

SUMMARY

In 2017 Adelaide's residential greenfield market maintained its trend of small but steady growth. The continuing challenges of overall subdued economic conditions and low population growth has meant moderate growth; however, some submarket areas have flourished more than others due to their unique characteristics.

In terms of infill development across established suburbs of Adelaide, this continues to be strong and in the CBD several State and Local Government incentives have continued to drive CBD apartment demand.

GREENFIELD MARKET ANALYSIS

Total net sales for the 2017 year were 1,846 or 154 lot sales per month. The greenfield market peaked in 2014 with close to 2,500 lot sales or 208 lot sales per month.

The Adelaide new land market is comprised of four major sub markets, with the North Adelaide market accounting for 45% of all greenfield sales for the 2017 year. The Southern Adelaide market represented 22%, Adelaide Hills 20% and Barossa accounted for 11% market share. The balance was spread across West Adelaide.

The Adelaide Hills market share lifted from 17% in 2016 to 20% in 2017. The other big mover was the Southern Adelaide market where total market share lifted from 18% to 22%. The Barossa sub market experienced a reduction in its share of total activity; market share falling from 18% in 2016 to 11% in 2017. Adelaide's biggest greenfield market, North Adelaide, held steady at 45% total share of activity.

The median lot price at the close of 2017 was \$169,950. Annual price growth was 1.5% for the 2017 year. This relatively slow change has mirrored the rate of movement for the established housing market. Based on ABS housing data the median house price for all of Adelaide as at the close of 2017 was \$445,000; compared to \$365,000 in June 2008; 21% price growth or an average annual price growth of 2.3%.

The Adelaide Hills sub-market posted the highest annual price movement; 5%, while the Southern Adelaide market recorded 3% annual price growth. These two markets are Adelaide's higher valued sub markets; leveraging, higher levels of natural amenity and proximity to the coastal assets. The success of

these two sub markets highlights the opportunities surrounding greenfield development when it more closely aligns with the overarching lifestyle brand of Adelaide.

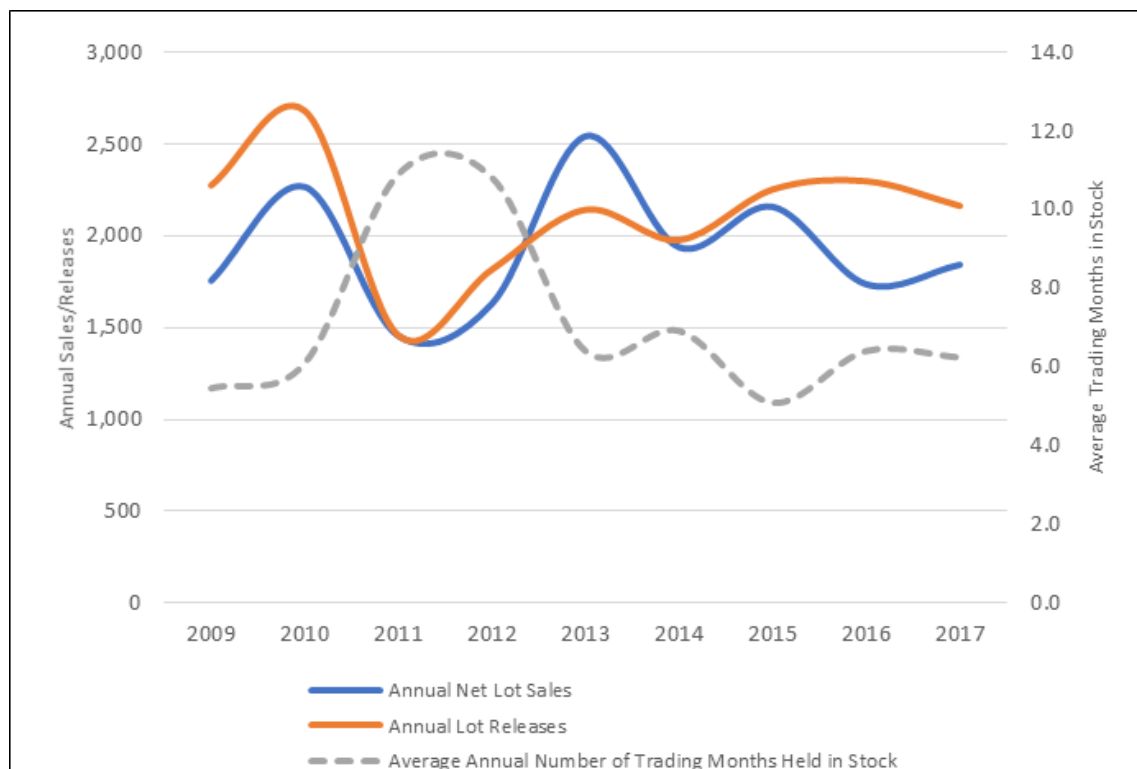
At a headline level, land prices since 2008 have moved very little. The aggregate median lot price peaked in 2009 at \$174,950 with the long running average median being \$163,000 per lot.

The median lot size averaged 450 sqm in 2017 making the South Australian capital the home

of the second largest lot sizes in the nation (after Canberra, which averaged 502 sqm).

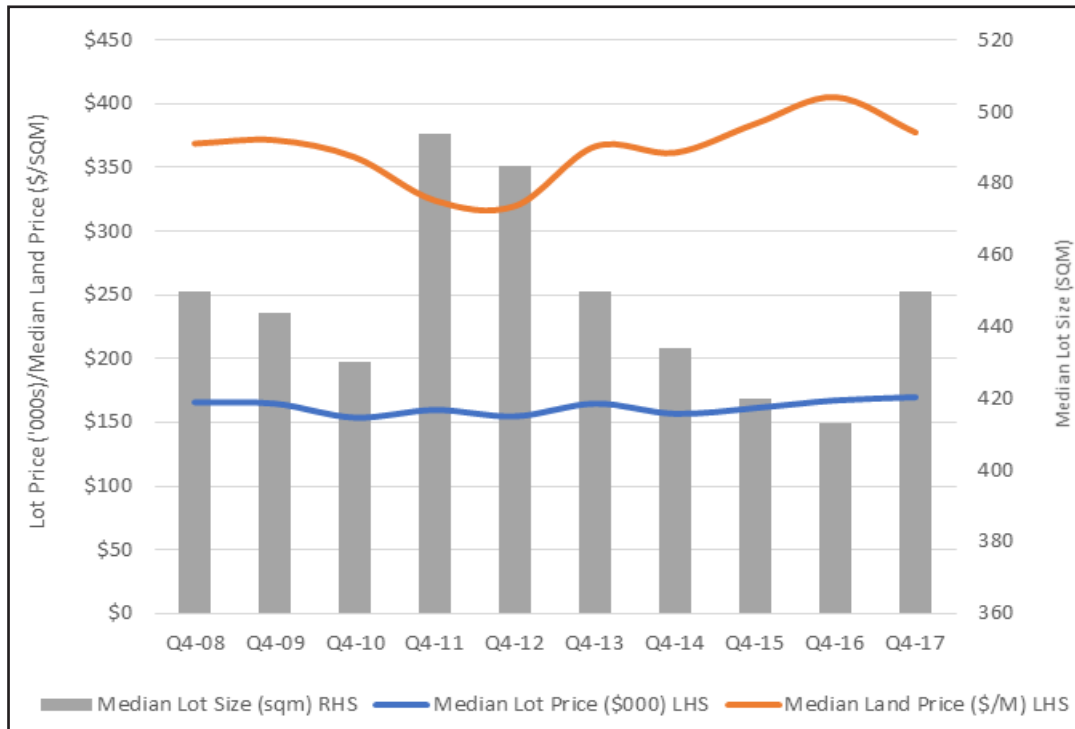
In the final quarter of 2017, there were 509 new lots released, which reflects an annual percentage decline of 1%. In terms of lot creation this weaker demand has seen the current monthly release range of 130- 200 lots being still significantly less than the peak of 256 lot releases per month which previously occurred in 2010.

