

# UDIA State of The Land 2019

National Residential Greenfield and Apartment Market Study







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## Welcome to 2019 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 the most comprehensive annual overview of the Australia's capital city new home markets.

New residential construction is a key component of the Australian economy with circa \$63B worth of work undertaken across the nation in 2017/18. The State of the Land report delves behind the macro economic statistics to provide 'ground-up' insights into the annual performance of the new home development sector across our growing capital cities.

Prepared by the UDIA National Secretariat in collaboration with each UDIA state office and our State of the Land Research Partners, Research4 and CoreLogic, the report provides an important annual industry health check and outlook for the year ahead.

For the fifth year running the National Land Survey (NLS) undertaken by Research4 provides the core market intelligence underpinning the report's greenfield analysis. The NLS provides unique insights into the market performance of over 1,000 new residential land estates across the nation. UDIA is delighted to showcase the Research4 NLS data and analysis which once again highlights the fundamentally important role of the greenfield sector for housing our growing population.

This year we have once again partnered with CoreLogic who have provided the core multi-unit market intelligence featured in the report. CoreLogic's customised multi-unit data allows unique insights into the nation's dynamic apartment and infill markets which continue to evolve across the nation.

As our urban regions continue to mature and policy settings continue to emphasize urban renewal and urban consolidation, the importance of multi-unit development will only increase across Australia's capital city housing markets.

The new residential housing estates emerging in greenfield land release areas and the apartment and medium density projects being delivered 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.

On behalf of UDIA - Australia's undisputed peak body representing the urban development industry - it is my pleasure to commend the 2019 State of the Land report to you.



**Darren Cooper**

**UDIA National President**



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# Greenfield Summary

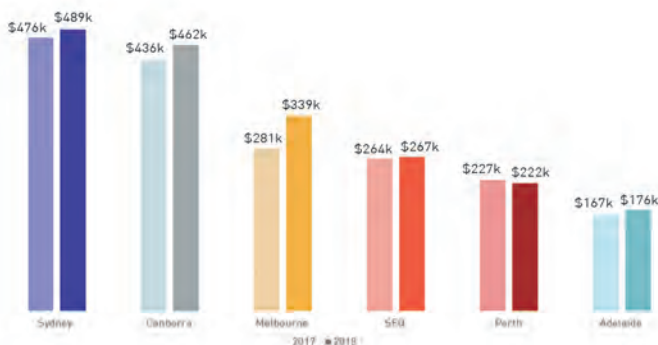


## NEW RELEASES (2018)

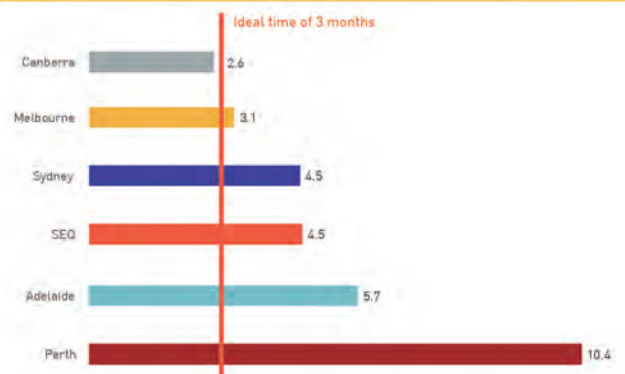
Annual Change

<b>MEL</b>	18,466		19%
<b>SEQ</b>	11,148		16%
<b>SYD</b>	7,187		24%
<b>PER</b>	6,674		3%
<b>ADL</b>	3,114		44%
<b>ACT</b>	1,080		94%

## MEDIAN LOT PRICES (2017 v 2018)



## TRADING MONTHS OF STOCK (as at Q4 2018)



## ANNUAL NATIONAL SALES



## ANNUAL MEDIAN LOT SIZE

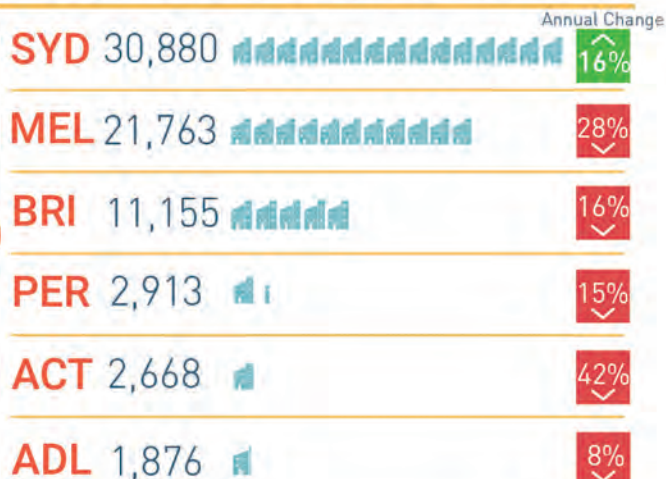




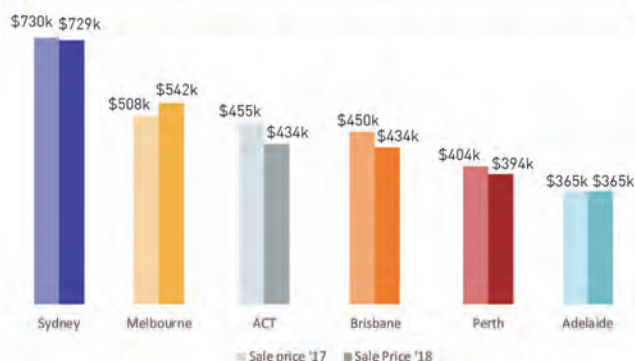
# Multi-Unit Summary



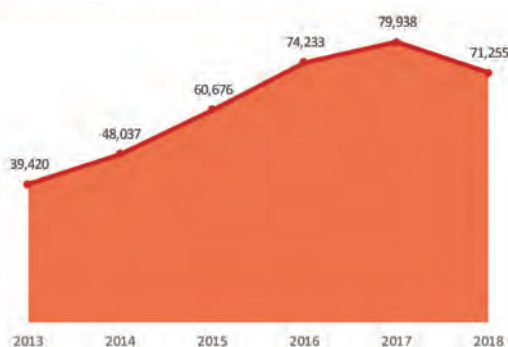
## NEW UNIT COMPLETIONS (2018)



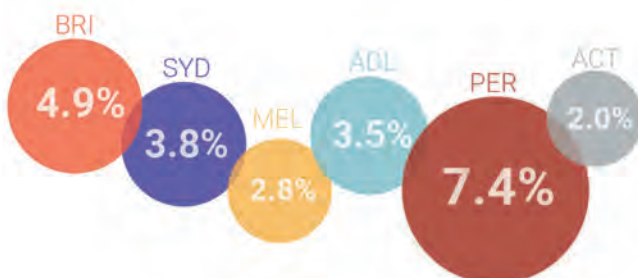
## MEDIAN SALE PRICE OF NEW UNITS (2017 - 2018)



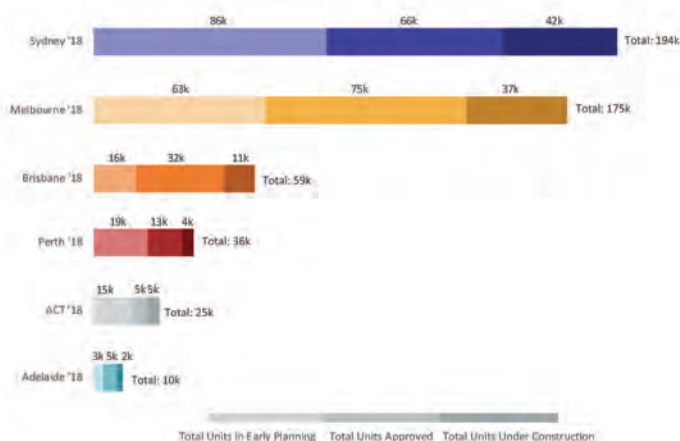
## ANNUAL NATIONAL NEW UNIT COMPLETIONS



## VACANCY RATES (as at Q4 2018)



## UNITS PIPELINE (as at Q4 2018)





# NATIONAL RESIDENTIAL MARKET OVERVIEW

Australia's residential developers experienced a mixed, and in large part challenging 2018 due to the cooling of housing market conditions. Despite the unfolding market correction (focused on the eastern seaboard), completions of new homes in greenfield land estates and in multi-unit developments in infill locations across the capital cities remained close to record levels. Strong production throughout the 2018 calendar year reflects supply flowing from the well-stocked construction pipeline assembled in the years prior.

A combined total of approximately 128,000 new homes were completed in greenfield release areas and urban infill locations across the major capital cities in 2018. While this represented a 4% reduction on the 2017 supply quantum it still represented a remarkable increase of 92% on the 2013 output and was 34% higher than the eight-year average.

Of the more than 385,000 new dwellings delivered over the last three years (2015-2018) almost 60% have been multi-unit stock. At a combined capital city scale it appears that apartments, townhouses and other medium density dwellings are now established as the predominant new housing typology.

**Melbourne** continues to provide the largest volume of year-on-year housing across the capital cities with a total of 45,600 new dwellings completed in 2018. While this was a 14% reduction on 2017 output it remains 31% higher than the eight-year combined supply average. Melbourne's total market output accounted for 36% of the combined capital city residential production achieved in 2018.

**Sydney** achieved a total supply output of 43,500 which represented a significant lift of 19% from 2017, which was principally due to heightened levels of multi-unit completions which totalled 30,880. This level of multi-unit production is the highest ever level recorded for any Australian capital city.

The **South East Queensland** region recorded a 6% reduction in production in 2018, which was driven by a drop in completions in greenfield locations. While the 23,520 dwelling completions was lower than the yield achieved in 2017 it still remained 45% higher than the eight-year average with 47% of this stock comprised of multi-unit dwellings.

New residential supply completions across the **Perth** metropolitan region remained subdued with a combined 8,610 new homes/multi-units. This volume reflects an 11% reduction on 2017

output and was 24% below the eight-year average. 66% of Perth's residential completions came from greenfield estates in 2018 which was the highest proportion recorded across the capital cities, with the national average sitting at 44%.

**Adelaide** produced a total of 3,730 new dwellings in 2018 which reflected a slight 1.5% decline on 2017 output, but this was 14% higher than the eight-year average. Exactly 50% of new home completions were recorded from greenfield land estates.

The **ACT** also recorded a lower supply quantum in 2018 with a combined total of 3,165 greenfield homes and multi-unit completions. This volume of completions was 42% lower than 2017 and 19% lower than the eight-year average – driven by a reduced output from greenfield estates.

## Combined Capital City New Residential Market Supply



\*UDIA estimates

Source: CoreLogic, Research4

## Capital City New Residential Market Supply, 2018



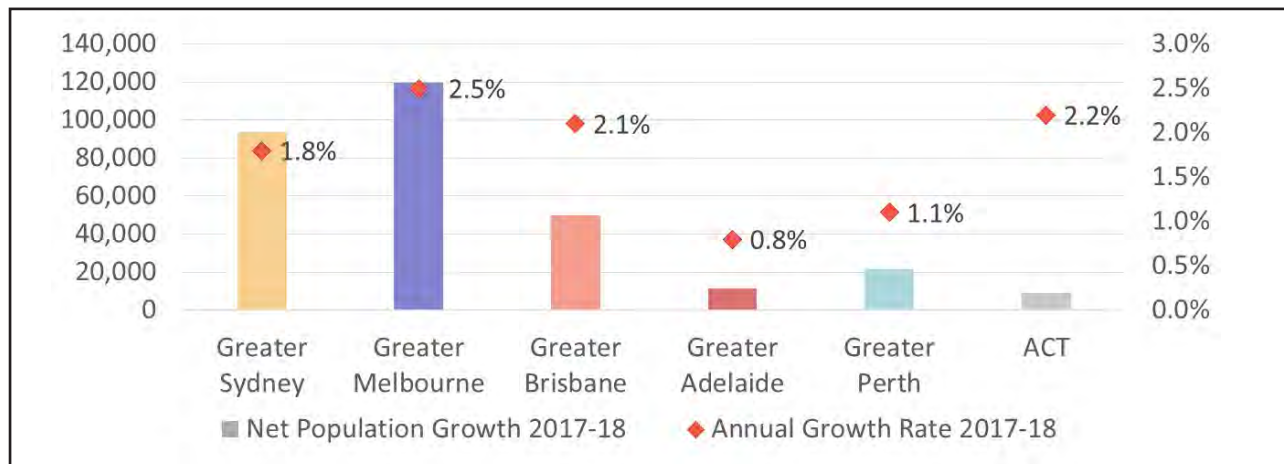
\*UDIA estimates

Source: CoreLogic, Research4



# NATIONAL RESIDENTIAL MARKET OVERVIEW

## Greater Capital City Population Growth and Annual Growth Rate, 2017-2018



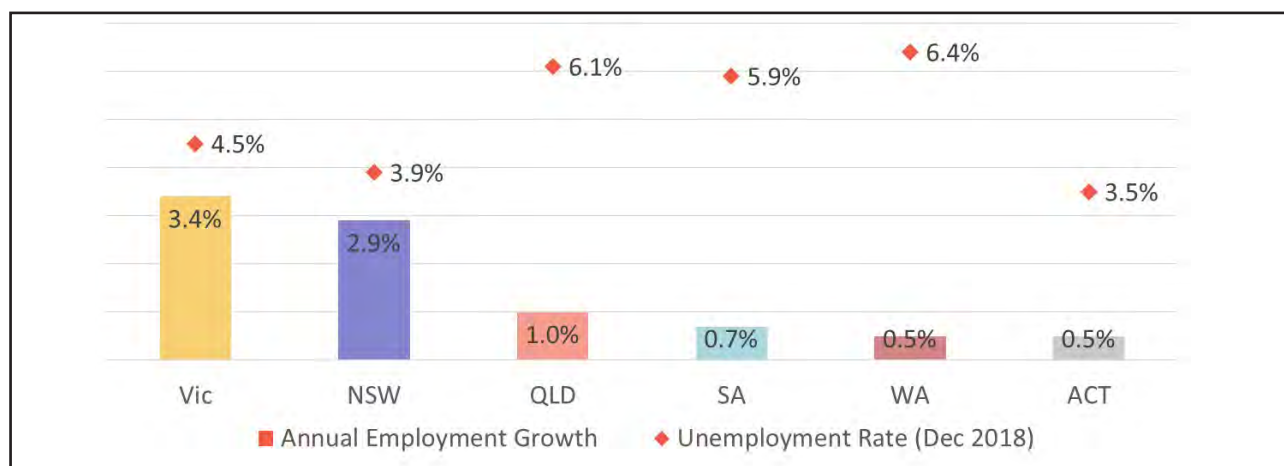
Source: ABS

Population growth is the primary driver of demand for new dwellings. This is reflected in the population growth profiles across the capital cities, with the largest new home markets of Melbourne and Sydney attracting the majority of recent metropolitan growth. The latest available demographic data from the Australian Bureau of Statistics shows that, collectively, Greater Melbourne and Greater Sydney accounted for 69% of capital city growth over the 2017-18 financial year and 54% of total national growth.

Greater Melbourne recorded a net population growth of 119,400 in the 2017-18 financial year which reflected an average annual growth rate (AAGR) of 2.5%. This was the fastest rate of growth across the capital cities, but was slightly down from its 2016-17 growth rate of 2.7%.

Greater Sydney added 93,400 persons to the base population at an AAGR of 1.8%, followed by Greater Brisbane which grew by 50,100 persons at an AAGR of 2.1%.

## Annual Employment Growth Rates (2018) & Unemployment Rates (December 2018)



Source: ABS

Job growth is another key macro-economic factor underpinning the performance of regional housing market performance. Consideration of recent employment data highlights that while the larger States have been generating robust employment growth (Victoria 4.5% annual growth in CY2018 and Sydney 3.9%) the smaller population based States have exhibited relatively benign employment growth. Furthermore unemployment rates are also considerably higher in WA (6.4%), QLD (6.1%) and SA (5.9%).



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 alterations to policy and regulatory settings, at all levels of government, which impacts in different ways on residential development.

Australia's globally significant capital city housing (un)affordability profiles is both a wicked public policy issue for government while also presenting a major challenge for the development industry. Across various measures it far more expensive, and with much higher barriers of entry to 'afford' to

access the Australian housing market than it was even just five years ago.

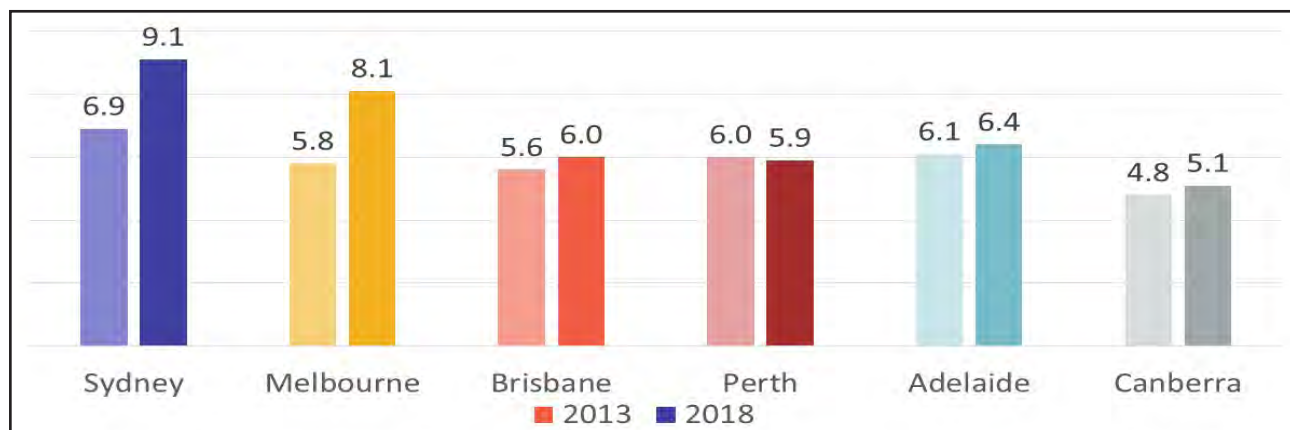
As of June 2018 the median house to median household income ratio was 9.1 in Sydney and 8.1 in Melbourne. This has increased from a ratio of 6.9 in 2013 for Sydney and 5.8 in Melbourne in 2013. The number of years of household income required for a 20% deposit has ratcheted up to 12.1 in Sydney and 10.8 in Melbourne, up from 9.3 and 8.6 years respectively in 2013. The other capital cities have also experienced a decline in housing affordability measures but not as dramatic as the two largest cities. Indeed on a straight price to income ratio affordability has improved in Perth over the last five years.

### Housing Affordability Measures (as of June 2018)

	Median Dwelling Price (June 2018)	Price to income ratio	Years of household income required for a 20% deposit on a dwelling	% of household income required to service an 80% LVR mortgage	% of household income required to rent a home
Sydney	\$845,000	9.1	12.1	48%	30%
Melbourne	\$665,000	8.1	10.8	43%	26%
Brisbane	\$490,000	6.0	8.0	31%	25%
Adelaide	\$429,000	6.4	8.5	33%	27%
Perth	\$480,000	5.9	7.8	31%	22%
ACT	\$465,000	5.1	6.8	27%	21%

Source: CoreLogic

### Capital City Dwelling Price to Income Ratios



Source: CoreLogic

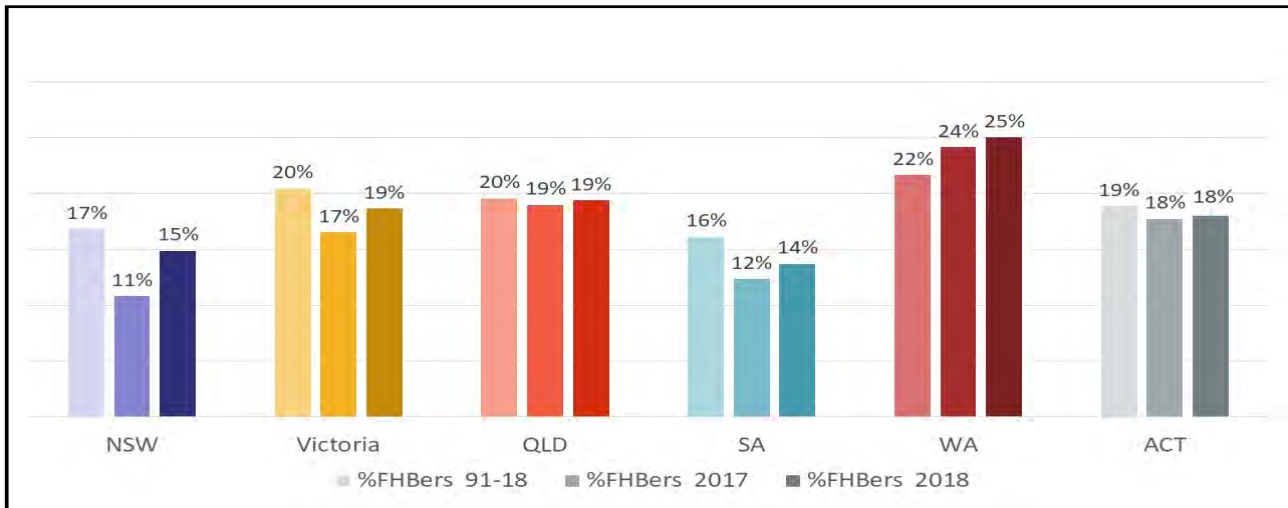
The deterioration of housing affordability relates to substantial increases in dwelling values while wage growth has been relatively benign. There are a host of drivers underpinning house price growth which include the aforementioned high rates of population growth coupled with a generally insufficient supply response. Another key factor is the ongoing imposition of government taxes and charges which ultimately flow through to retail pricing.

# NATIONAL RESIDENTIAL MARKET OVERVIEW

Aspiring First Home Buyers (FHBers) are a key group impacted by the housing affordability crisis. In all jurisdictions except Western Australia, the market share of FHBers is currently below long run averages. However, examination of 2017 versus 2018 housing finance data highlights an uptick in

the proportional share of FHBer activity in NSW and Victoria which is a reflection of the retreat of investors (due to tighter lending criteria) and potentially the much publicised contraction in dwelling values.

## First Home Buyers as a % of Total Home Loan Market

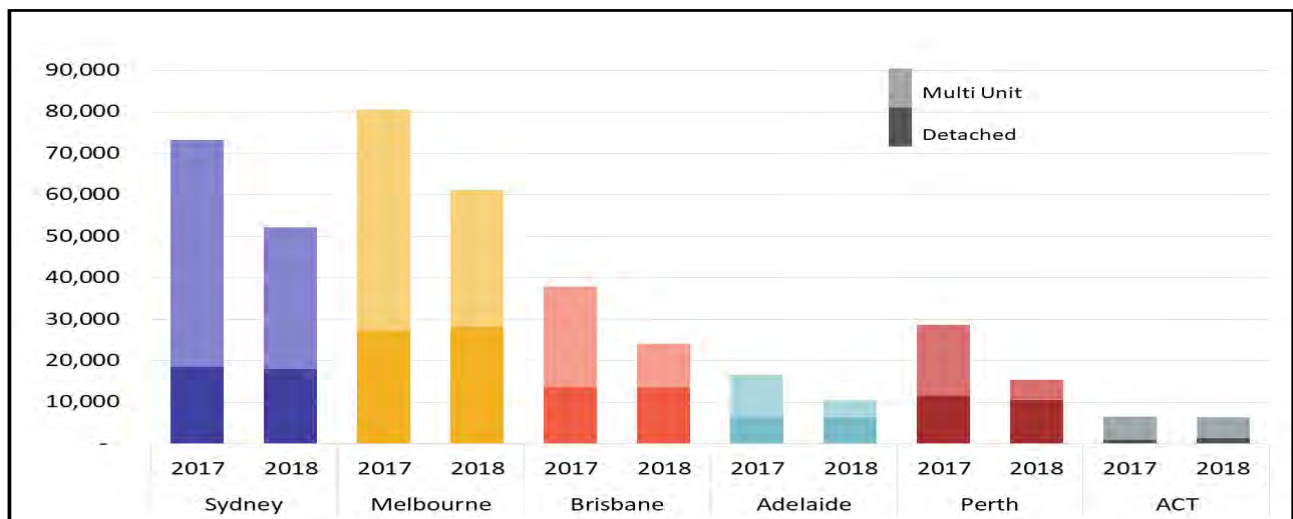


Source: ABS

The key to long term sustainable, housing affordability is matching supply with demand including the 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 four years, the reality is that Sydney and Melbourne (in particular) will need to continue to deliver supply at these historically high levels year-on-year for the next two decades.

The cooling market conditions have precipitated a cliff-fall in dwelling approvals in 2018 which puts some doubt on the forward pipeline to sustain the required production levels. In aggregate terms approvals fell 29% in Sydney, 24% in Melbourne, 36% in Brisbane, 46% in Perth and 36% in Adelaide with only the ACT recording a similar or higher volume of approvals in 2018.

## Capital City Dwelling Approvals, 2017 and 2018



Source: ABS

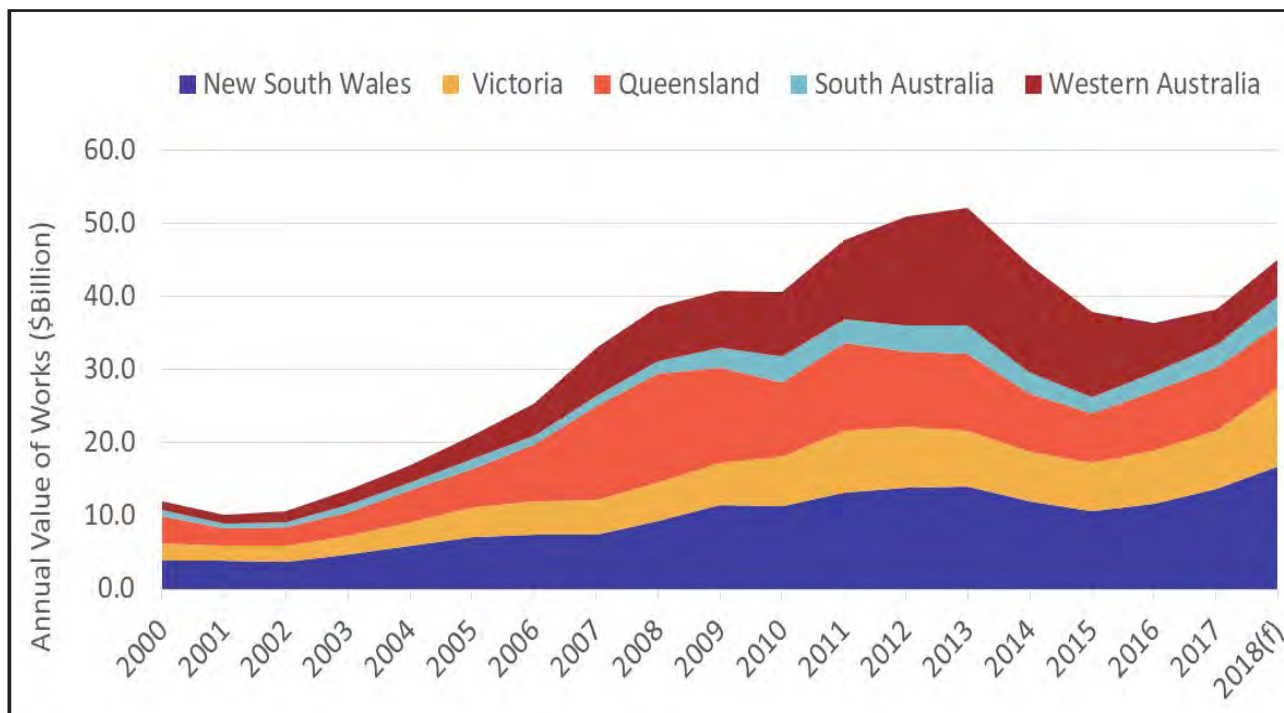






# NATIONAL RESIDENTIAL MARKET OVERVIEW

## Value of Work Done on Infrastructure\* by State



Source: ABS

\*Includes: Roads, Highways, Bridges, Railways, Harbours, Electricity Generation, Electricity Transmission, Pipelines, Water Storage and Supply, Sewerage and Drainage.

The delivery of adequate infrastructure to support growth across our cities is a critical responsibility of State and Federal governments. Across most metrics and benchmarks there has been a significant lift in public spend on infrastructure across the nation over the last two decades.

In 2018 there was approximately \$45B worth of works undertaken on public infrastructure projects across the major states. This represented a five-year high in combined state expenditure on infrastructure, led by a record spends in NSW (circa \$16.8B) and Victoria (circa \$10.6B).

By way of comparison there was an average of just \$14.1B per annum spent across all the states in the years 2000 to 2005, as compared to an average of \$40.4B per annum in the 2013 to 2018 period.

Despite the heightened spending on infrastructure across the nation it is clear that infrastructure delivery is still struggling to keep pace with the rapid population growth. Infrastructure Australia's

recent report, *Planning Liveable Cities* (2018), clearly demonstrated that our largest cities are often playing catch-up in delivering infrastructure with new housing development. This important report also noted that:

*"communities are increasingly disappointed by their experience of growth ... and community trust in governments to deliver infrastructure and services in cities is diminishing."*

A key strategic research project for UDIA in 2019 is the development of an Urban Infrastructure Index (UII). The spirit of the UII is to develop a robust benchmark which allows observations to be made regarding the speed and scale of infrastructure being delivered across Australia's capital cities benchmarked against population levels and growth rates. It is planned to launch the inaugural UII in the 2019 State of the Land Mid-Year Update.



## GREENFIELD MARKET SUMMARY

The National Land Survey (NLS) undertaken by Research4 once more provides the core market intelligence underpinning the State of the Land's greenfield market analysis. The following summary paragraphs highlight the key capital city comparative headline trends for 2018.

### LOT PRODUCTION

After five straight years of year-on-year growth in residential land lot release output, 2018 saw a 20% reduction from 2017 production levels, with a total of 47,670 lot releases recorded for the calendar year across the capital city markets. Melbourne maintained its prominent role of the nation's largest greenfield market with a total production of 18,470 lots despite recording a 20% annual decline.

South East Queensland also recorded a 20% retraction in lot output in 2018 with a total of 11,150 releases, however it still comfortably retained the mantle of the second most important greenfield market in the country.