Annual Greenfield Activity



Source: National Land Survey Program

Median Lot Price, Land Price (\$/SQM) and Median Lot Size



Source: National Land Survey Program

NLSP Summary Table

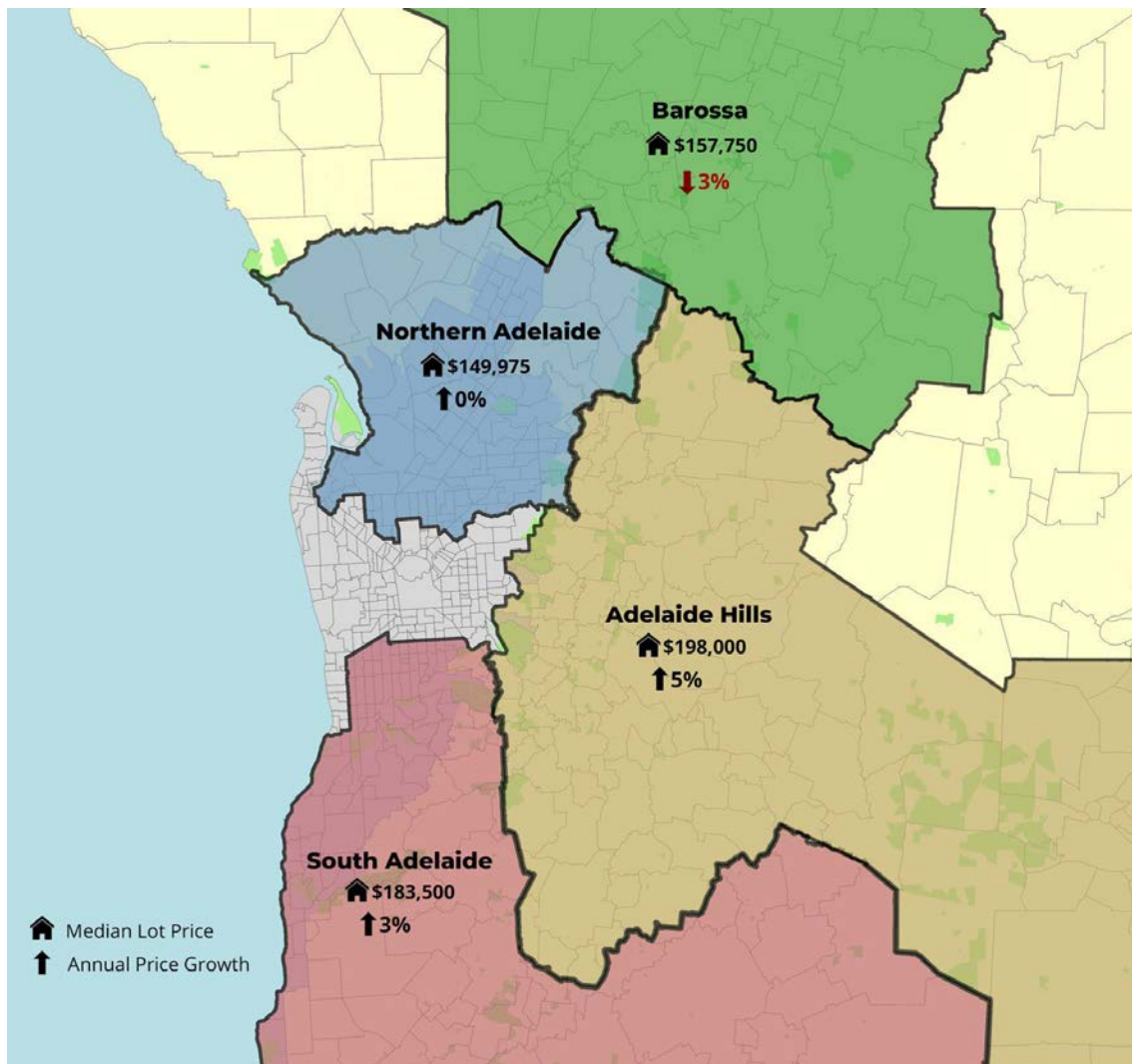
	Annual Net Lot Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (sqm)	Annual Median Lot Price	Annual Median Land Price (\$/M)
2009	1,758	35	446	\$169	\$378
2010	2,271	40	448	\$162	\$361
2011	1,458	45	467	\$158	\$339
2012	1,632	53	479	\$156	\$325
2013	2,547	67	466	\$164	\$351
2014	1,941	66	444	\$163	\$367
2015	2,162	62	419	\$158	\$379
2016	1,739	57	413	\$167	\$404
2017	1,846	60	449	\$167	\$373

Source: National Land Survey Program



ADELAIDE

Adelaide NLSP Greenfield Sub-Market Reporting corridors: Median Lot Price (Q4 2017) & Annual Price Growth (2017)



Source: Research4; UDIA



ADELAIDE

MULTI-UNIT|INFILL ANALYSIS

There was a total of 2,130 multi-unit completions across Greater Adelaide in 2017 reflecting a 61% uplift on the average annual volume of completions achieved across the 2011 – 2016 period. Generally, there is a consumer trend in all development towards more compact living which reflects its affordability and lifestyle choice.

Median pricing of new units increased annually by 6.1% to \$412,500 in 2017, continuing the positive momentum witnessed in South Australia since 2012 when median unit price sat at \$340,000.

The multi-unit sector experienced median weekly rental growth of 3.3% across 2017 to finish the year at \$310 per week making Adelaide the most affordable median rental price point across Australia's major capital cities.

Central Adelaide recoded the highest level of completions with almost 500 across 2017.

This volume of new unit supply in the city centre was more than double the new supply completed in the second and third major supply points, being Woodville/St Claire with 175 units, and Fitzroy/Prospect/ Ovingham/ Thorngate with 161 units.

In aggregate terms 65% of all new supply occurred within a 5km radius of the Adelaide GPO, with 23% within 5-10km and 10% in the 10-20km radius. Median sales pricing within the central city 5km band was \$372,000 per unit which reflects a 14% premium over the 5-10km band and a 25% premium over the 10-20km band.

Some of the upswing in completions can be attributed to increased infill development and a number of initiatives introduced to entice buyers into the city, including Pre-construction grants and stamp duty concessions on off-the-plan apartments in the City of Adelaide, and 5-Year Free Rates rebates for owner-occupiers in the City of Adelaide.

Image: Springlake by Martin Road Development

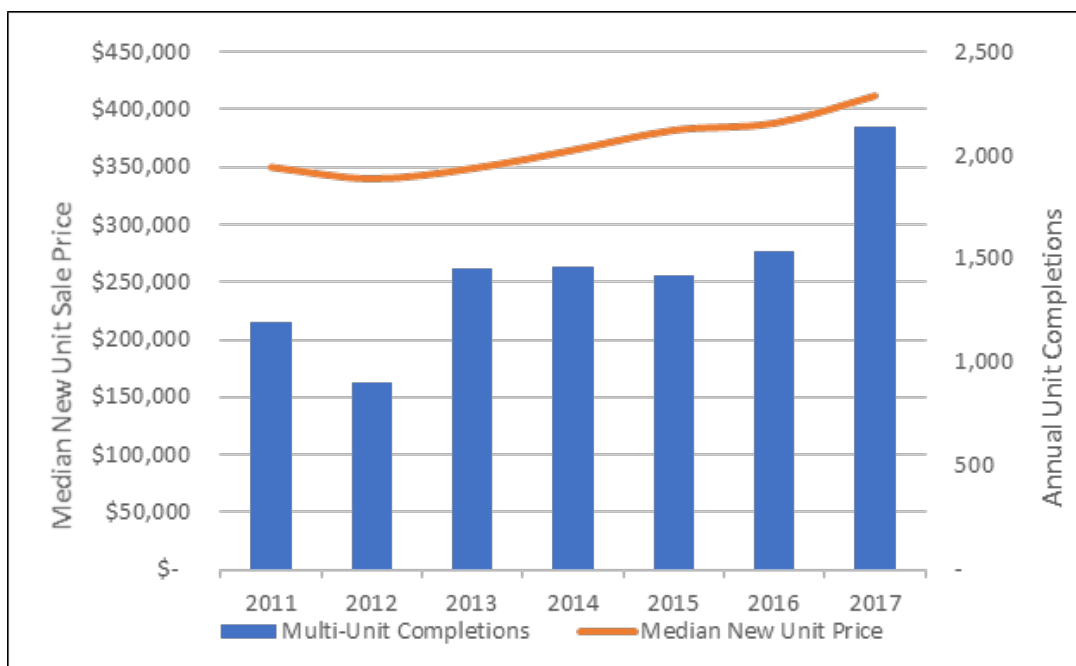


Multi-Unit Summary Table

	2017	Annual Change
Median Multi-Unit Settled Sale Price (new stock/first time sales)	\$412,500	6.10%
Total New Multi-Unit Completions	2,130	38.70%
Median Multi-Unit Rental Asking Price - per week (all of market)	\$310	3.30%
Multi-Unit Vacancy Rate (all of market)	4.90% (Dec 2017)	5.90% (Dec 2016)

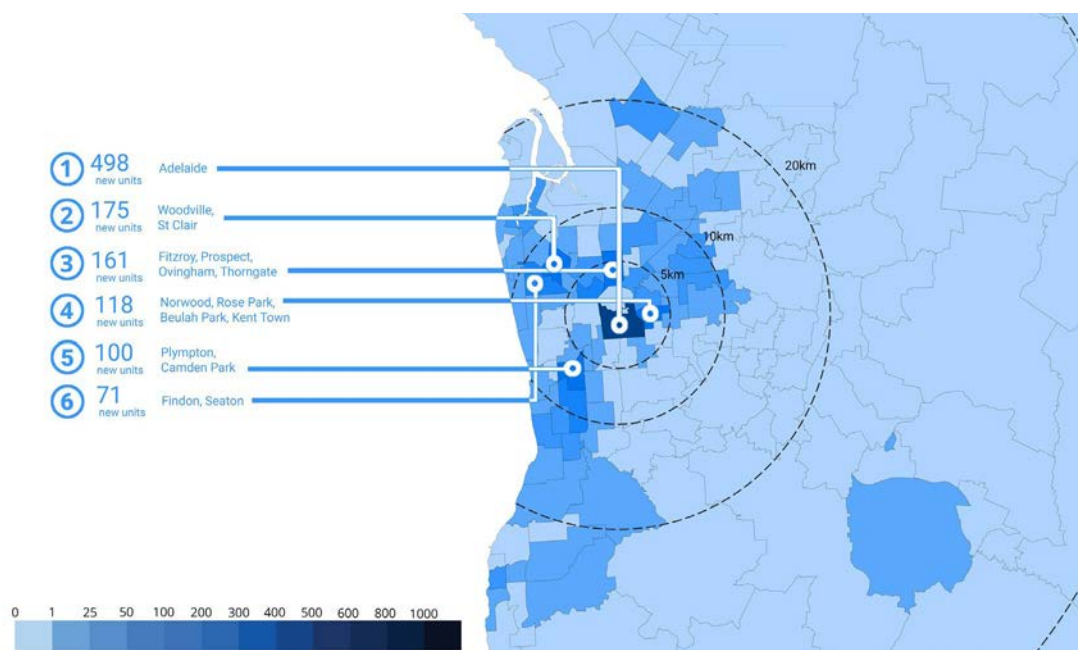
Source: CoreLogic

Median New Unit Price & Annual Unit Completions



Source: CoreLogic

Multi-Unit Completions by 2017, by Postcode



Source: CoreLogic; UDIA

BROADER MARKET TRENDS

Greater Adelaide experienced a net gain in total private dwellings of 477 per month between 2011 and 2016 [ABS]. Over the same time, new land sales as published under the NLSP were 161 per month; 33 percent of the total net gain in private dwellings as recorded by the ABS.

The role of the Adelaide greenfield market since 2008 through to the current has on average, responded to 38% of total underlying demand for housing. More recently this role has expanded to 46%.

Due to a lower than average population inflows, underlying demand for new housing has dropped while total new land supply has remained constant. With urban consolidation now contributing significant housing supply, there is now greater consumer choice between greenfield and infill product.

This tension can be seen in high numbers of dwelling approvals for the councils of Port

Adelaide Enfield (581 approvals), Charles Sturt (574), Adelaide (478) and Marion (406), for the metropolitan region.

By contrast, only four councils in Outer Adelaide and Regional SA recorded more than one hundred approvals. They were Mount Barker (217 approvals), Gawler (103), Adelaide Hills (101) and Alexandrina (101).¹

Future challenges will continue to be the large number of fully depreciated properties in prime development zones which are likely to be redeveloped and extra lots created, and this is particularly true in Northern Adelaide.

Although Australia's population grew by 1.6% during the year ending on 31 December 2016 and despite all states and territories recording some population growth, South Australia's annual population growth rate of 0.6 per cent remained well below the national average.

¹ http://www.saplanningportal.sa.gov.au/__data/assets/pdf_file/0020/353513/Residential-Land-Development-Activity-Report-SA-June-2017.PDF

ADELAIDE

STATE POLICY ENVIRONMENT

The 2018 State Election will bring with it a period of adjustment as the ongoing or new government determines the exact shape of its new planning system. Despite gaining the support of both major parties, uncertainty remains as to how the current planning reforms contained in the Planning, Development and Infrastructure Act 2016, will be phased post-election.

Other major policy development over the last year was a review of the 30 Year Plan for Adelaide, which resulted in overall population forecasts being revised downward while at the same time the Government continues to encourage infill development by providing stamp duty concessions on off-the-plan CBD developments late last year.

The Government also introduced a foreign investor levy which requires foreign persons who acquire an interest in residential land in South Australia to pay a foreign ownership surcharge of 7% of the value of the interest in residential land.

The Adelaide City Council also introduced a rebate for five-years free on council rates for owner-occupiers of off-the plan and newly redeveloped apartments in the CBD to stimulate inner-city development.

"THE ADELAIDE MARKET IS STEADY, ALBEIT PRODUCTION OF NEW DWELLINGS IS BELOW AVERAGE. THIS IS DUE TO REDUCED DEMAND AS A DIRECT RESULT OF ADELAIDE'S POPULATION GROWTH BEING WELL BELOW THE NATIONAL AVERAGE. WHILST OTHER AUSTRALIAN CITIES WRESTLE WITH POPULATION GROWTH, ADELAIDE AND REGIONAL SA IS WELL PLACED SHOULD THERE BE ANY IMPROVEMENT IN THE STATE'S GROWTH RATE."

Lael Mayer, General Manager
Adelaide Development Company



Image: Hurtle&Co
by Forme Projex



PERTH

SUMMARY

During 2017 the Perth property market began to stabilise following the effects of a downturn in the broader economy during the previous two to three years. Indications are that the property market has now bottomed out, with recovery and steady growth anticipated throughout 2018.

At the midpoint of 2017, population growth remained slow at 0.8%, well below the national average of 1.6%. More encouragingly the State's unemployment rate has improved from previous years to close at 5.7% in December 2017, however this figure remains above the long term average. Given these conditions, WA property sales remained subdued.

GREENFIELD MARKET ANALYSIS

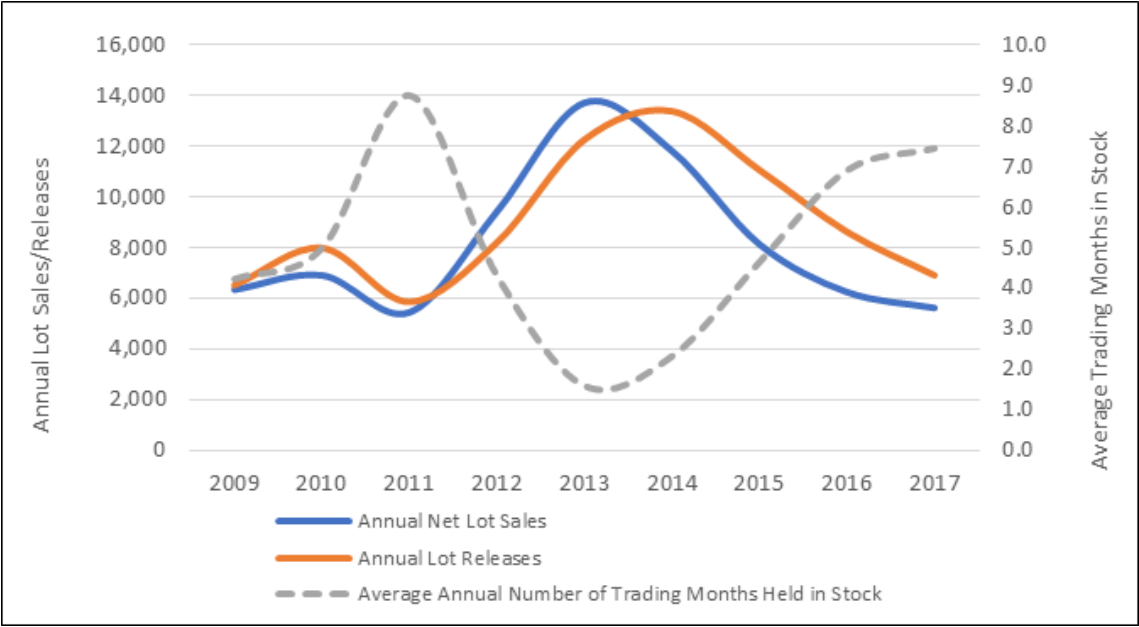
In 2017 lot sales figures dipped slightly, falling 2.2% to average 426 sales per month, this compares to averages of 436 in 2016 and 450 in 2015. The rate of decline has slowed, stabilising from the 49% drop experienced between 2014 and 2015.