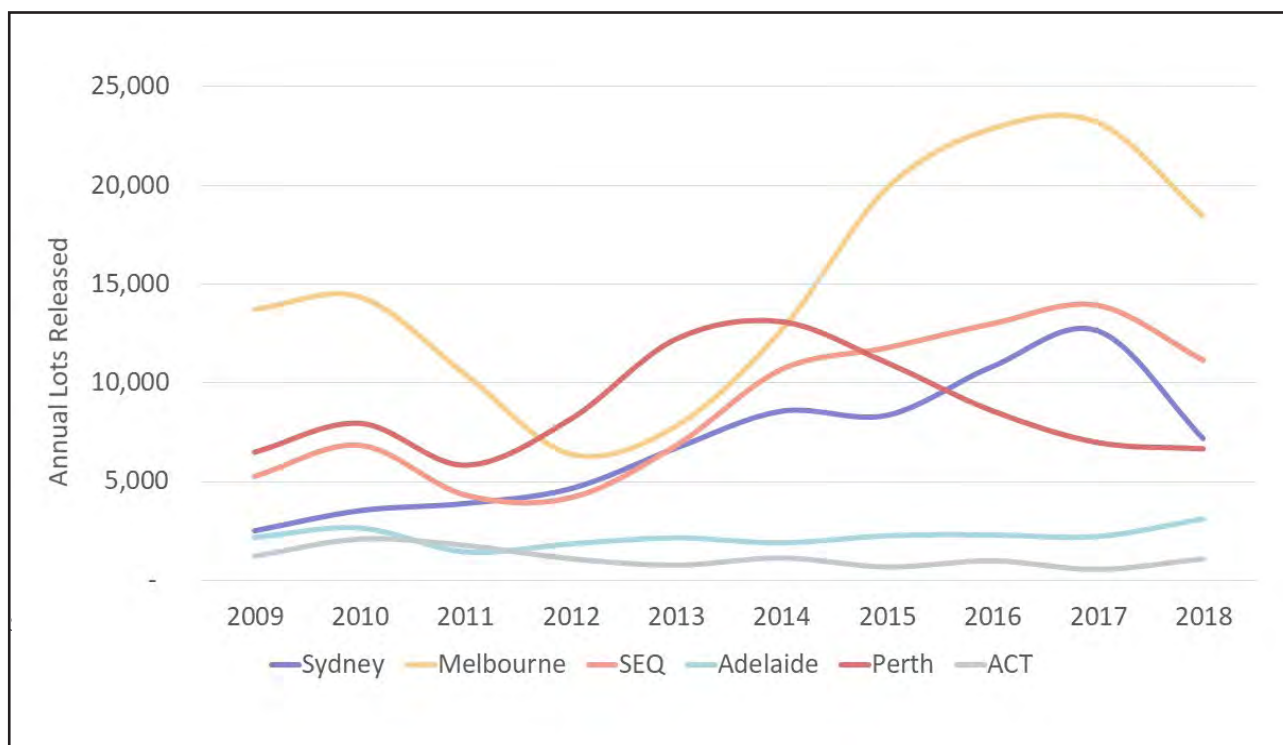
The greenfield market of Sydney recorded a dramatic 43% decline in lot production in 2018 to

total just 7,190 releases. This is the lowest quantum released since 2013 and signifies a possible portent of the expected production levels for the next few years.

The continuation of challenging market conditions in Perth is underscored by another year of modest output with a total of 6,670 releases which while only 5% lower than 2017 represented a 24% decline on the ten-year average.

The smaller markets of Adelaide and the ACT were the only two which recorded a higher year-on-year production output in 2018 with Adelaide up 40% with delivery of 3,110 lots and the ACT up 98% with 1,080 lots.

### Annual Lots Released



Source: Research4

## LOT PRICES

Median lot pricing across the nation's greenfield estates in 2018 maintained a similar trajectory to 2017. Melbourne recorded a 21% annual increase in the median lot price in 2018 (as compared to 24% increase in 2017) to finish the year at \$339,000.

The nation's most expensive greenfield market, Sydney, recorded 3% growth in median pricing in 2018 with a year-end lot price of \$489,125. While this reflects a rather modest annual growth output, it is significant in the context of the broader established housing market pricing correction which is underway in Greater Sydney.

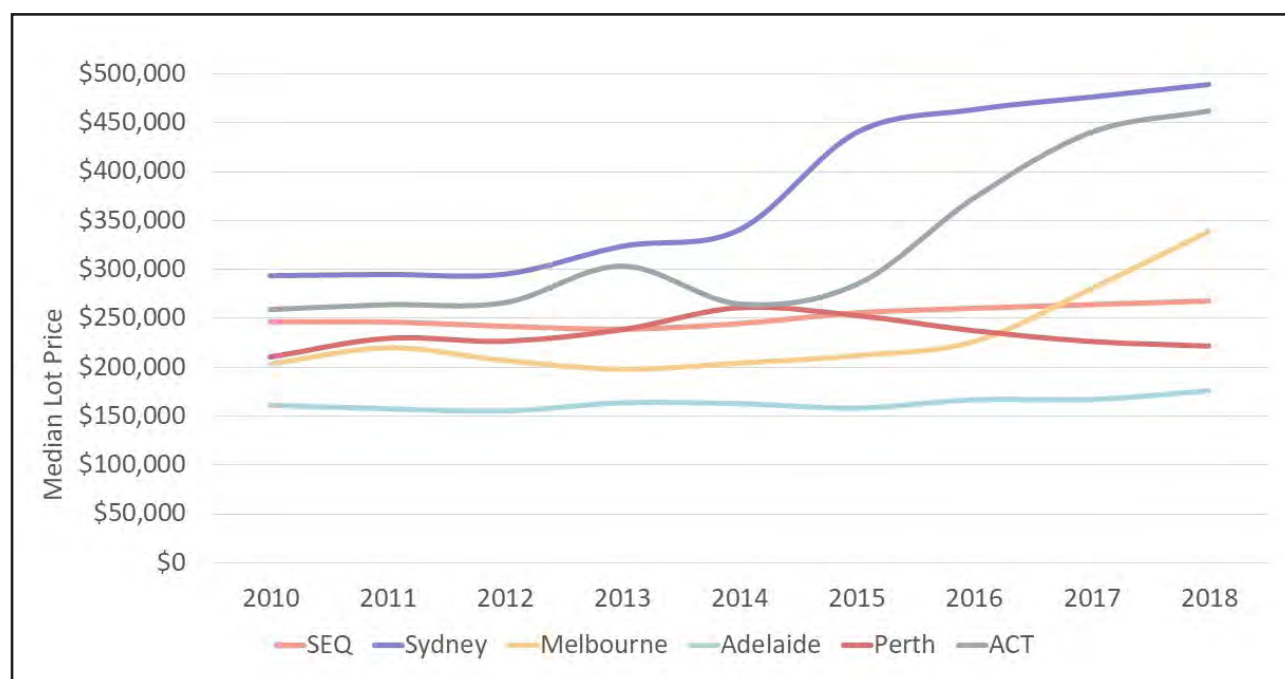
SEQ recorded a 1.3% growth in pricing to finish with a median lot price of \$267,200. At this level SEQ represents a considerable affordability advantage

on the other two major east coast housing markets, being 83% cheaper than Sydney and 27% cheaper than Melbourne.

In Perth median lot pricing declined 2.1% which was the fourth straight year of pricing reduction – reflecting the general weakness in the Perth land market.

At \$175,675 Adelaide remains Australia's most affordable market, by some margin, but did record a pricing increase of 5.2% across 2018 - which is the largest annual increase recorded in the last decade.

### Median Lot Price



Source: Research4

## LOT SIZES

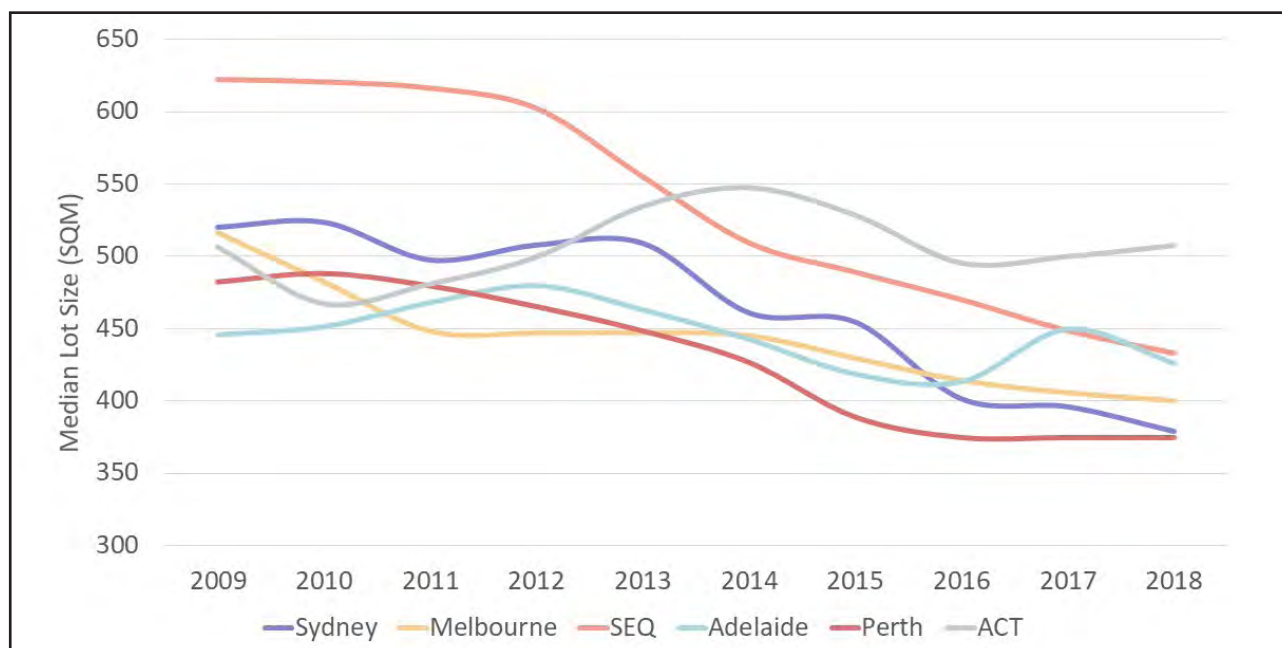
The trend of declining lot sizes highlighted in previous State of the Land reports has continued through 2018 with all markets except the ACT recording smaller median lot sizes than the preceding year. While Perth retains the smallest median lot sizes in the country at 375 sqm, Sydney finished 2018 at 379 sqm with a 4% annual size reduction.

The largest median lot sizes are still found in the nation's capital with the ACT actually recording an 2% increase in lot sizing to finish 2018 at 507 sqm.



# NATIONAL RESIDENTIAL MARKET OVERVIEW

## Median Lot Size



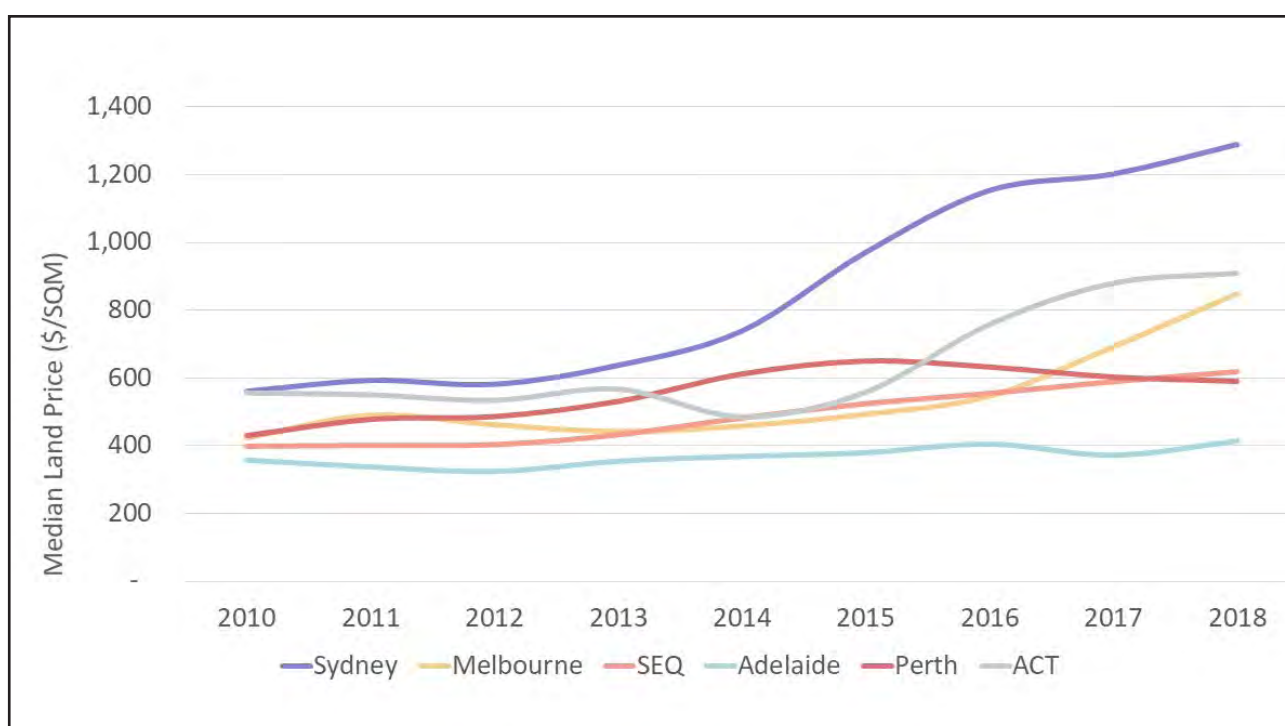
Source: Research4

## LAND PRICE

The reduction in lot sizes coupled with the rises in lot pricing has delivered further increases in the price of land on a per square metre basis. Melbourne's land price grew 23% in 2018 to \$848 per sqm. Adelaide also recorded a strong 11%

annual growth (to \$413 per sqm) with Sydney (7% to \$1,290 per sqm) and SEQ (5% to \$617 per sqm) recording slightly lower, yet still significant annual growth in land pricing.

## Median Land Price (\$/sqm)



Source: Research4

# NATIONAL RESIDENTIAL MARKET OVERVIEW

## MULTI-UNIT MARKET SUMMARY

Following the footsteps of last year's report this year's State of the Land includes an overview of the performance of the residential multi-unit/urban infill markets across the capital cities utilising customised and exclusive data provided by CoreLogic.

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

### MEDIAN NEW UNIT SALES PRICE

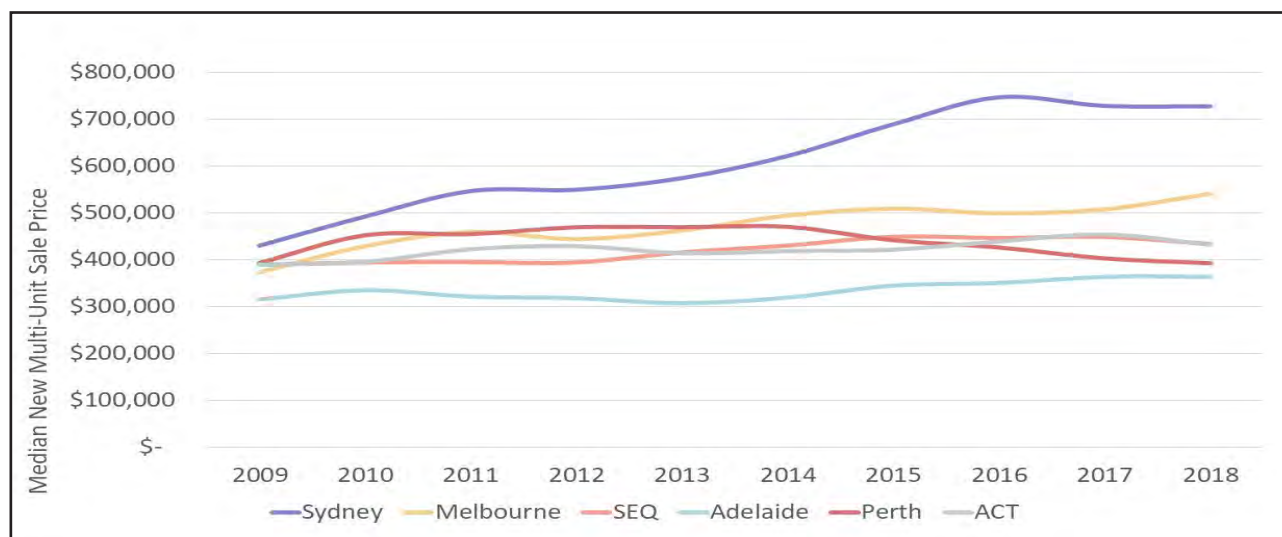
CoreLogic have examined the settled sales transactions of all new residential multi-units across the capital cities between 2009 – 2018. Resale transactions of established unit stock have been removed from the analysis.

The median sale price profile of new units across 2018 highlights, once again, the significant pricing premium the Sydney market commands. Despite a 0.1% contraction in 2018 (following a 2.5%

contraction in 2017) of new unit pricing, Sydney at \$729,000 still remains 51% more expensive than the combined capital city new unit average of \$482,890.

Melbourne recorded a 7% annual price growth in 2018 to record a new unit median price of \$541,750, which was 35% cheaper than Sydney and 12% above the combined capital city average.