Annual price growth has also stabilised from the large falls of past years, decreasing 1% to sit at \$227,000 for the last quarter of 2017. Overall, the average price for land, whilst having fallen from the highs experienced in 2014, represents fair value, totalling 45% of the median house price which is consistent with the long running average of 46%.

Lot sizes were unmoved from the same period in 2016, at 375 square metres for the last quarter of 2017. However, for the fourth year Perth has the smallest lot size in the country, with the next smallest the NSW metro area at 390 square metres; indicating a need for more diversity in WA lot and housing typologies.

Stock levels continued a downward trajectory, falling 15% from 2016 and recording a 9.2% quarterly decrease in December 2017. This, coupled with a declining estimated number of months of trading (down to 7.7 months from a peak 8.9 twelve months prior); indicates that the efforts to moderate lot construction by developers in response to market conditions, assisted by stabilising demand, is clearing the stock overhang. The declining stock levels indicate that market demand is likely to lift over the next year.

Annual Greenfield Activity

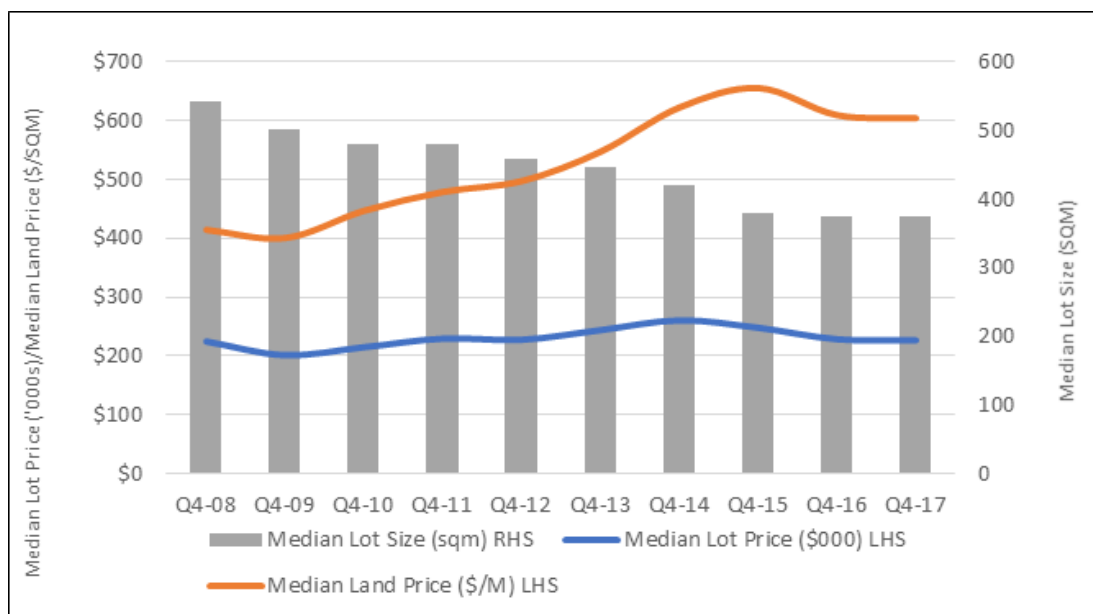


Source: National Land Survey Program



Image: Bushmead
By Cedar Woods

Median Lot Price, Land Price (\$/SQM) and Median Lot Size



Source: National Land Survey Program

NLSP Summary Table

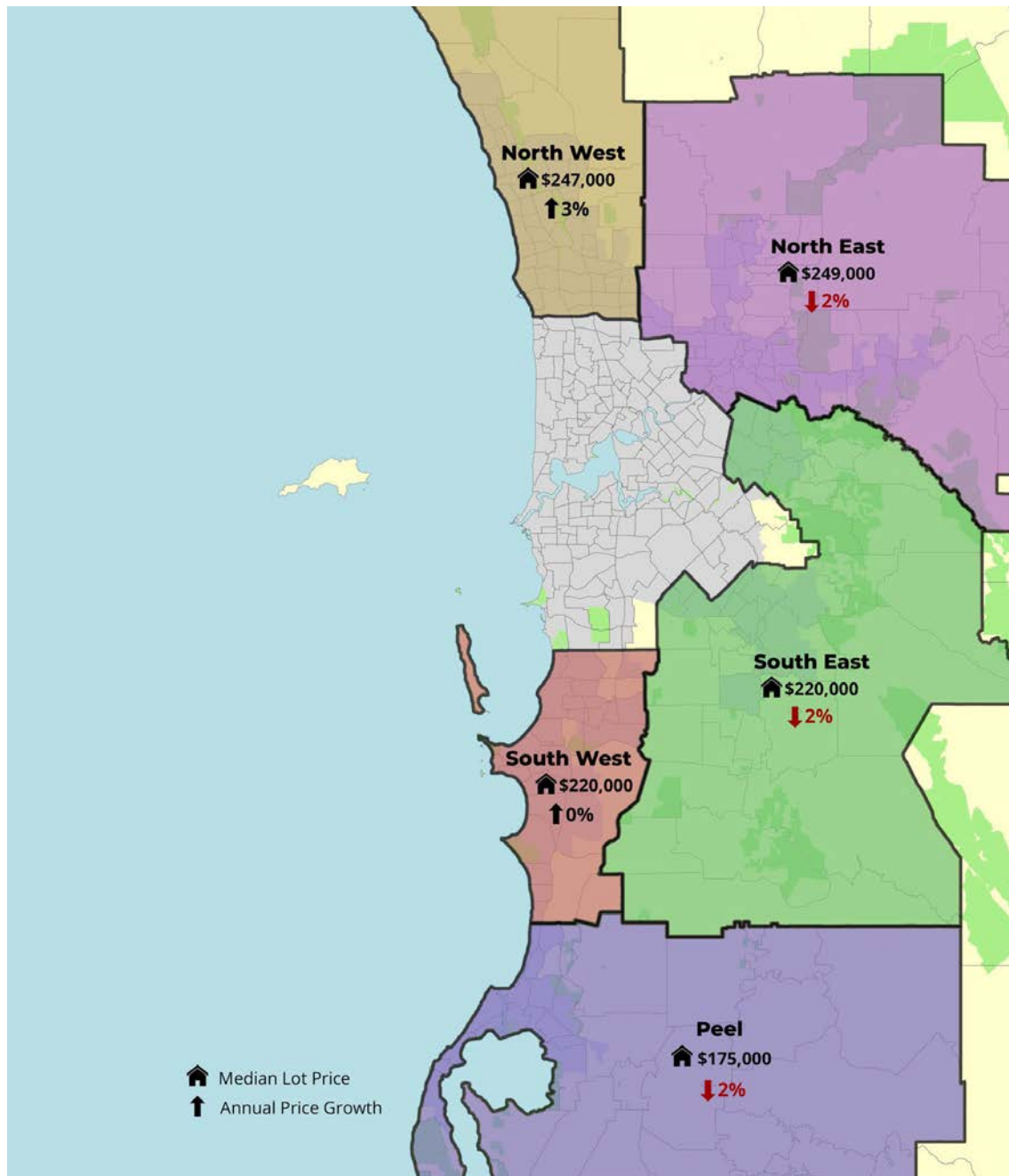
	Annual Net Lot Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (sqm)	Annual Median Lot Price	Annual Median Land Price (\$/M)
2009	6,354	81	515	\$207	\$402
2010	6,921	105	491	\$206	\$420
2011	5,454	124	481	\$230	\$478
2012	9,441	140	466	\$227	\$486
2013	13,740	140	448	\$239	\$532
2014	11,836	140	427	\$261	\$611
2015	8,144	153	389	\$253	\$650
2016	6,259	162	375	\$237	\$633
2017	5,631	168	375	\$227	\$605

Source: National Land Survey Program

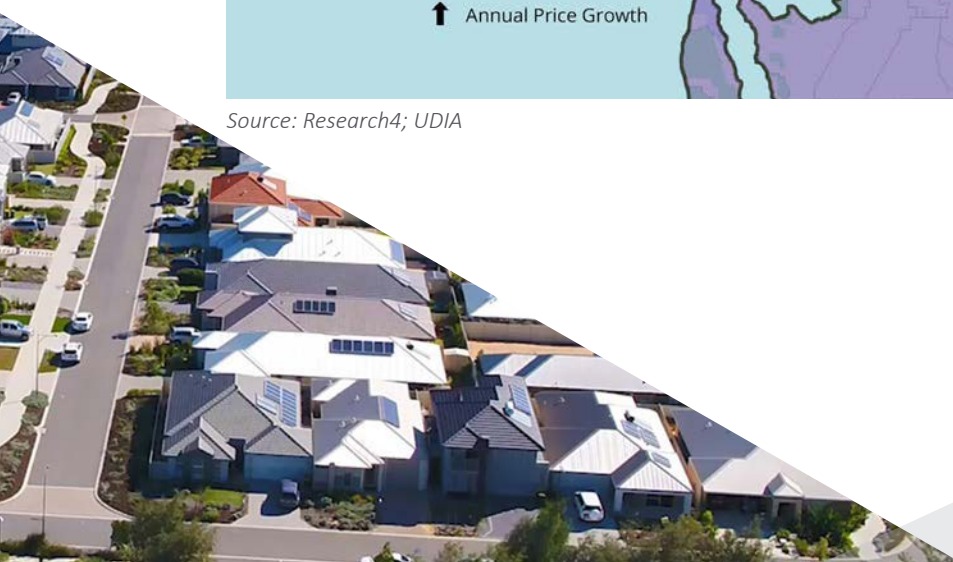


PERTH

Perth NLSP Greenfield Sub-Market Reporting Corridors: Median Lot Price (Q4 2017) & Annual Price Growth (2017)



Source: Research4; UDIA



PERTH

MULTI-UNIT|INFILL ANALYSIS

There were 4,990 multi-unit completions in 2017 across the Perth metropolitan region. This represented a decline of 38% in multi-unit volumes completed in 2016 and a 29% decline over the annual average across the 2011 – 2017 period. These falls are consistent with the decline seen in residential land production as result of lower levels of demand and the clearing of the oversupply of stock created during the resource industry construction 'boom'.

The median sale price of new units across 2017 stood at \$400,000, a 23% contraction on median sales pricing achieved in 2013. The tough market conditions are also evident in the ongoing erosion of median weekly rental rates which averaged \$320 across the multi-unit sector in 2017, an 8.6% reduction from 2016. This was driven by the relatively high vacancy rate of 6.8%.

Spatial analysis of new unit completions reveals 38% of stock was supplied within the central city and inner city locations within 5km from the Perth GPO. Interestingly stock volumes were matched in the 10-20km band also with 38% of completions, largely

reflecting supply emerging from postcode 6163 (Kardinya, North Coogee, Hamilton Hill, Bibra Lake, Spearwood, North Lake) and postcode 6107 (Wilson, Cannington, Beckenham, Kenwick, Wattle Grove, Queens Park). In the inner band postcode 6100 (Lathlain, Burswood & Victoria Park) and postcode 6004 (East Perth) recorded the most completions with 363 units and 226 units respectively.

The highest median sales values were recorded in the central city and beachside locations including Scarborough and City Beach at \$450,000. Meanwhile outer suburban locations in the 20km-50km band recorded median values around \$310,000.

In summary 2017 represented another challenging year for developing apartments and multi-unit stock across Perth. However, apartment projects that are well located and appropriately priced continued to fare reasonably well.

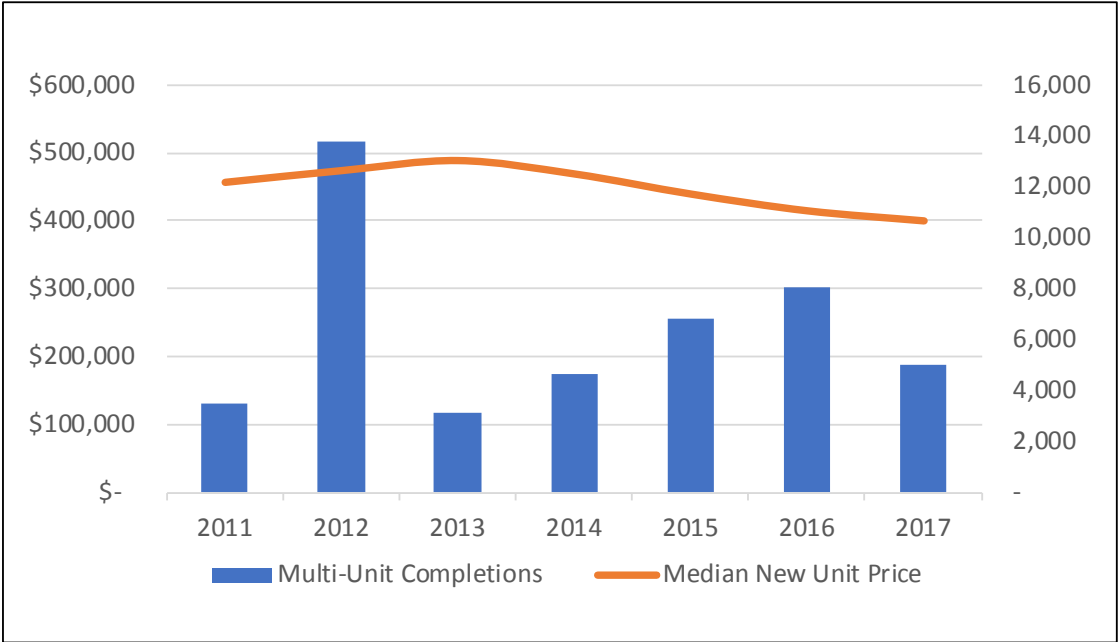
Market conditions for this segment are likely to further stabilise in 2018 with increasing confidence becoming more evident.

Multi-Unit Summary Table

	2017	Annual Change
Median Multi-Unit Settled Sale Price (new stock/first time sales)	\$400,000	-3.60%
Total New Multi-Unit Completions	4,990	-37.80%
Median Multi-Unit Rental Asking Price - per week (all of market)	\$320	-8.60%
Multi-Unit Vacancy Rate (all of market)	6.80%	7.50%

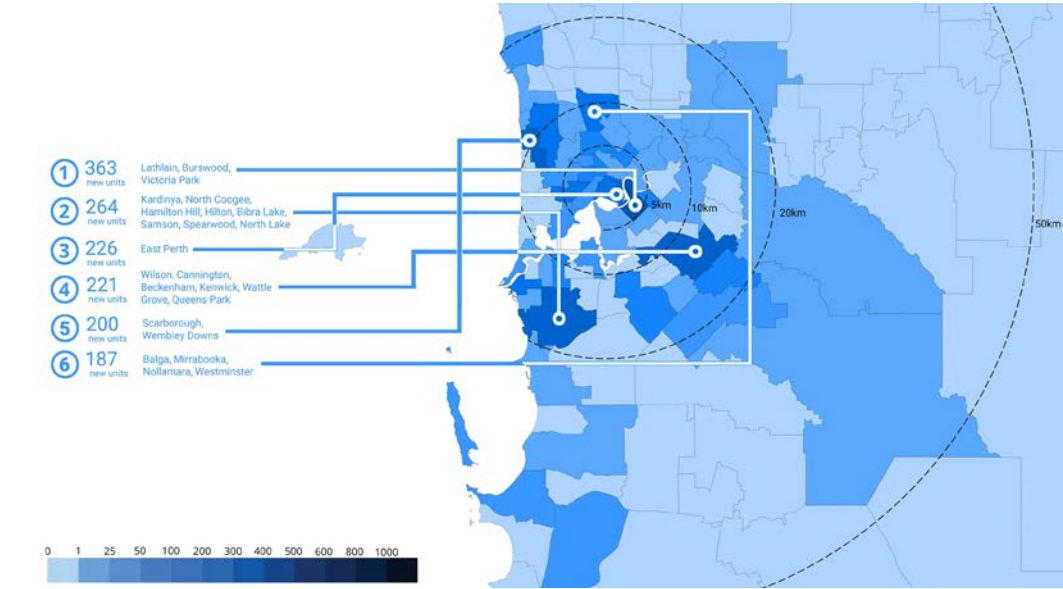
Source: CoreLogic

Median New Unit Price & Annual Unit Completions



Source: CoreLogic

Multi-Unit Completions by 2017, by Postcode



Source: CoreLogic; UDIA

BROADER MARKET TRENDS

While low population growth and high unemployment drove the fall in lot sales in 2016, these two variables have eased somewhat over the past year. The WA unemployment rate has been falling steadily from the high of 6.8% in January 2017 to stand at 6.1% in January 2018.