### Annual Median New Multi-Unit Sale Price



Source: CoreLogic

Brisbane unit prices contracted by 3% in 2018 to record a median sale price of \$434,500. Meanwhile the on-going pricing contraction for units in Perth continued in 2018 (down -3%) to finish the year at \$393,825. This reflects a 16% contraction for new unit stock pricing in Perth since 2014.

ACT units also declined in median sale value in 2018 (down 5% to \$433,075) while Adelaide's pricing was flat. This result confirms Adelaide as the most affordable multi-unit market in the country, 12% cheaper than the combined capital city average and 100% cheaper than Sydney.



## MULTI-UNIT COMPLETIONS

Based on CoreLogic's estimates there was an 11% annual reduction in total multi-unit dwelling completions in 2018 across the combined capital cities, with a total supply yield of 71,255 units. While this was the lowest output since 2015 it still reflected an 8% increase on the ten-year average volume.

Sydney and Melbourne remain the focal point for multi-unit production with 74% of completions attributable to Australia's largest and most mature housing markets. Sydney reclaimed the mantle in 2018 as the largest new multi-unit capital city market with a total of 30,880 completions. This was 16% increase on the 2017 yield and notably the highest volume ever recorded across any Australian city.

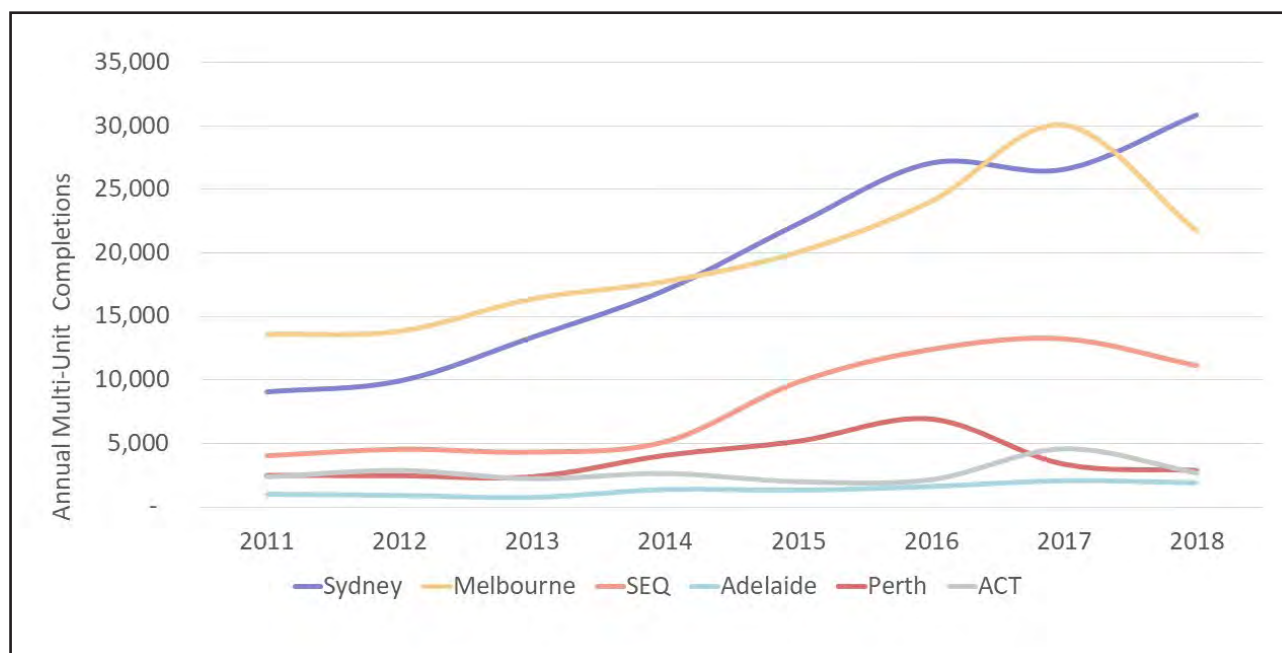
Melbourne recorded an estimated 21,760 units in 2018 which represented a 28% decline on 2017 volumes. As predicted in last year's State of the Land report 2017 represented a peak year of multi-unit supply in Melbourne, with the forward development pipeline indicating further moderation in production output in the forthcoming two years.

Multi-unit supply in Brisbane reduced by 16% in 2018 with a total volume of 11,155 completed. This production scale still comfortably positioned Brisbane as the third largest multi-unit volume market, and was 11% above the ten-year average.

The remaining comparatively low volume capital city markets also all recorded falls in production in 2018 with the ACT down 42% (total output of 2,670 units), Perth down 15% (total output of 2,910 units) and Adelaide down 8% (total output of 1,880 units).

The geographic distribution of new units across the capital cities varies considerably. In Brisbane, Adelaide and Canberra over 60% of all new supply in 2018 occurred within a 5km band from the CBD. This highly centralised supply picture contrasts with the far more evenly spread of supply recorded in Sydney, Melbourne and Perth where only around 30% of new supply occurred in this 5km inner band, with far greater volumes occurring in the middle and outer ring areas. The pattern of a broader geographic distribution of new unit supply in Melbourne and Perth is an interesting feature of the 2018 data which is a marked change from the far more centralised supply picture reported in last year's State of the Land report.

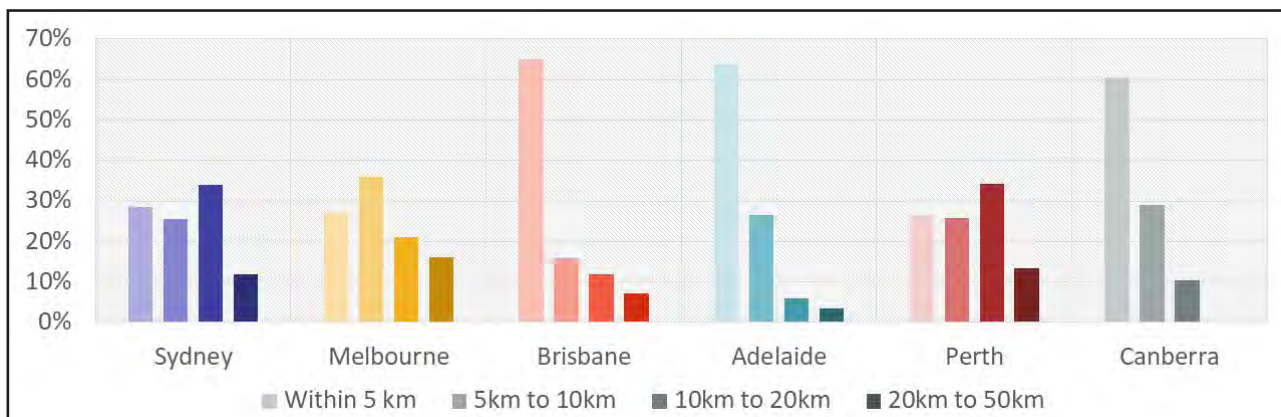
## Annual Multi-Unit Completions



Source: CoreLogic

# NATIONAL RESIDENTIAL MARKET OVERVIEW

## Multi-Unit Completions by Geographic Zone



Source: CoreLogic

## MULTI-UNIT PIPELINE

CoreLogic have produced point-in-time estimates on the multi-unit pipeline across the capital cities, based on a December 2017 snapshot and December 2018 snapshot of their industry leading Cordell Construction database.

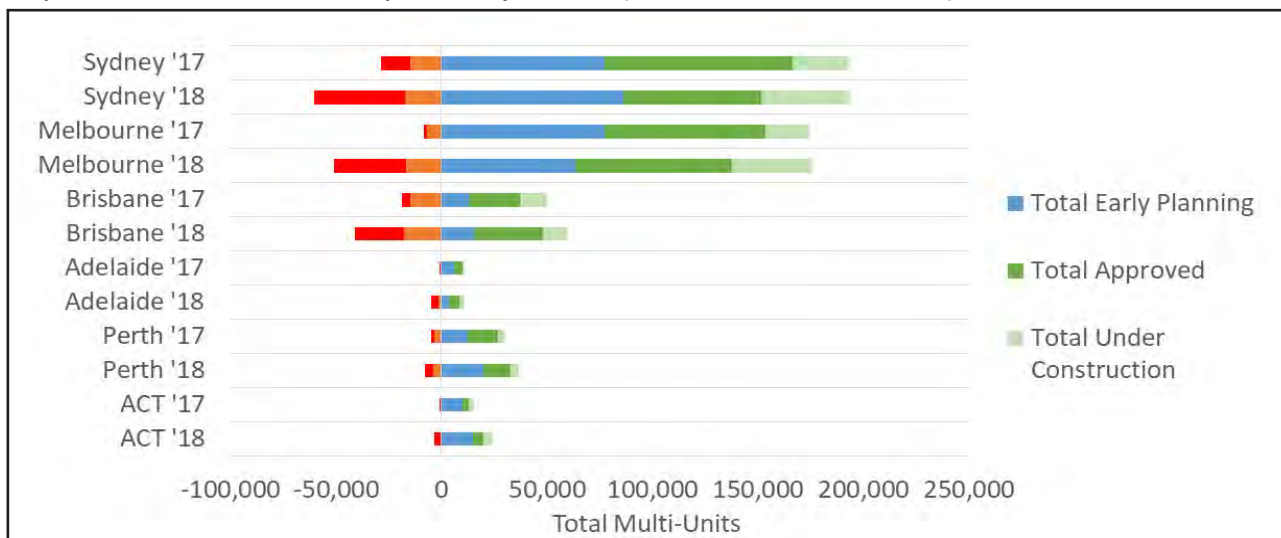
The forward pipeline of possible unit yields (comprising units in the 'Under Construction', 'Approved' and 'Early Planning' categories) has remained steady for both Sydney and Melbourne across 2017 and 2018, at circa 193,500 units and 175,000 units respectively. Brisbane recorded an overall 19% increase in potential forward yield in 2018 (to total circa 59,500 units), while Perth also saw a healthy 24% increase in 2018 to total circa 36,800 units.

As at December 2018 there was a combined capital city apartment yield of 101,630 units under

construction, with 41% of this stock in Sydney (42,000 units) and 37% in Melbourne (37,300 units). The remaining under construction supply was split between Brisbane with 11,500 units (11%), the ACT with 4,700 units (5%), Perth with 3,950 units (4%), and Adelaide with 2,195 units (2%).

A particularly striking feature of the pipeline is the growth of units in the 'Abandoned' category, which grew 400% (from 22,000 units in December 2017 to over 110,000 in December 2018) across the combined capital cities. While all cities recorded growth in abandoned units, Melbourne saw the largest aggregate growth (+32,380) followed by Sydney (+29,030) and Brisbane (+19,645). The growth in abandoned, and deferred projects to a lesser extent, aptly reflects the challenging market conditions impacting project feasibilities across the eastern seaboard.

## Capital Cities Multi-Unit Pipeline by Status (Dec 2017 vs Dec 2018)



Source: CoreLogic





## MARKET OUTLOOK

The residential land development industry is bracing for another challenging year in 2019. Based on UDIA forecasts there is expected to be a further material reduction in total dwelling production emerging from both greenfield release areas and multi-unit development sites across the combined capital cities. This relates to what amounts to a 'perfect storm' of factors coalescing, including the natural downswing in market cycle (principally East Coast markets) compounded by the retreat of investors, and tightened credit conditions in the wake of the Financial Services Royal Commission.

The stimulus to the housing market provided by the record low interest rates has gone well past the peak (which was broadly seen as mid 2018 for most markets) as banks consider further ratcheting-up of mortgage lending rates and maintenance of very stringent lending criteria for investors.

While tougher access to bank finance is impacting retail consumers, developers are also facing significant and mounting funding challenges. With the retreat of the major banks funding certain development projects (particularly for multi-unit projects in deemed "risky" locations), a range of alternative wholesale and retail funding sources continue to emerge, including crowd-sourcing 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). These include economic growth, or lack of it, the state of supply and a range of political measures which could be stimulatory.

The following statements summarise the key market perspectives and outlooks from each UDIA State Office:

**South East Queensland** has a positive outlook ahead with expectations of increasing interstate migration and fair employment levels. Affordability (Median Annual Family Income to Average Loan Repayments) is at levels not beaten since 2003. The greenfield sector eased recently with tightening lending requirements. Previous over-supply of investor grade units in some inner Brisbane locations has kept a lid on unit prices and affordability concerns but is being absorbed. Managing impacts on land supply from new environmental and other controls and additional red

tape will be critical to ensure developers can respond to population growth demand.

While the underlying fundamentals remain robust for **Sydney** it is expected that 2019 will present a year at least as challenging, and most likely more challenging, than 2018 for the development industry. With retail sales at rock bottom, purchaser enquiries drying up and signs of heightened settlement defaults, the industry is preparing for a rocky 12 – 18 months ahead as the housing market continues to correct. There is an expectation of a marked drop in completions of new products (across all typologies) as the pipeline starts to erode and is not being refilled to a sufficient extent to satisfy forward year-on-year underlying demand. This could put upward pressure on pricing and cause a further deepening of the housing affordability crisis in the medium term.

Underlying demand in **Victoria** remains strong and the state is experiencing continued population and employment growth. It is anticipated that a new baseline will be reached in terms of the availability of finance, and the market will adjust to these expectations, paving the way for underlying demand to be converted to real demand in the coming 12 to 18 months. However, ongoing reform of the Planning Scheme is required to streamline post Precinct Structure Plan approvals, processes for greenfield developments, and to provide regulatory certainty for apartment developments.

Ongoing low population growth has continued to temper **Adelaide's** overall level of housing activity, however following the 2018 State Election the new State Government made increasing the population a priority, which has been welcomed by the business community. Residential greenfield markets have remained steady and this has been accompanied by a cautious optimism around the State's medium-term economic outlook, particularly in light of SA's comparative performance in relation to the remainder of the country. While infill remains steady as it relates to suburban renewal, apartment growth has slowed as a result of the expiration and non-renewal of stamp duty concessions for apartments, particularly in the CBD.

Improving economic conditions provide positive signs ahead for the **Perth** housing market. Whilst the job market and population growth figures have been improving, the Perth housing market continues to face headwinds. The tightening of lending criteria by the retail banks, negative media coverage of the property markets in the eastern states, uncertainty regarding possible amendments negative gearing and capital gains tax and the Commonwealth

Government's response to the Financial Services Royal Commission, combine to hold back housing demand. This is demonstrated by retail vacancy rate falling to just 2.9%. As these issues are resolved, consumer confidence is likely to lift and as such, we anticipate that housing demand is likely to lift towards the end of the year and moving into 2020.

The **ACT's** robust employment landscape, low unemployment and a robust population growth rate will continue to underpin solid housing market performance. Buyer finance is a major issue facing property purchasers, but with the ACT Stamp Duty concessions for First Home Buyers coming into effect from 1 July 2019 a welcome stimulus to capital growth and housing market activity is on the horizon.



No. 1 Lacey by  
Cornerstone Property  
Group

# RECOMMENDATIONS

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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.

While the multi-unit sector in aggregate will continue to expand across the capital cities there remains a need for a greater supply of medium density or 'missing middle' housing to compliment the higher volumes of apartment projects being delivered. In many jurisdictions this will require policy support and government leadership through, for example, demonstration projects on government owned land.

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 'dormitory 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 systems need to evolve to be less exclusively radial to the CBD and are likely to include more light rail and in-time driverless buses and mini-buses.

Federal and State Government's are currently planning and delivering significant new rail projects and it is critical that coordinated and integrated urban planning is undertaken to ensure we deliver the optimal future city outcomes.

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 urban growth outcomes our cities need to thrive and flourish into the future.

Australia's cities continue to rank highly on quality of life and liveability leaderboards, however there is mounting push-back from the community in Sydney and Melbourne about congestion, density and population growth.

In part due to the attractiveness of our cities we also continue to rank very highly on unaffordable housing and household debt global leader boards. 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 on development remain high with some governments foreshadowing further levies which must be reconsidered if government is serious about improving housing affordability.

Drawing from the recently released UDIA *National Policy Priorities* (2019) document we make the following recommendations to government to improve housing affordability and support jobs and economic growth nationwide.