Population growth, whilst slow, has picked up in 2016/17, with a net population increase of 21,403 (+0.8% annual growth) compared to an increase of 6,719 in 2015/16 (+0.6% annual growth). Nevertheless this remains well below the 73,437 (+3.1% annual growth) figure increase seen during the boom in 2011/12. Additionally, interstate migration eased, with a net loss of 4,019 to other parts of Australia in 2016/17 and the previous year saw a net migration loss of 11,722. Meanwhile, overseas migration took a promising turn, increasing 7.9% to 13,101 following four consecutive financial years of decline.

The First Home Buyer (FHB) sector saw gains in 2017, growing to represent 24.2% of all WA dwelling finance commitments for the year, up from 20.3% in 2016 but still below the peak of 30.4% in 2009. The availability of an additional \$5,000 via the State Government's First Home Owners' Grant (FHOG) Boost drove much of this demand in the first half of 2017. The cancellation of the FHOG boost on 30 June, 2017, pulled demand forward impacting upon sales during the second half of the year. As such, the first home buyer market is predicted to fall into alignment with the broader market in 2018 as it shakes off the last remnants of distortion from the FHOG boost.

Investor property buying in WA has declined over the past three years, with investment dwelling finance commitments falling 8.2% over the past year to sit at \$8.14 billion for 2017, down 47.4% from a peak of \$15.5 billion in 2014. However, the annual decline in these figures has slowed dramatically and

appears to be stabilising from the 29.9% annual decline recorded in 2016.

The established housing market exhibited signs of recovery throughout 2017 according to the Real Estate Institute of Western Australia (REIWA); maintaining year-on-year (YoY) increases across the first three quarters to settle at a 15.3% rise for house sales in the September quarter, based on the corresponding quarter in 2016. Unit sales also exhibited the same positive figures for the first few quarters of 2017, but fell 8.3% YoY in the September quarter. Both figures remained 27.4% and 49.3% below their respective March 2013 peaks (9,016 & 2,181 respectively). The median house price at September was \$512,000, down 1.5% since Sept-16; whilst the median unit price was \$400,000, which was also down 7.0% since September 16.

The market share of approvals for apartments and attached houses remained steady in 2017, with the sector accounting for 27.1% of all housing approvals in 2017, compared to 28.8% in 2016. Reflecting falls in the wider housing market, the number of multiple-dwellings approvals fell 9.9% in 2017.

Job creation figures for WA in 2017 lifted into positive territory, with an 11.9% increase in the number of WA job vacancies, increasing to 19,800 in November 2017. Meanwhile, expenditure on mineral exploration totalled \$294.2 million for the September 2017 quarter, up 60.6% from the March 2015 trough, although still 51.2% below the peak of \$603.2 million seen in June 2012. Accompanying price rises in minerals including a market high in the price of iron ore (\$77.18 US/t) as at 21.2.18) is a positive sign for current and planned mining activities, spelling a continued optimistic outlook for the wider WA economy for the year ahead.

STATE POLICY ENVIRONMENT

As the Labour Government moves into its second year of office, it is expected that a number of the initiatives and policy reforms announced prior to the election and during the first year of office will begin to be implemented. Amongst these, a key area of focus for UDIA WA will be planning reform with the Institute looking forward to collaborating with the State Government's independent Planning Reform Team to improve efficiencies and deliver more effective land use planning outcomes.

Alongside the Planning Reform Team, the review of the Local Government Act is likely to lead to improvements in the operation and transparency of local government development contributions schemes along with the management of other funds collected via development. Similarly, the industry looks forward to greater clarity on how the Government will use 'value capture' to support the development of its flagship METRONET program. This is a key infrastructure project that will improve connectivity across the Metropolitan Region and shape the growth of Perth, its housing, employment and activity centres.

It is anticipated Design WA's Apartment Design Guide will be finalised early this year with the development of the medium density housing code to closely follow. The development of an effective medium density code will play a key role in helping to produce more diverse housing typologies. Likewise, the anticipated release of the Community Titles Bill and Strata Titles reform legislation will offer new and more contemporary development opportunities.

The establishment of Infrastructure WA and the development of a long term investment plan will also assist with certainty and better ensure that the State's social, economic and environment infrastructure needs

are provided for. Whilst uncertainty and duplication remains within the environmental approval process; UDIA is optimistic that clarity will emerge regarding the Government's position on the 'Green Growth Plan' and the status of Perth and Peel sub-Regional Planning Frameworks.

A range of challenges mean that strong leadership will be required on the part of Government to ensure the effective delivery of these initiatives and policy reforms. Nevertheless, greater clarity regarding the policy environment that the development industry operates in is beginning to emerge. Government strategy and policy settings are likely to create new development opportunities, which coupled with increasing consumer confidence, provides the development industry with a positive outlook.

"THE MARKET IS SHOWING SIGNS THAT IT HAS PAST THE BOTTOM OF THE CYCLE AND THERE ARE SMALL AREAS OF GROWTH. THIS IS A FUNCTION OF IMPROVED CONSUMER CONFIDENCE ON THE BACK OF INFRASTRUCTURE SPEND AND EMPLOYMENT CERTAINTY. THERE IS ALSO A GREATER SENSE OF URGENCY WITH PURCHASERS BELIEVING PRICING WILL NOT GO LOWER, AND GENERALLY A MORE STABLE MARKET FOR THE SALE OF ESTABLISHED HOUSING."

WHAT WE ARE WITNESSING ON THE GROUND IN THE NORTH WEST CORRIDOR IS REDUCED TIMEFRAMES FROM ENQUIRY TO SALE AND LESS FALL OVERS DUE TO FINANCE DECLINES. WE EXPECT THIS MOMENTUM TO CONTINUE TO IMPROVE OVER THE NEXT 12 MONTHS AND THE MARKET TO RETURN TO A MORE STABILISED LTA STATUS"

Anthony Rowbottam, General Manager WA Communities, Lendlease



ACT

SUMMARY

Strong population growth across the ACT has created robust demand for a diverse range of dwellings. Developers have responded by selling off-the-plan vacant land and/or buildings to meet demand. However, when titles are available for land and/or buildings, not all stock has been pre-sold.

The ACT government forecasts that circa 46% of new dwelling supply will emerge from urban renewal developments over the coming four years. The form of residential development of Canberra and the Region is not inconsistent with the national debate regarding the shape of future cities and regions. This national debate was reinforced with the recent release by Infrastructure Australia of the “Future Cities: Planning for our growing population”, February 2018.

Affordability pressures have been mounting, with the ACT clearly occupying the second most expensive new land market in nation (after Sydney) with a sharp increase in new multi-unit pricing also evident over the past two years.

GREENFIELD MARKET ANALYSIS

The ACT greenfield land market has played an important role in providing new housing supply to address underling demand. Between 2011 and 2016 the ACT experienced on average a net gain in private occupied dwelling of 225 per month. Over the same time, the new land market averaged 107 new blocks of land per month or 47% of the total net private dwelling gain. Separate to the 107 new blocks of land per month there were additional integrated townhouse and apartment product sold via “super lots” to Developers.

Over the past year the ACT market, which includes the Googong development at Queanbeyan, has averaged 44 sales per month, 60 percent down on the 2011-2016 monthly average sale rates. A major reason for the lower than average sale rate has been the low number of active residential land estates (estates that have been posting sales activity each quarter). Over the past nine years the ACT market has averaged just six trading estates at any one point in time; with a peak of 9 trading estates in the year 2010. Over the 2017 year there was on average 3 trading estates.