## 1) Get Population Settings Right

- Establish regular short/medium/long-term population forecasts to better inform strategic land-use and infrastructure plans.
- Identify the base level of services expected for key elements of liveability to accommodate a larger population including housing affordability measures, transport, key infrastructure and the environment.
- Use data to inform a national strategic population plan that predicts infrastructure and housing requirements, to accommodate population growth and delivers detailed, costed infrastructure and land release plans- including delivery time frames.
- Examine options for settlement planning to ensure the benefits of population growth are more evenly distributed across Australia.

## 2) Deliver Urban Infrastructure

- Remove the Politics – UDIA seeks an 'Infrastructure Accord' where the major parties agree to permanently insulate the identification, funding and delivery of significant infrastructure from partisan politics.
- The Infrastructure Accord (as exists with Foreign Affairs @ Defence) will help ensure the long-term infrastructure cycle is disconnected from the short-term political cycle. Robust, independent institutions such as Infrastructure



# RECOMMENDATIONS

Australia already identify and prioritise transport infrastructure delivery and could be quickly expanded to include other types of growth supporting infrastructure.

- All parties must commit to delivery over the opportunity for political point scoring, agree on the long-term pipeline and the mechanisms for delivery, and build long term confidence and certainty of delivery.
- Get the planning right – the Infrastructure Accord allows a greater long-term focus on effective planning. A permanent inner cabinet-level Cities Ministry in all future federal governments would allow continuity, and deliver the resources to ensure Australia's urban infrastructure is world class and strategically planned. It will also enable the Commonwealth to work with the States in very long-term planning, including securing infrastructure corridors.
- Fund it properly – long term certainty delivers significant opportunity for funding – particularly with global interest rates at record lows. The Infrastructure Accord can allow federal governments to adjust budgetary outlooks to properly distinguish between investments (such as infrastructure) and funding ongoing services. A major increase in investment in urban infrastructure recognises the shift in Australia's productive capacity from mining and agriculture to services. Any investment will deliver considerable long-term dividends in increased productivity of our global cities.
- A sense of urgency – in an increasingly competitive world, Australians must act quickly on urban infrastructure. Our population hit 25 million in August 2018 and is expected to grow to more than 30 million by 2031. We must harness the productive capacity of these Australians through a new era of infrastructure service delivery. An era in which we are delivering strategic infrastructure for the next generation, not just catching up on the last.
- Follow through – with quality ideas such as the National Housing Infrastructure Facility (NHIF) to fund key infrastructure to unlock housing supply. Extend this to a financial

incentives scheme, linking federal funding to state government performance on infrastructure delivery through existing infrastructure league tables.

## 3) BOOST HOUSING SUPPLY AND DIVERSITY

- Establish clear state quotas for new homes / land supply based on national population and settlement planning data and strategies.
- Implement a financial incentives scheme linking federal funding to state government performance on planning system reform and meeting housing supply targets.
- Identify obstructions that seek to preserve current amenity at the cost of locking out future generations.
- Review state-by-state and local government-by-local government efficiencies and costs of planning regimes; identify unnecessary blockages in red and green tape, and regulatory charges.
- Re-establish the National Housing Supply Council to oversee the efficiency and velocity of new supply.
- Incentive state and local governments to promote and deliver greater housing diversity to meet changing consumer lifestyle and affordability needs.

## 4) REFORM TAXES AND CHARGES

- Use a range of measures to broaden the overall taxation funding base to protect struggling home buyers from bearing the burden of additional fees and charges.
- Maintain capital gains and negative gearing settings as they are – at least until the potential impacts of any proposed changes are fully understood.
- Support the states and territories with tax



reform – including reducing the unsustainable levels of tax on new property.

- Incentivise states and territories to transition away from stamp duties.
- Be strict in requiring cost benefit and regulatory impact analysis on any new processes and charges. Continue to streamline federal and state environmental assessment and approval systems.
- Critically evaluate every dollar that's added to the cost of a new home.
- Re-assess the impacts of taxation policy currently imposed on foreign buyers.

## **5) IMPROVE CLARITY AND CERTAINTY**

- Identify global best practice in urban planning and support the states in delivery.
- Develop a National Affordable Housing Strategy, including relaunching and expanding the National Rental Affordability Scheme.
- Advance the methodology, budgetary support, and delivery of City Deals.
- Advance the National Cities Performance Framework.
- Include league tables on comparative state performances in the areas of housing supply, infrastructure delivery and efficiencies in planning and approval regimes.
- Full strategic assessment of environmental planning processes at federal, state and local government levels to provide clarity and certainty for future urban development.
- Review any proposed Building Act changes to critically assess the impact on housing affordability.

- Build a multi-dimensional policy perspective through COAG coordinating transport, infrastructure, environment, housing, finance, education, health, and social services.
- Lead and empower the target of the “30-minute” city where residents take less than 30 minutes to commute to work.
- Support active transport design (such as walking and cycling), zero carbon public transport and open the way for innovative infrastructure such as driverless trackless trams, autonomous cars, trucks, and drones.
- Deliver smart technology that connects roads, paths, traffic lights, and street signs with cars, trucks, trains, and trams – reducing congestion, improving connection and lifting productivity.
- Reduce waste and support communities committed to leaving a better planet to following generations.
- Deliver better places for everyone to live at any stage of life with quality schools, social facilities, and hospitals.
- Ensure current and successive federal governments incorporate a ‘Cities Ministry’ within Inner Cabinet leading the key issues of cities, urban infrastructure and population.

## **6) FUTURE PROOF OUR CITIES**



# SOUTH EAST QUEENSLAND

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## SUMMARY

The land development industry in South East Queensland (SEQ) eased in late 2018 following four years at strong levels. Lot sales and supply had been well matched but reduced by around 16%, with increased uncertainty around lending and the overall economic outlook.

High levels of apartment construction occurred between 2015 and 2017 in Brisbane with new completions now easing. High stock levels in some areas are continuing to suppress apartment prices, however take up of stock will be assisted by increasing Queensland population growth.

It is critical that policy, planning processes, and infrastructure provision arrangements do not exacerbate the market softening.

## GREENFIELD MARKET ANALYSIS

Lot releases in SEQ declined in 2018 to 11,148 for the year, down 20% on 2017. This however remains at levels that have been high since 2014. Supply has declined in line with sales, with current trading stock (stock in hand) a comfortable but not excessive 4.5 months of supply (up from 3.8 months in 2017). Also in the December quarter 2018 a high 189 active projects were recorded. In general land product is being made available in locations that match customer demand and the product is reflecting customers' requirements.

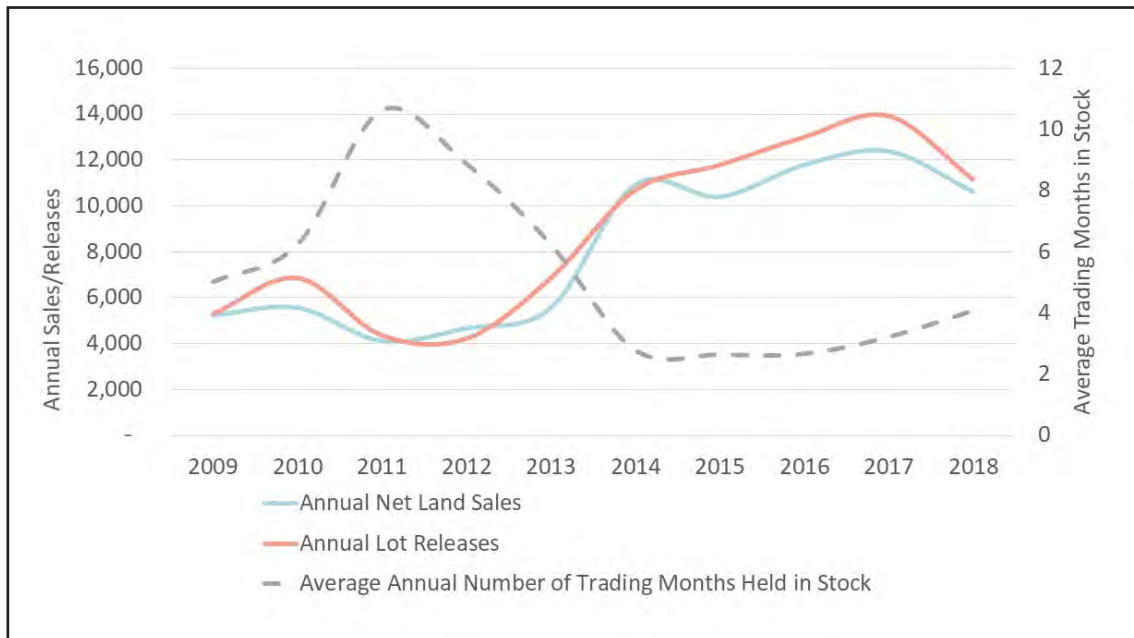
The median lot price for SEQ rose to \$279,000 reflecting a 6.5% increase from December 2017. Median prices by local government area included:

- Ipswich \$210,000 (steady)
- Logan \$232,000 (steady)
- Moreton Bay \$273,000 (steady)
- Redland \$320,000 (up 12%)
- Gold Coast \$326,000 (rising)
- Sunshine Coast \$330,000 (up 15%)
- Brisbane \$407,000 (steady)

There is concern that very limited land supply in Redlands Coast is not meeting demand which is resulting in price hikes. On the Sunshine Coast prices appear to have been impacted by high sales levels and limited land supply in northern areas. Recent reduced buyer activity may be helpful in moderating price escalation as supply catches up.

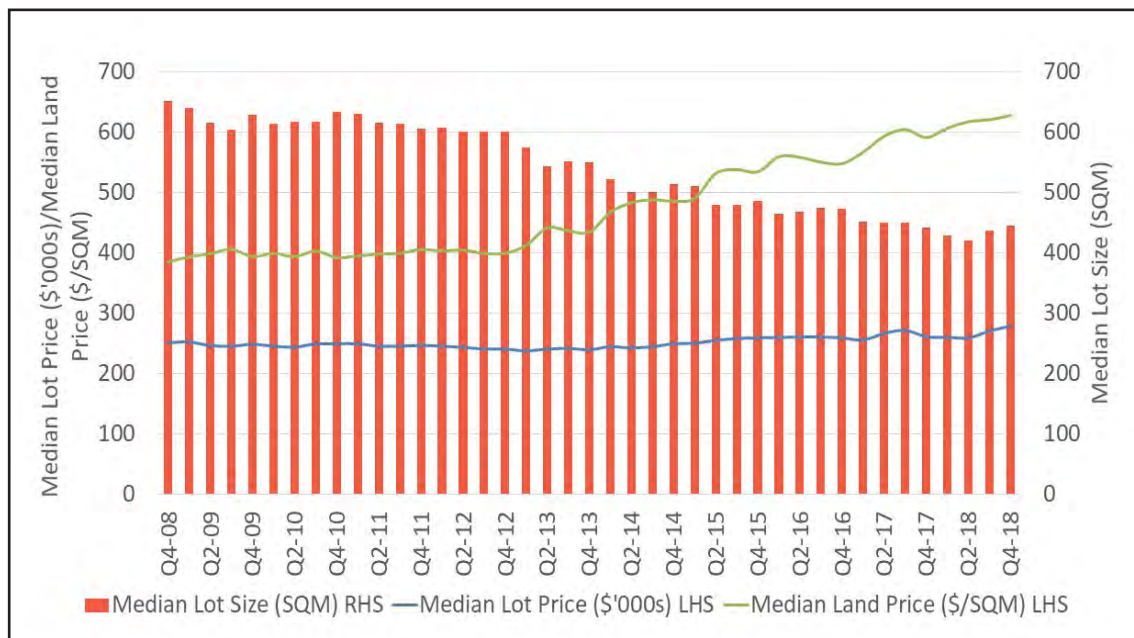


## Annual Greenfield Activity



Source: Research4

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



Source: Research4

## Greenfield Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (SQM)	Annual Median Lot Price (\$'000s)	Annual Median Land Price (\$/M)
<b>2009</b>	5,233	84	622	\$248	\$398
<b>2010</b>	5,554	107	620	\$247	\$397
<b>2011</b>	4,107	129	616	\$246	\$400
<b>2012</b>	4,667	147	602	\$242	\$402
<b>2013</b>	5,554	107	620	\$247	\$397
<b>2014</b>	10,909	169	509	\$245	\$481
<b>2015</b>	10,383	144	489	\$256	\$523
<b>2016</b>	11,773	143	470	\$260	\$554
<b>2017</b>	12,366	166	448	\$264	\$588
<b>2018</b>	10,609	192	433	\$267	\$618

Source: Research4

## BROADER MARKET TRENDS

The population of Queensland increased by 85,547 in 2017/18 and up from 82,477 the previous year and continues the growth experienced since 2015. Net interstate migration increased by 39% in the period and comprises 29% of the year's growth.

Housing demand is strongly related to growth in employment. Over the year to January 2019 employment growth in Queensland remained positive but moderated to 1.1% in trend terms. Job advertisements in January 2019 were stable at 32,900 compared to the previous year.

An average of 730 lot sales per calendar month were recorded in the last quarter of 2018 down from 1,030 per calendar month in 2017. Economic and population calculations suggest a demand for 900 lots per month in the current market. A range of factors could be impacting demand but members indicate that tighter finance lending criteria (with

lot purchase cancellations having risen from normal levels), other uncertainties regarding house prices drops in Sydney and Melbourne and the upcoming Federal election as the key factors. With Queensland population growth rising and employment levels stable, demand is likely to bounce back when conditions settle.

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 445 sqm, down from 447 in December 2017. The price per sqm of land rose by 4% to \$627 per sqm over the year to December 2018.



# SOUTH EAST QUEENSLAND

## Greenfield Sub-Market Performance, 2018



Source: Research4; UDIA Queensland



# SOUTH EAST QUEENSLAND

## MULTI-UNIT | INFILL ANALYSIS

The multi-unit sector across Greater Brisbane recorded 11,155 new completions in 2018 which represented a 16% reduction from the preceding year. Despite the lower volume in 2018 this supply level is still historically high but in a market that appears much more accepting of apartment living.

High numbers of apartment completions occurred in areas immediately to the north and south of the CBD.

In the next 12 months substantial unit numbers are forecast for completion with 2,401 in the CBD as well as 1,686 in Kangaroo Point/Woolloongabba south of the CBD, and 920 in West End.

The median unit sale price (established market) across Greater Brisbane was \$382,158 representing a 1.9% contraction from the 2017 result. With a vacancy rate of 4.7%, rent prices have been stable at \$383 per week for a gross yield of 5.3%. For new apartments the median price in 2018 was \$434,500. Gross yields remain favourable compared to other east coast cities.

Units and apartments are relatively affordable, as planning policy permitted dense infill in some areas while policy restrictions on outer area new housing lot supply and middle ring infill are making affordable housing in those areas unlikely.

### Multi-Unit Summary Table

	2018	Annual Change
<b>Median Multi-Unit Settled Sale Price (New Stock / First Time Sales)</b>	\$434,500	-3%
<b>Total New Multi-Unit Completions</b>	11,155	-16%
<b>Median Multi-Unit Rental Asking Price (Per Week, All of Market)</b>	\$385	0%
<b>Multi-Unit Vacancy Rate (All of Market)</b>	4.7% (Dec 2018)	5.6% (Dec 2017)

Source: CoreLogic

Oxley + Stirling Residences by Aria Property Group



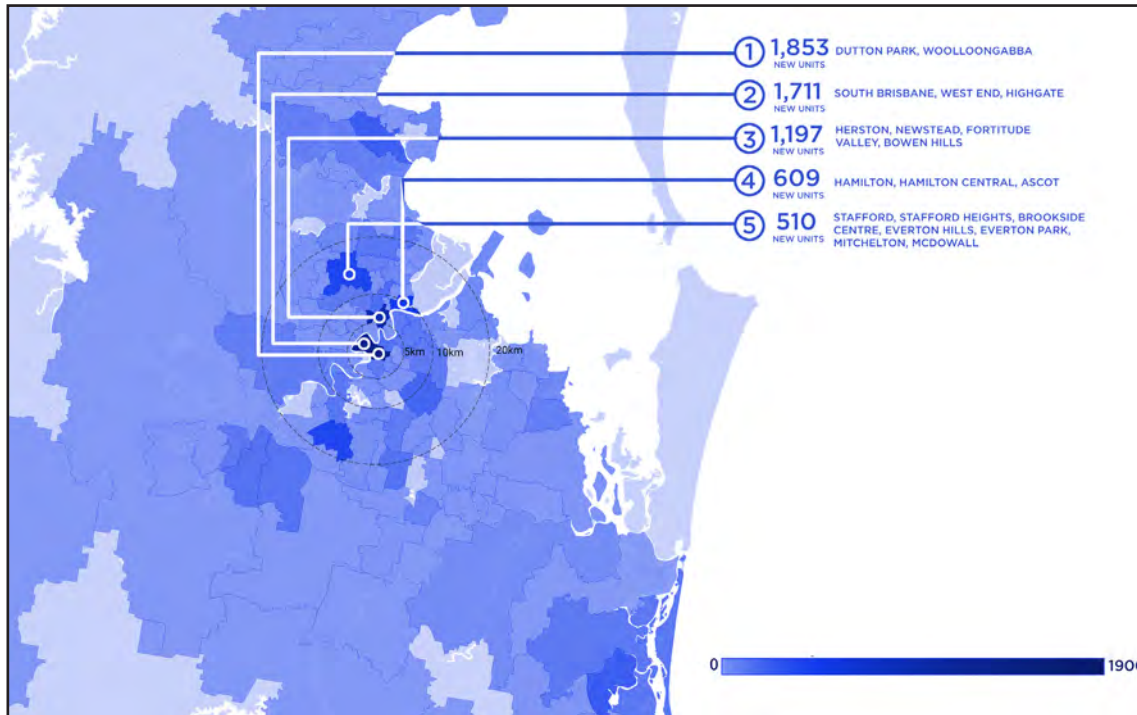
## Median New Unit Price & Annual Unit Completions



Source: CoreLogic



## Multi-Unit Completions 2018, by Postcode



Source: CoreLogic

## BROADER MARKET TRENDS

The overall outlook for continuing population growth in the state will support underlying demand for housing construction. Residential development remains a strength of the Queensland economy, with most activity in SEQ.

Queensland Housing affordability (Median Annual Family Income / Average Loan Repayments) is at levels not achieved since 2003.

Dwelling building approval numbers for Queensland moderated to 40,018 for the year to December 2018. Continuing difficult economic circumstances in some Queensland regional areas are still restraining home construction in those areas compared to SEQ.



## STATE POLICY ENVIRONMENT

The Queensland development industry faces a number of significant policy challenges in 2019. Ongoing land supply for housing in South East Queensland (75% of dwelling supply) relies increasingly upon more fragmented land parcels. Research for the Institute identified that most available lots for subdivision (~98%) are less than 5ha, while the overall average lot size is 1.01ha.

It is critical that additional growth areas are addressed. The State Government has supported UDIA's calls for action with a Growth Monitoring Program examining land supply and to examine facilitating fragmented land. Improved infrastructure delivery arrangements will also be critical.

Changes to the South East Queensland koala conservation strategy are expected shortly, and are a major concern for the industry. Early habitat mapping changes have reduced developable area and greater controls are anticipated.

Ongoing media coverage of community opposition to development remains a key issue for developers. Local governments are responding to community concern with increased restrictions on development and land supply, ignoring the critical need to meet population growth with affordable housing. UDIA QLD has undertaken research that assists developers to better communicate with local communities about the benefits of development.

Other concerns for the industry include:

- The proposed project bank account legislation is being implemented (with contractors required to hold building funds in a trust account). This will require a greater administrative burden on building projects to improve subcontractor payment security
- An additional \$75 a tonne waste levy waste charge is to be introduced later in 2019.
- Increased transfer duty on foreign buyers of residential property to 7% and increased land tax (up 0.5 points) for holdings over \$10 million were put in place in 2018.
- The \$20,000 First Home Owners Grant for new homes was reduced to a maximum of \$15,000 in 2018.

UDIA QLD had sought greater transparency of charging and expenditure by local government regarding development infrastructure. This would provide the community with greater understanding of the benefits to their locality from development. This has been actioned by the government and requirements for greater charging detail from local government are presently on consultation.

Local governments continue to increase controls including higher on site carparking, landscaping, sustainability and design controls, flood exclusions, and further limits on infill dual occupancy and accessory dwelling opportunities.





# SYDNEY

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## SUMMARY

The Sydney metropolitan housing market recorded another record year of supply in 2018 with over 43,000 new dwellings being added to the established housing stock. This represents a 19% increase on 2017 completions and a 24% increase on the four-year average. This continues the recent trend of historically unprecedented year-on-year dwelling additions to the metropolitan housing market. It is significant that the multi-unit sector continues to account for the vast majority of Sydney's new dwelling supply, recording over 73% of all dwellings completed in 2018.

While record dwelling completions continued to flow through the pipeline, 2018 represented an extremely challenging year for the development sector with an inevitable market cycle downturn being further compounded by the wholesale retreat of off-shore purchasers and investors – led in a large part by dramatically tightened credit lending criteria by the major financial institutions.

With median pricing across new residential products contracting across 2018 it is clear there has been at least a partial re-valuing of various sub-markets underway. Auction clearance rates averaged 54% across 2018, down from 71% in 2017 while vacancy rates gradually ratcheted northwards finishing 2018 at 3.9%, which is up from 2.3% at the start of the year.

While the short-term delivery pipeline will continue to churn out strong completions over the next 12 months (due to a large volume of units in projects under construction) the trajectory in building approvals is trending downwards sharply which is going to put significant pressure on the ability to deliver adequate supply in the medium term.

## GREENFIELD MARKET ANALYSIS

According to the Research4 National Land Survey (NLS), the Sydney new land market averaged 475 lot sales per month across the 2018 calendar year. This represents a 55% cliff-fall in sales volumes from the peak supply year of 2017 where over 1,052 net lot sales per month were recorded. The 2018 lot sales volume of 5,708 was the lowest recorded in Sydney since 2013.

Following a similar fall to annual net land sales, releases of new lots tumbled 43% to total 7,187 in 2018 which reflected a 33% decline on the five year average of 9,518 releases.

The average annual number of active estates per quarter was 86, down slightly from the peak of NLS 89 active estates in 2017. While the number of active estates in 2018 was up over 40% from the 10 year average, the material reduction in sales volumes in 2018 underscores a dramatic fall in average estate output recorded across all of Sydney's land release corridors.

The national trend of smaller average lot sizes continued in 2018 for Sydney's land estates with the median lot size averaging 379 sqm, which reflects a reduction of 24% from the previous year (498 sqm). This median lot size sees Sydney comfortably retaining the second smallest median lot sizes across the Capital Cities – just behind Perth at 375 sqm.

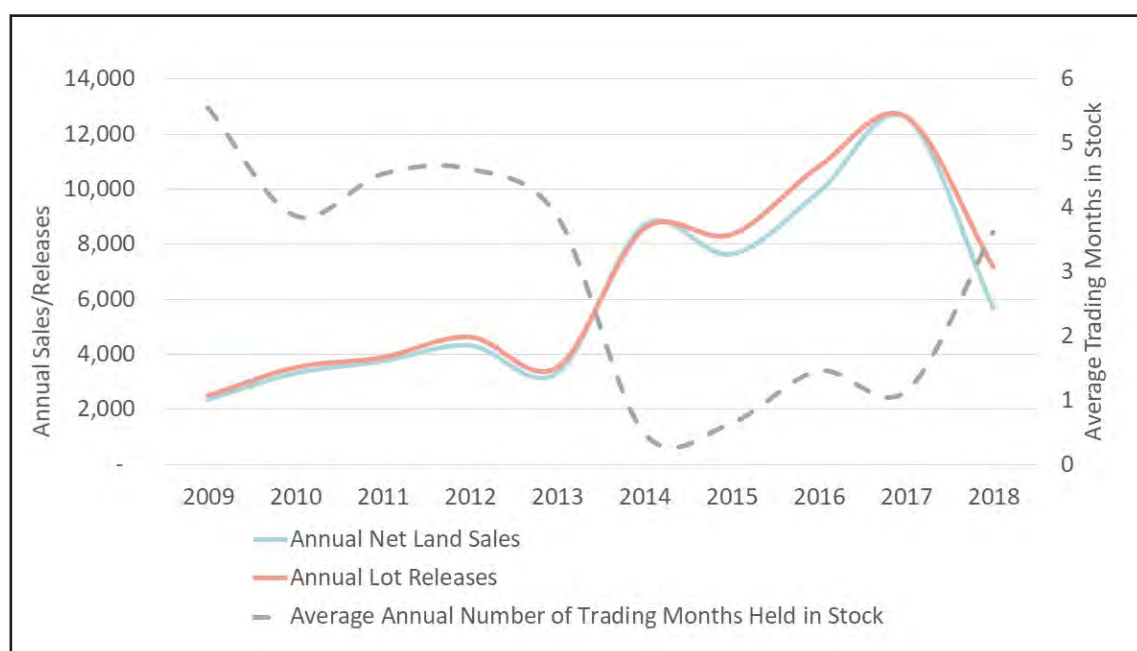
The NLS recorded the annual median lot price for Sydney in 2018 at \$489,000, which represented a plateau in annual price growth. This is the first time flat growth was recorded in median pricing since 2011-2012. Across the 10-year reporting timeframe of the National Land Survey, median lot pricing in Sydney has averaged a growth rate of 6% per annum. The flattening in lot price growth reflects

the broader housing market moderation and a likely affordability threshold for land and housing being reached across the greenfield release markets.

The market slow down in sales has translated to a spike upwards in the average annual number of trading months held by estates across Sydney in 2018 to 3.6 months, which is up from 1.1 months in 2017. In general, a result of 3.0 months of trading stock indicates a robust balance between supply and demand, so upward trajectory for this headline metric aptly reflects the significant softening of demand being experienced across the greenfield release area.

As at the end of 2018, the Royal Commission into banking practices has been interpreted to having caused major uncertainty in the greenfield market. This uncertainty – relating to lending criteria, negative gearing and investment loans – has undoubtedly contributed to the lower than expected greenfield sale volumes. The result has been that customers are either unable or unwilling to commit to a loan for new land/house-land packages.

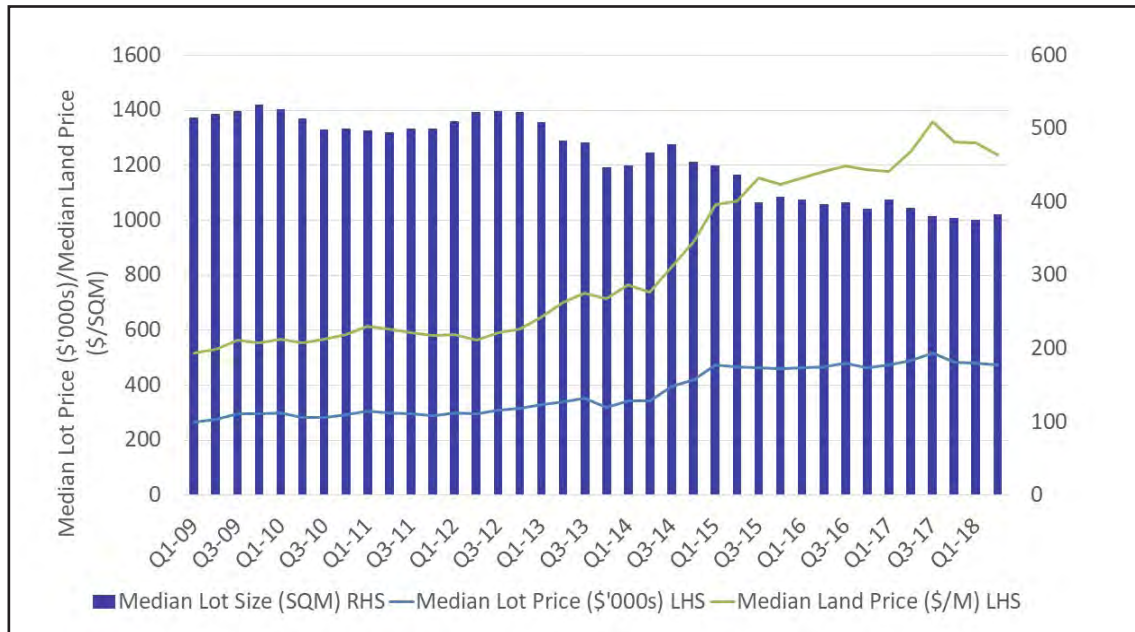
## Annual Greenfield Activity



Source: Research4



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



Source: Research4

## Greenfield Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (SQM)	Annual Median Lot Price (\$'000s)	Annual Median Land Price (\$/M)
<b>2009</b>	2,378	40	520	\$269	\$517
<b>2010</b>	3,337	42	524	\$293	\$560
<b>2011</b>	3,771	49	498	\$295	\$592
<b>2012</b>	4,344	65	508	\$295	\$580
<b>2013</b>	3,337	69	509	\$323	\$635
<b>2014</b>	8,719	49	461	\$340	\$738
<b>2015</b>	7,659	54	455	\$440	\$968
<b>2016</b>	9,909	87	402	\$463	\$1,154
<b>2017</b>	12,624	89	396	\$476	\$1,202
<b>2018</b>	5,708	86	379	\$489	\$1,290

Source: Research4

Willowdale by Stockland

## UDIA NSW SYDNEY LAND SUPPLY FORECAST

Based on consultation with key development industry participants, UDIA NSW forecasts a moderation in the lot production emerging from Sydney's greenfield release areas – as compared to the recent years. Due to softer market conditions, the annual dwelling production for greenfield areas is expected to average circa 7,700 lots over the next five years, which compares to 8,920 over the preceding five years.

Based on the traditional historical development split of 70:30 between infill and greenfield dwelling production, it can be argued that Sydney needs to produce circa 12,400 greenfield lots per annum for the next twenty years in order to meet current NSW Government forecasts for an additional 1.7 million people to 2036. Clearly we will fall well short of this target.

In addition to the current market headwinds 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 7.11 charges and new draft Special Infrastructure Contribution (SIC) levies being rolled-out 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 further impact on the depth of the forward supply pipeline.

Council	2018/19	2019/20	2020/21	2021/22	2022/23	5 Year Forecast
Camden	1290	2005	1852	1262	1050	7459
Liverpool	1580	940	940	940	940	5340
Campbelltown	700	1210	1260	1160	1110	5440
Wollondilly	150	450	850	850	850	3150
Fairfield	0	60	60	60	60	240
Sutherland	100	100	0	0	0	200
Penrith	700	600	600	650	650	3200
Blacktown	2130	1620	720	1340	1460	7270
The Hills Shire	900	900	900	900	900	4500
Hornsby	0	0	0	0	200	200
Northern Beaches	200	40	70	70	50	430
Hawkesbury	320	270	270	270	120	1250
<b>Total</b>	<b>8070</b>	<b>8195</b>	<b>7522</b>	<b>7502</b>	<b>7390</b>	<b>38679</b>

Source: UDIA Land Development Committee



# SYDNEY

## MULTI-UNIT|INFILL ANALYSIS

The cornerstone to Sydney's record breaking year-on-year dwelling supply performance continues to be through the production of multi-unit dwellings – including apartments and townhouses.

CoreLogic estimates that there were a total of 30,880 multi-unit completions in 2018 which represents a 16% increase on 2017 and a 212% increase on the volume achieved in 2012.

Completions were highest in postcode 2113 (Macquarie Park/North Ryde/East Ryde): 1,631 unit completions. Other postcodes with high unit completions were postcode 2121 (Epping/North Epping: 1,373 completions), postcode 2112 (Denistone East/Ryde/Putney: 1,351 completions), postcode 2145 (Pendle Hill/Pemulwuy/Greystanes/Girraween/Constitution Hill/Westmead/South Wentworthville: 1,335 completions) postcode 2170 (Preston/Casula/Lurnea/Liverpool/Warwick/Chipping/Moorebank/Hammondville: 1,201 completions), postcode 2020 (Mascot: 1,134 completions), and postcode 2205 (Wolli Creek/Turrella/Arncliffe: 1,172 completions).