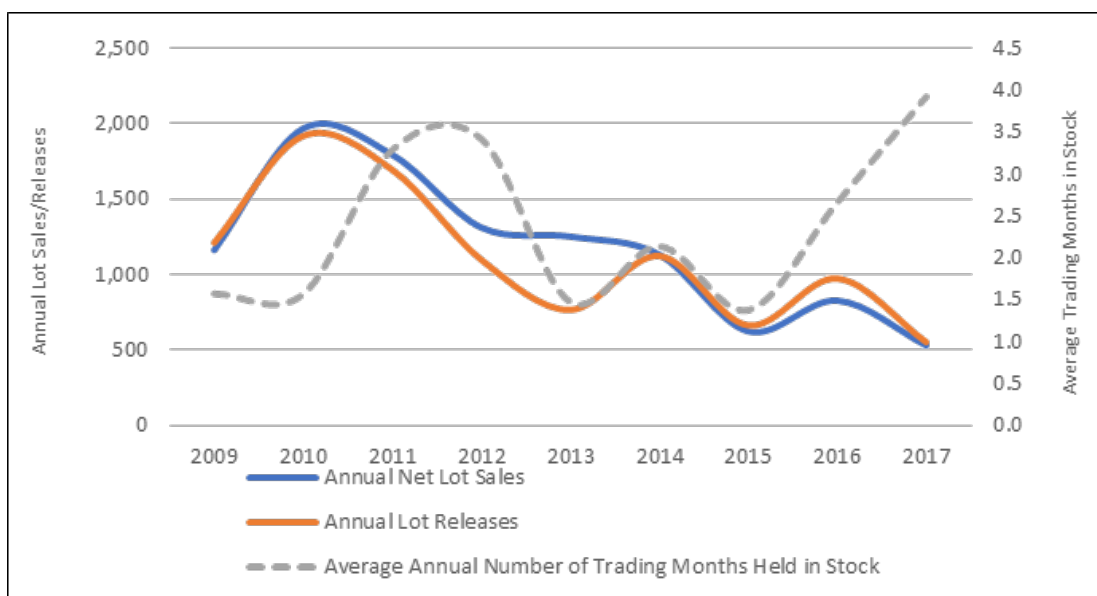
When it comes to land prices the ACT new land market has experienced a sharp jump in the median lot price at the beginning of 2017. The median lot price for the March 2017 quarter was \$357,000, the very next quarter, the median lot price jumped to \$475,000 and currently the median lot price is \$440,000.

The sharp jump in the median lot price is linked to the low number of trading estates. The March 2017 quarter where the price point was \$357,000 was due solely to the strong

performance of the Taylor estate which sold higher volumes of smaller and more affordable lots.

Since 2008, new land prices have averaged 53% of the median ACT house price. Currently the median lot price of \$440,000 is estimated to be 65% of the median ACT house price of \$670,000 (ABS). Based on this it can be suggested that the median price point for land for the 2017 was “overvalued” relative to its long running average.

Annual Greenfield Activity



Source: National Land Survey Program

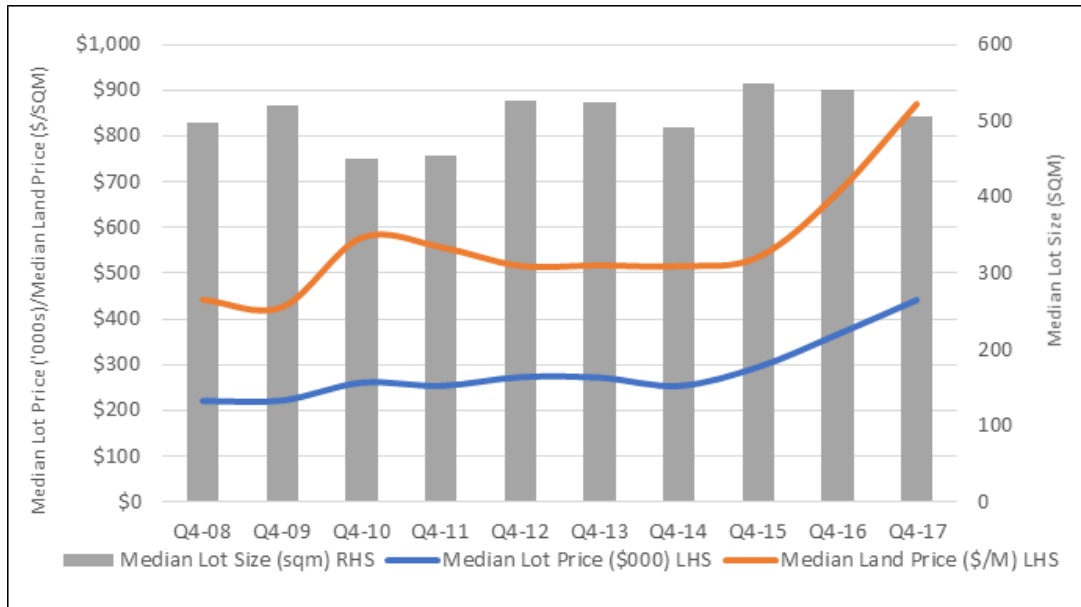
Throughout 2017, stock of lots ready for sale recorded by the NLSP has been low. The persistent low level of trading stock has kept a lid on total sales activity.

The current ACT median lot size of 505 sqm represents the largest lot size across the capital city markets, with the second largest median lot sizes available in SEQ being 12% smaller at 449 sqm. The increase in retail lot price has driven the average land price to \$868 per sqm which represents the second most expensive

lot price after Sydney at \$1,202 per sqm and well ahead of Melbourne's \$692 per sqm.

In part it can be argued that the performance of the ACT new land market has been impacted by a lack of trading stock and trading estates. Compared to previous years activity, it would appear that the role of the Greenfield market in 2017 has been severely limited. At a macro scale the reduced capacity and supply to market has likely helped drive higher lot prices.

Median Lot Price, Land Price (\$/SQM) and Median Lot Size



Source: National Land Survey Program

NLSP Summary Table

	Annual Net Lot Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (sqm)	Annual Median Lot Price	Annual Median Land Price (\$/M)
2009	1,164	6	507	\$222	\$439
2010	1,971	7	472	\$257	\$544
2011	1,797	7	480	\$261	\$544
2012	1,314	7	495	\$266	\$537
2013	1,254	7	535	\$304	\$568
2014	1,134	5	548	\$265	\$484
2015	625	4	528	\$285	\$539
2016	829	4	495	\$373	\$754
2017	531	3	502	\$436	\$868

Source: National Land Survey Program



MULTI-UNIT | INFILL ANALYSIS

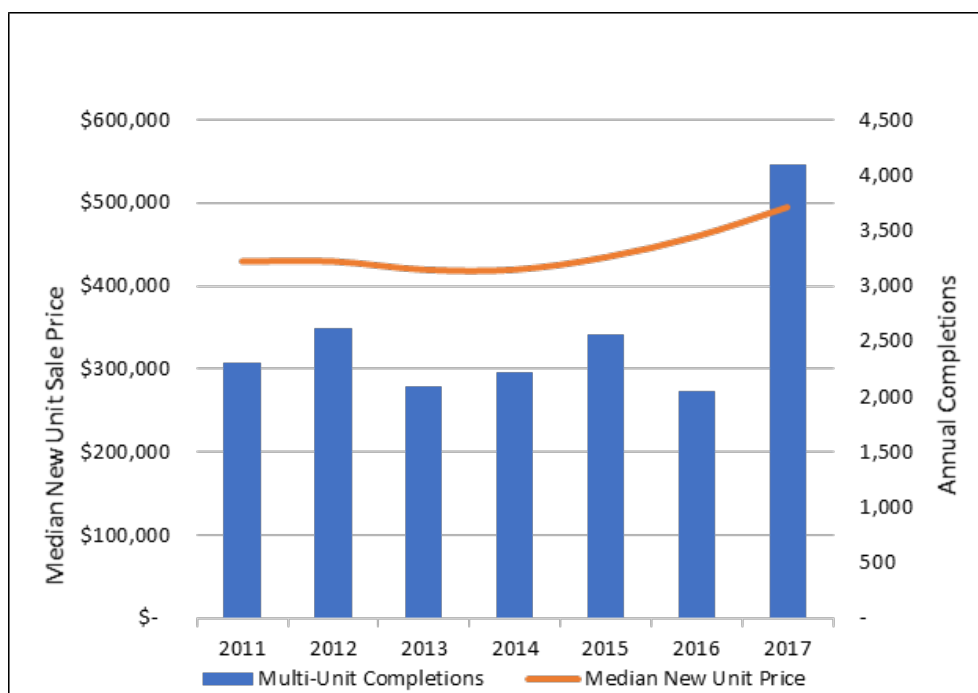
The ACT recorded a significant uplift in multi-unit completions in 2017 with a total of 4,100. This reflects a 78% increase in the average volume of completions recorded across the 2011 – 2016 period.

The median price for new unit sales across 2017 increased by 8% from 2016 to \$495,000. The price growth momentum achieved in 2017 continues the trend observed from 2014 when the softer market conditions saw the median sale price at \$420,000. It is observed that a key factor driving the strong increase in annual median unit pricing is likely the strong sales achieved in several premium-end projects in upper market locations including Kingston.