Sydney continues to comfortably hold the most expensive multi-unit dwelling stock in the nation with the median price for new product sales in 2018 sitting at \$729,000. This reflects a 32% pricing premium on median sales pricing on Melbourne and a 74% premium on Brisbane – the other major capital city multi-unit markets.

The median weekly rental asking price in 2018 across Greater Sydney was \$540 which reflected the same median from 2017. Sydney was the most expensive capital city to rent in Australia being 29% more expensive than Melbourne and 20% more than Canberra. The proportion of renters in Sydney is 64%, slightly lower than Melbourne's 69% renter ratio. Rental yield sits at 3.8%.

Vacancy rates from CoreLogic show Sydney apartments at 3.9% vacancy for the end of December 2018. This has been roughly steady since the same time in 2017.

### Multi-Unit Summary Table

	2018	Annual Change
<b>Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)</b>	\$729,000	0%
<b>Total New Multi-Unit Completions</b>	30,880	16%
<b>Median Multi-Unit Rental Asking Price (Per Week, All of Market)</b>	\$540	0.0%
<b>Multi-Unit Vacancy Rate (All of Market)</b>	3.9% (Dec 2018)	3.8% (Dec 2017)

Source: CoreLogic

Wentworth Point Marinas by Billbergia

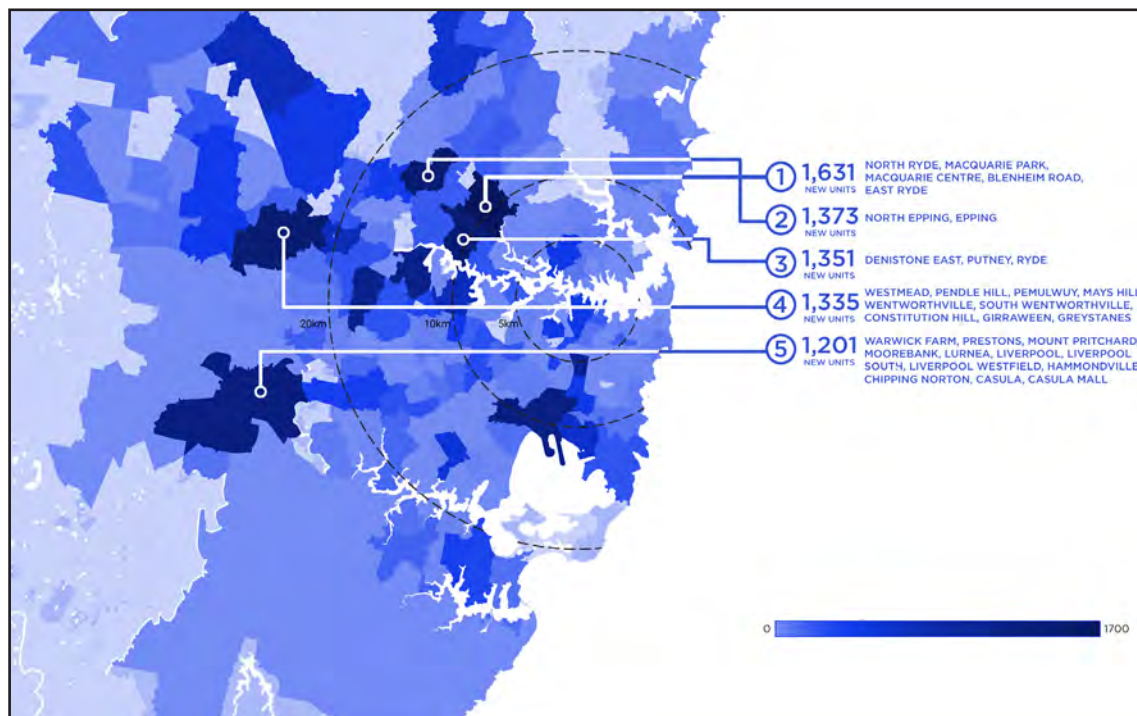


## Median New Unit Price & Annual Unit Completions



Source: CoreLogic

## Multi-Unit Completions 2018, by Postcode



Source: CoreLogic



# SYDNEY

## STATE POLICY ENVIRONMENT

Sydney has a housing affordability crisis with the latest Demographia Global Affordability Survey ranking the 'Emerald City' as the third least affordable city in the world (trailing Hong Kong and Vancouver). Recent community polling conducted by Newgate Research for UDIA NSW underscores this analysis by revealing that 73% of Sydney residents supporting the proposition that 'Sydney has a housing crisis'.

For the industry 2018 seemed like it could have been a year of action on housing affordability, and with the Greater Sydney Commission's (GSC) Region Plan and District Plans finalised in March it seemed like it was finally time to get some real action on long term supply coordination completed.

However, the expansion of taxes and charges and mounting political and community pressures have created considerable uncertainty for the industry. The uncapping of section 7.11 contributions and the introduction of 25 new special infrastructure contributions (SICs), and expanding inclusionary zoning through SEPP 70 is making it much harder to achieve viability.

UDIA NSW has been strongly advocating for infrastructure funding reform. Last year an infrastructure funding taskforce of 20 industry leaders commissioned research through SMEC that showed NSW had the highest infrastructure contributions in the country. Currently, a quarter of the price of a new home in Western Sydney is made up with taxes, charges, and regulations. The Planning Minister has signalled that there is likely to be contributions reform after the election.

In November, the Planning Minister said the development industry was at risk of losing its 'social licence'. We agree, there has not been the alignment between growth and infrastructure in NSW, which has damaged the community sentiment about city growth. The UDIA NSW Building Blocks report identified 90,000 lots that were held up by 'one piece

of missing infrastructure' which could be delivered for \$286 million. UDIA NSW is strongly advocating for the establishment of an Urban Development Program to prioritise projects, funding and supporting infrastructure. The UDP approach was successfully trialled by UDIA NSW with a Blacktown City Council Pilot in late 2018.

Last year we predicted there may have been a desire to wait until after the election to make difficult decisions, the NSW election has been dominated by discussion about 'overdevelopment'. There has been the Government suspend Low-Rise Medium Density Housing Code and commence an 'assurance review' in Ryde. Similarly, Labor has promised to remove the Low-Rise Medium Density Housing Code and end spot rezonings.

With declining approvals, and pressure on infill development it will be critically important for the government to accelerate greenfield growth and look at urban renewal opportunities, which bring the community on a journey about the future of Sydney. We are, however, cautiously optimistic that there will be further reform and a bit more sensible policy once the dust has settled after the forthcoming State election.

The so-called 'Hayne-pain' stemming from the Royal Commission is hurting industry, with a rebasing in what purchasers can afford, which has emphasised the need for a supply led solution to affordability, which UDIA NSW has been supporting through its *Housing the Next Generation* Campaign.

This year, councils are implementing Local Strategic Planning Statements which need to align with and reaffirm the vision of a 'Metropolis of Three Cities'. With spot rezoning under threat, it is more important than ever to ensure councils have a strong planning vision that feeds into LEP updates expected next year.



Paul Irwin

Project Director, Country Garden

***"After extended solid growth, Sydney has put out the anchor whilst the tide changes. This was expected; however, the perfect storm of the Royal Commission's impact on lending, along with tightening controls on foreign investors, has provided a harder landing."***

***The upcoming Government elections, uncapping of Local Government contributions, and the eye watering values of recent draft SIC plans have also thrown considerable uncertainty into the industry."***

***There is light at the end of the tunnel. Demand is healthy for good product, as Sydney still has a historic supply shortage. Developers who focus on acquiring and delivering solid projects, with disciplined fundamentals will weather this fine; picking up some opportunities from others that have flown too close to the sun."***





Ryde Garden by  
Country Garden



# MELBOURNE

## SUMMARY

Melbourne's greenfield and apartment residential development markets experienced unprecedented growth in 2017. Dwelling supply reached a high of 66,245 dwellings in FY17-18, which was the result of very high numbers of planning and building approvals for both the greenfield and apartment markets issued up to three to four years prior.

Using a range of measures, it is evident that market activity and price growth peaked in late 2017 and has been in decline since then. Key factors impacting on the current deteriorating state of both the greenfield and apartment markets include:

1. Weaker purchasing power of consumers due to increasing cost of living and stricter bank lending standards;
2. Regulatory and policy changes which have discouraged investors from buying property off-the-plan; and
3. Strong underlying demand due to population growth and low levels of unemployment, which is not translating into real demand because of weaker purchasing power and price growth.

A robust pipeline of planning approvals, greenfield residential lot sales, building approvals, and construction commencements is needed to ensure that a sufficient, consistent supply of new dwellings will be delivered in the coming two to three years.

The most recent data relating to building approvals, dwelling commencements, and greenfield residential lot sales indicates that future dwelling supply is in sharp decline, which will be further compounded by continued high levels of population growth in Victoria in general, and Melbourne in particular.

## GREENFIELD MARKET ANALYSIS

2018 was a year of adjustment for Melbourne's Greenfield land market; total land sale volumes fell below 1,500 per month and the year ended with just 928 lot sales per month in December 2018. The market's performance was considerably lower than in 2017 when land sales peaked at 2,162 per month. At its peak, Melbourne's annual land sales reached 25,000 lots but are currently running closer to 15,000 lots per year.

The supply of new residential lots in the Melbourne Greenfield market meets an average of 38% of total housing demand



since 2008. Over the past 12 months this has increased to an average of 48% of total housing demand for Melbourne. The higher share shows the important role the Greenfield housing market plays in maintaining downward pressure on overall house prices.

Based on population growth numbers, the underlying demand for all housing types is currently estimated to be 3,685 dwellings per month for metropolitan Melbourne. The forecast is for total housing demand [all types of housing stock] to average 3,360 dwellings per month. The current level of underlying demand for new land is estimated to be 1,200 per month or 14,000 per annum.

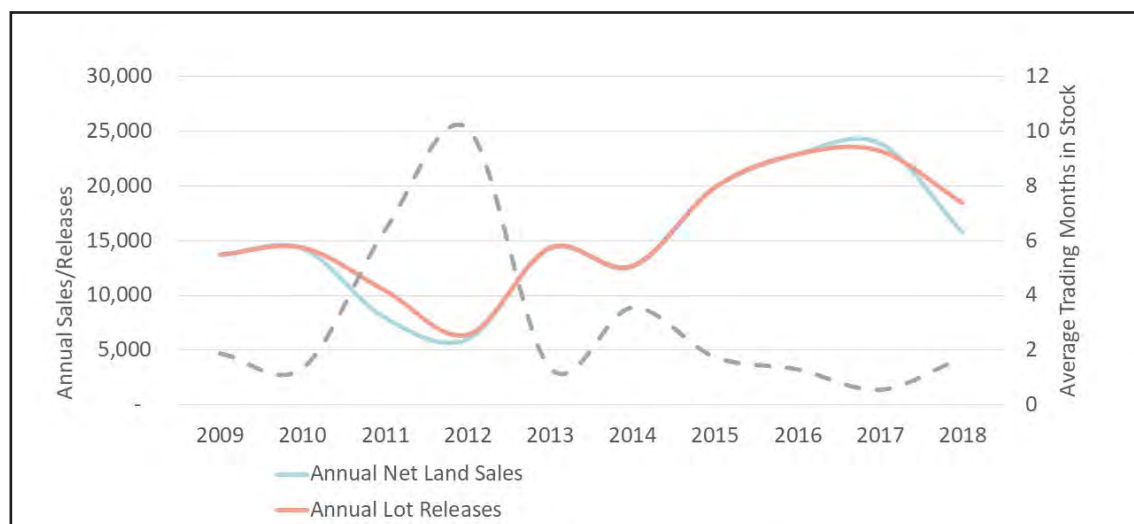
It is highly likely that over the coming six months total activity will remain below 1,200 per month, partly in response to the current uncertainty around bank lending and the competitive pressure from market participants who speculated with new land during 2017. It has been estimated that up to 6,000 lot sales

made across the 2018 year will be looking for a new owner before settlement occurs. This is equal to 42% of total expected annual demand. With most lot sales in 2018 taking 18 to 24 months to settle, pressure to on-sell contracted product before close of 2019 will be significant.

Settlement risk and price were defining issues of 2018. There was a lot of talk about the lot price falling in 2018, however the median lot price did not correct. At the beginning of 2018, the median lot price was \$332,000 [March 2018] and at the end it had moved up marginally to \$345,000 per block.

The values of the greenfield market and the established housing market are linked. Given the established housing market is currently shedding value, the greenfield market is now facing the prospect of being over-priced. The median lot price for the December quarter was \$345,000, up 0.6% for the quarter and up 13.8% for the year.

## Annual Greenfield Activity



Source: Research4

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



Source: Research4

A primary reason for the lack of price correction is the fact that most land sales are yet to title. Developers cannot easily adjust land prices if there are significant sales yet to settle.

The cancellation rate spiked for the December quarter at 12%. The rate jumped from 5% to 12% in one quarter suggesting a level of panic across builders and or consumers. The highest rate was set by estates located across the Melton growth corridor.

The number of estates trading increased for the quarter, from 134 in September to 143 in December. This brought down the average estate sale rate to 6 per month per estate. The production of new land lots for the quarter dropped by 30%.

As expected, stock levels are on the rise, with current stock ready for sale now equal to 2,854 lots or 3 months' worth of trading.

### Greenfield Sub-Markets

The Melbourne greenfield market is made up of several sub-markets located in growth corridors. The South East greenfield market has been a major provider of new land for a long time. In 2018 this sub market, and Cardinia, shifted from being a power house of supply, a market on the way out. Traditionally the Casey market has responded to 7% of total Melbourne housing demand, this is now down to 5% and the forecast is for this to fall further.

This supply issue, partnered with a lack of development capacity across the South East corridor, has resulted in land prices being above fair value. The outlook is for land prices to adjust slowly and for the whole region to move toward medium density housing product.

Harbourfront Balmain by TOGA



# MELBOURNE

Across the North of Melbourne, the Epping, Wollert and the Donnybrook Greenfield markets have plenty of land supply for current and future development. The Donnybrook market now accounts for 5% of total Melbourne housing demand while Epping/Wollert responded to 3% of total housing demand. These two markets have strong levels of competition and a good supply pipeline. The healthy supply and competition levels will mean that the current over-pricing of the market is likely to correct quickly.

The new front line for greenfield land development is clearly to the West of Melbourne. Until recently, there were clearly segmented markets in Brimbank, Melton Township, Point Cook and Hoppers Crossing. However, these areas have merged into a single Melton market, which includes Rockbank and a sprawling South West market.

The combined market in the West accounted for 15% of total housing demand for Melbourne. Though total activity has fallen in 2018, these Western sub-markets will remain the new power house of Melbourne's greenfield markets going forward.

Given the pace of development in the West, there is a real risk this market will develop ahead of infrastructure delivery leaving communities without essential services and amenities.

## Greenfield Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (SQM)	Annual Median Lot Price (\$'000s)	Annual Median Land Price (\$/M)
<b>2009</b>	13,716	98	516	\$169	\$327
<b>2010</b>	14,308	90	482	\$203	\$421
<b>2011</b>	7,994	117	448	\$219	\$490
<b>2012</b>	6,041	141	447	\$207	\$462
<b>2013</b>	14,308	90	482	\$203	\$421
<b>2014</b>	12,616	153	445	\$204	\$458
<b>2015</b>	19,835	154	429	\$212	\$493
<b>2016</b>	22,876	138	414	\$226	\$546
<b>2017</b>	23,903	124	406	\$280	\$691
<b>2018</b>	15,811	128	400	\$339	\$848

Source: Research4

# MELBOURNE

## MULTI-UNIT|INFILL ANALYSIS

Melbourne's apartment market performs a crucial role in providing new dwelling supply in Melbourne. It provides dwellings for purchase at a price point that falls within the definition of affordable housing, while providing rental stock for those transitioning to purchasing a dwelling, for those requiring affordable rental stock, and those wishing to live in areas of high amenity.