The strong market conditions for Canberra units translated into a median weekly rental asking rate of \$420 per week which reflected a growth of 5% on the 2016 median rental rate. The vacancy rate at December 2017 was 3.5% which was the lowest in the country across all the capital cities.

New unit supply was distributed in various locations across the Canberra metropolitan area. The major supply points included Belconnen with 842 completions in 2017, Greenway (799 completions), Kingston (608 completions) followed with Campbell (492 completions) and Phillip (438 completions).

Median New Unit Price & Annual Unit Completions



Source: CoreLogic

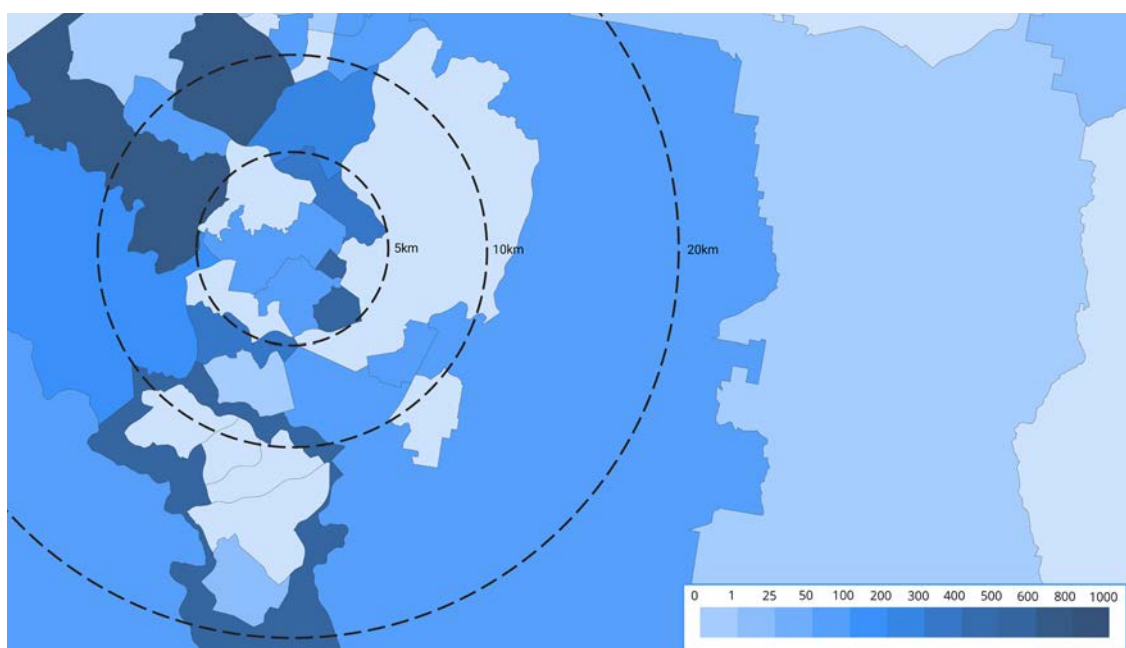


Multi-Unit Summary Table

	2017	Annual Change
Median Multi-Unit Settled Sale Price (new stock/first time sales)	\$495,000	8%
Total New Multi-Unit Completions	4,100	100%
Median Multi-Unit Rental Asking Price - per week (all of market)	\$420	5%
Multi-Unit Vacancy rate (all of market)	3.50% (Dec 2017)	4.10% (Dec 2016)

Source: CoreLogic

Multi-Unit Completions by 2017, by postcode



Source: CoreLogic; UDIA



BROADER MARKET TRENDS

The ACT population has been growing strongly in recent years with an annual average growth rate of 1.9% achieved between 2011 to 2016. This is the second highest growth rate in the country over this time period trailing only Victoria (with its 2.2% average annual growth rate).

The total population of the ACT now exceeds 400,000 people, and within less than thirty minutes' drive from the ACT border there is a further 100,000 people and within an hour's drive there is approximately 600,000 people in total. Commuting to Canberra from Goulburn, Yass, Bungendore and the hobby farm belt around the ACT extends the housing choice for residents.

Canberra's and Queanbeyan's residential market supply is diverse and consists of the following:

- Urban renewal projects in Brownfield sites;
- Urban infill on 'Mr Fluffy' sites;
- Single Residential Inner Greenfield development at Throsby and Molonglo ACT and as proposed at South Jerrabomberra NSW;
- Single Residential Outer Greenfield at West Belconnen (Ginninderry) ACT and Googong NSW; and
- Multi-unit and townhouse sites in Greenfield areas.

Experience in Canberra and Queanbeyan over the past four years is that all developers in urban renewal and Greenfield sell off-the-plan to cater for demand. However, when title is available they still generally have stock to sell whether it is vacant land or townhouses or apartments.

Over the past 3 years, the supply of single residential blocks has consisted of:

- 1,200 blocks per year in greenfield areas developed by the ACT government;
- A similar number of blocks held by private developers in the region (mainly in greenfield areas); and
- A further 1,000 blocks in established suburbs have also entered the supply market as a consequence of the Loose-fill Asbestos Eradication Scheme (i.e. 'Mr Fluffy' sites).

It is important to note that with the Loose-fill Asbestos Eradication Scheme, almost all homeowners declined the ACT Government's 'first right of refusal offer' to return to and rebuild on their remediated block. This meant that approximately 1,000 homeowners entered the housing market in 2015 at the commencement of the demolition program, while 1,000 demolished and remediated blocks entered the market between 2016 and 2018. This has influenced the market by increasing demand by 1,000 buyers and then increasing the supply 1-3 years later. The quantum of the supply increase is difficult to determine, as many of these blocks are suitable for dual occupancy products.

Consequently, prices increased for land in late 2015 / early 2016 as an extra 1,000 buyers entered the market at this point in time. In turn, 1,000 blocks suitable for 1,000 to 2,000

dwellings entered the supply market 1-3 years later, which has led to an inventory of blocks being held by greenfield developers.

Based on current forecasts, the remaining remediated blocks to be released for sale under the Loose-fill Asbestos Eradication Scheme will be put to the market by June 2018, although it is likely there will be an inventory of these blocks available for sale in the second half of 2018. It is expected that

the current inventory held by developers in greenfield estates will experience increased sales rates as competition from the Loose-fill Asbestos Eradication Scheme diminishes over time.

ACT POLICY ENVIRONMENT

Since the Canberra Spatial Plan of the early 2000s the ACT Government's land use policy emphasis has trended towards more medium to high density residential use in brownfield and greenfield sites. The ACT Planning Strategy of 2012 confirmed this direction of urban consolidation, which is further reiterated with the vision and operational mandate of the Suburban Land Agency (SLA).

The SLA was established in 2017 to deliver the ACT government's suburban development program including urban renewal in established town centres and suburbs. Overall land release in the ACT is managed by the SLA and over the past two financial years, the SLA (and its predecessor the Land Development Agency) has released, 4,900 and 4,000 dwelling sites. The break-up of these releases over these last two years consists of the following:

- Single residential blocks in greenfield areas - 25%
- Multi-Unit Sites in Greenfield Areas / Englobo sales to private developers – 25%
- Multi-Unit Sites in Infill Areas (including Asset Recycling Initiative sites) – 50%

The Indicative Land Release Program (ILRP) is the ACT government's rolling four-year

strategic planning program accompanying the Territory Budget. It provides the development industry, service providers and community organisations clarity on the magnitude and location of future land releases.

The development industry continues to wholeheartedly support the ILRP residential program with its key focus to provide a stable pipeline of land over and above the anticipated level of demand in order to reduce the pressure on prices and assist with housing affordability for both home buyers and renters. The ILRP targets this release in excess of demand through an increase in englobo releases targeted at the development industry.

In light of the increase in affordability pressures the new ACT government has been proactive in exploring various progressive reforms to the new Housing Strategy. This includes greater support for community and not-for profit housing, boosting affordable housing for older Canberrans, a continual phasing out of stamp duty and heightened focus within the SLA on affordable and efficient greenfield and infill land release.

As the one of most expensive new housing market in the nation, the government has considerable forward policy work ahead to facilitate greater levels of housing production for households across the income spectrum.



ABOUT UDIA

THE URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA (UDIA) IS THE PEAK BODY REPRESENTING THE URBAN DEVELOPMENT INDUSTRY IN AUSTRALIA.

UDIA represents more than 2,100 companies including developers and a range of professionals involved in the development industry including lawyers, engineers, town planners, urban designers, architects, surveyors, built environment consultants⁷ and contractors.

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