Apartment living is a maturing form of housing for Melbourne. Whilst increasing numbers of owner-occupiers are purchasing apartments, investors still represent approximately 50-60% of the market.

In recent years investors have been vital to ensuring the viability of apartment developments and supporting this product for owner-occupiers. However, a range of policy and regulatory changes since 2016 has created significant disincentives for investors. We are now seeing the results of these policies as investors retreat from buying apartments, which has directly impacted in the number of projects able to transition from the planning permit stage to construction.

The previous financial year was defined by two clear trends: a strong first half of FY17/18 driven by historically high population and employment growth, followed by a weak

second half of FY17/18 due to a range of policy and regulatory changes impacting both supply and demand.

In terms of supply, there are still a high number of dwelling completions coming onto the market in FY18/19 and FY19/20 on the back of strong activity in the previous two financial years. However, there is a growing issue with the settlement of dwellings purchased off-the-plan due to a range of factors, including the tightening of finance lending standards over the past two years.

There are also an increasing number of projects with planning approval that are not progressing to the building approval stage due to insufficient pre-sales and difficulty in obtaining project finance. The most recent data reveals a significant decline in building approvals which is an indication of the pipeline of dwelling supply in the coming two to three years.

Of interest is the downturn in building approvals in FY18-19 compared with FY17-18 for the apartment market in the inner city which has, until recently, been a key location for apartment projects.

The data released for the financial year to date (up to and including November 2018)

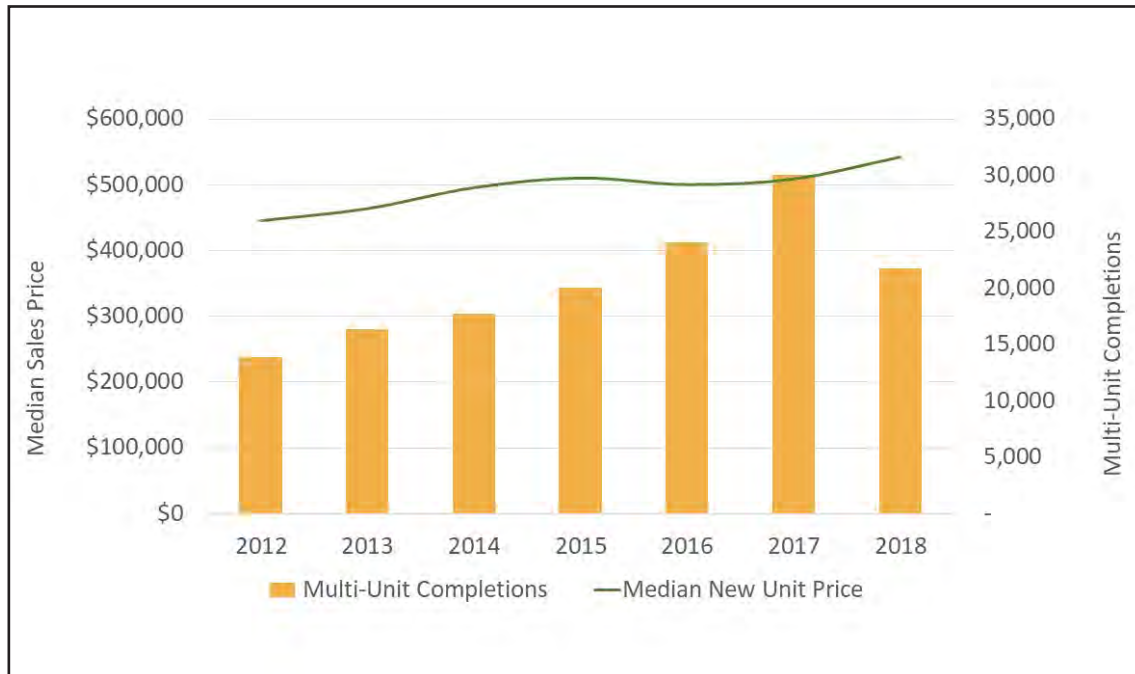
### Multi-Unit Summary Table

	2018	Annual Change
<b>Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)</b>	\$541,750	7%
<b>Total New Multi-Unit Completions</b>	21,763	-28%
<b>Median Multi-Unit Rental Asking Price (Per Week, All of Market)</b>	\$420	5%
<b>Multi-Unit Vacancy Rate (All of Market)</b>	2.9% (Dec 2018)	4.0% (Dec 2017)

Source: CoreLogic

Brighton Lakes by Mirvac

## Median New Unit Price & Annual Unit Completions



Source: CoreLogic

shows, for example, 301 new dwellings received building approval in the City of Melbourne local government area (LGA) compared with a total of 7,360 building approvals for the financial year 17-18. This represents 4% of the total building approvals of the previous financial year in this LGA and is a clear indication of the sharp decline in the number of apartment projects moving from concept stage to building commencement.

Similarly, building approvals for dwellings in the City of Yarra and the City of Port Phillip are low as a proportion of the overall activity in the previous financial year. The City of Yarra recorded 228 building approvals to November 2018 compared with 2,209 for the financial year 2017-2018, and the City of Port Phillip recorded 352 approvals against a total of

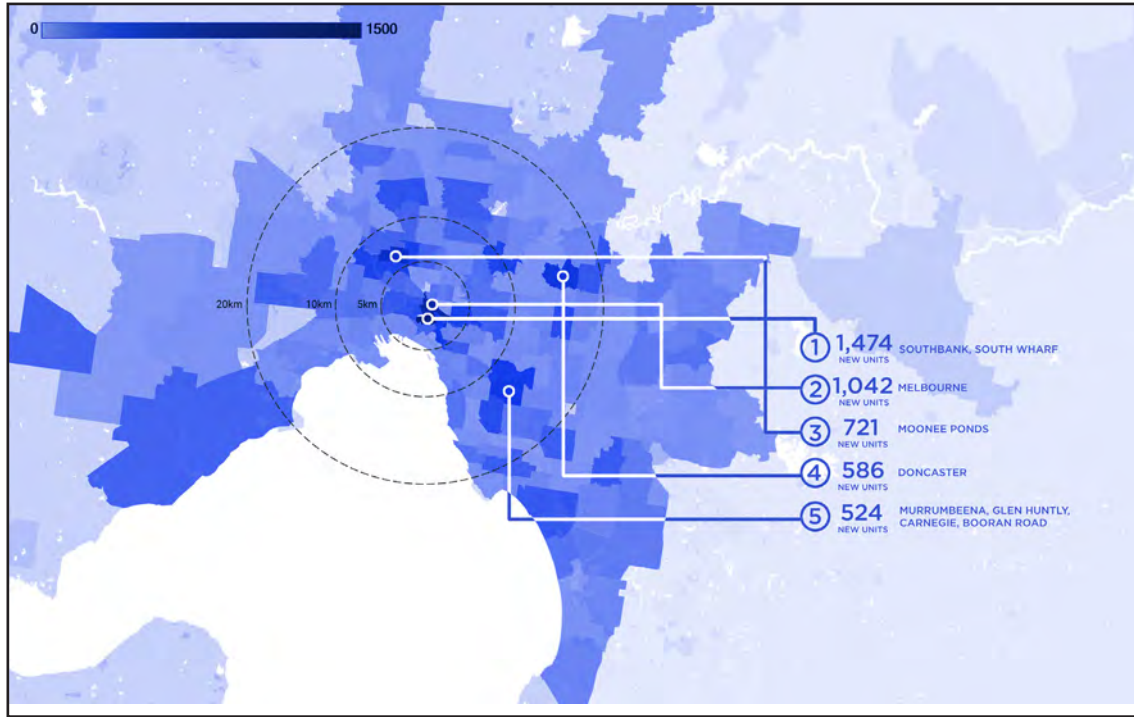
1,284 for the previous financial year. These represent 10% and 27% respectively.

Whilst we consider this to be the result of a number of factors, including uncertainty regarding planning controls in the City of Melbourne and the City of Port Phillip, a retreat in the investor market, restrictions on access to finance, and an increase in the provision of apartments in the middle ring of Melbourne, these figures are of significant concern and indicate a weak pipeline of dwelling supply in the coming two to three years.





## Multi-Unit Completions 2018, by Postcode



Source: CoreLogic

## BROADER MARKET TRENDS

Overall, the fundamentals of the residential development sector remain strong. Victoria is experiencing continued population and employment growth which is reflected in the high employment to population ratio of 62.4%. These are both supporting strong underlying demand.

Based on population numbers alone, underlying demand for all housing types is currently estimated to be 3,685 dwellings per month for metropolitan Melbourne. The forecast is for total housing demand [all types of housing stock] to average 3,360 dwellings per month.

Future threats to the sector include weak purchasing power due to low wage growth, the increasing cost of living, and a reduction in the availability and volume of finance for purchasers and the significant retreat of investors from both the greenfield and apartment markets. These threats are combined with an unstable regulatory environment including uncertainty associated with the impacts of the Financial Services Royal Commission.

Newport Women's Housing by Buildcorp Commercial

## STATE POLICY ENVIRONMENT

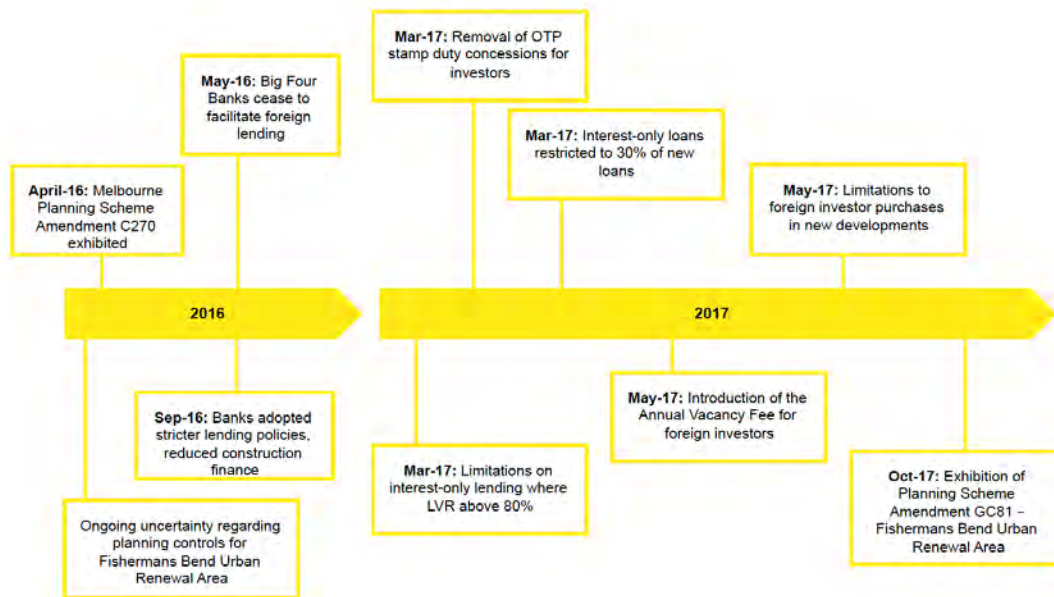
Wide ranging changes to policy and regulation since April 2016 have directly impacted on confidence in the Melbourne housing and urban development markets and the ability of Australian and international buyers to acquire either project or retail finance for residential products.

These changes include the following:

1. Restriction of lending to foreign property buyers without a domestic income by Australian banks.
2. Banks adopting stricter lending policies which has reduced the level of construction funding available to the industry.
3. The Australian Prudential Regulation Authority's (APRA) introduction of strict limits on interest-only loans with a loan-to-value ratio above 80% in addition to strong scrutiny of interest-only lending for loan-to-value ratios above 90%. This has primarily impacted investment loans as these are more commonly interest-only loans.
4. APRA issued instructions to Authorised Deposit-taking Institutions to limit their exposure to interest-only loans to 30% of new residential loans (this was removed in December 2018).
5. Removal of the stamp duty concessions for investors purchasing dwellings off-the-plan by the Victorian Government.
6. Introduction and increase of stamp duty and land tax surcharges on foreign purchasers of Victorian residential property.
7. Introduction of the Annual Vacancy Fee for foreign investors by the Victorian and Federal governments.
8. The introduction of a New Dwelling Exemption Certificate, and a 50% cap on the sale of new apartments to foreign investors which was introduced in the 2017 Federal Budget.
9. Decreased height allowances and constraining built form controls introduced through the Melbourne Planning Scheme Amendment C270 in November 2016.
10. Uncertainty regarding the planning controls, planning processes and government investment in Melbourne's urban renewal precincts including the Fishermans Bend Urban Renewal Area.

## STATE POLICY ENVIRONMENT

### Timeline of Regulatory Changes



### Tightening of Finance Lending Standards

The tightening of finance lending standards has had a direct impact on purchasing power. In March 2018, APRA provided a submission to the Financial Services Royal Commission that recommended that Australia's major banks focus more closely on living expenses for borrowers. APRA's concerns focused on the Household Expenditure Measure (HEM).

The 'basic' level of HEM has been commonly adopted by banks, which APRA considered to be a low estimate of living expenses. In adopting the low living expenses, banks risk significant under-estimation of living expenses.



**Jack Hoffmann**

GM – VIC & QLD, Satterley

*"The Melbourne residential market continues to deliver record numbers of new dwellings, however there is growing concern about the impact of the fallout from the Financial services Royal Commission and the tightening of credit for projects and home loans. Looking forward, Melbourne is facing a range of challenges which are the result of a combination of policy and regulatory changes at both Federal and State level. Deliberate measures introduced to discourage investors have had a significant impact on future supply in the apartment market, meanwhile the greenfield market is constrained by delays to planning permits and the delivery of infrastructure. Despite this, the fundamentals are solid and there is strong underlying demand generated by continued population and employment growth. We are confident the market will bounce back if reform is focused on facilitating the delivery of homes, infrastructure and services our communities need."*









# ADELAIDE

## SUMMARY

In 2018 Adelaide's greenfield market continued its characteristically steady growth. The ongoing challenge of low population growth continues to influence this moderate growth; however, the overseas component of population growth saw a 4% improvement in 2018 which is likely to continue progressively improving over the next 2-3 years.

Data suggest there has been a slight reduction in the previously stronger growth in infill development across established suburbs of Adelaide. Regardless, the longer-term infill trend continues even with CBD apartment stamp duty incentives expiring on 30th June 2018.

## GREENFIELD MARKET ANALYSIS

The performance of the greenfield market for the 2018 year can be described as one of steady improvement. Total net lot sales at the end of 2017 were 158 per month; just below the long running average of 162 per month. The first quarter of 2018 saw total activity increase to 173 and then peak in September 2018 with 228 lot sales per month. The year ended with a very solid 211 lots per month being allocated to builders and or end users. Since 2008, the best the market has achieved has been 256 per month. The September 2018 result represented the third highest sale rate for the market since 2008.

In terms of total housing demand for metropolitan Adelaide, traditionally [2008 through to 2018] the Adelaide land market has supplied 4 out of every 10 homes needed. In the last few years, the greenfield market has been responding to 6.3 out of every 10 dwellings needed. The increase in the percent of total housing demand addressed through new land was in part driven by total housing demand contracting over the past 2 years relative to the long-term demand i.e. the land market has not increased, rather the level of total demand has reduced.

Looking forward, the 2019 year is modelled to see total housing demand increase from 331 per month to 386 per month. The modelled uplift in demand is driven by a solid improvement in Net Interstate Migration numbers (NIM); albeit NIM is still negative, the trend is positive. Net Overseas Migration numbers posted an improvement on the year prior.

The role of greenfield in responding to expected total housing demand of 386 per month is expected to fall back from 63% to 53% of total housing demand i.e. the new land market is

expected to sell 5.3 homes for every 10 needed for metropolitan Adelaide over the coming year. This results in a modelled underlying demand for new land of 212 lots per month for the entire Adelaide market.

The lift in activity for the 2018 year was in part assisted by an increase in the number of active trading estates. There were 87 estates under survey as at the close of 2018 compared with 62 at the close of 2017. Of the 87 active estates, 71 posted sales in Q4-2018.

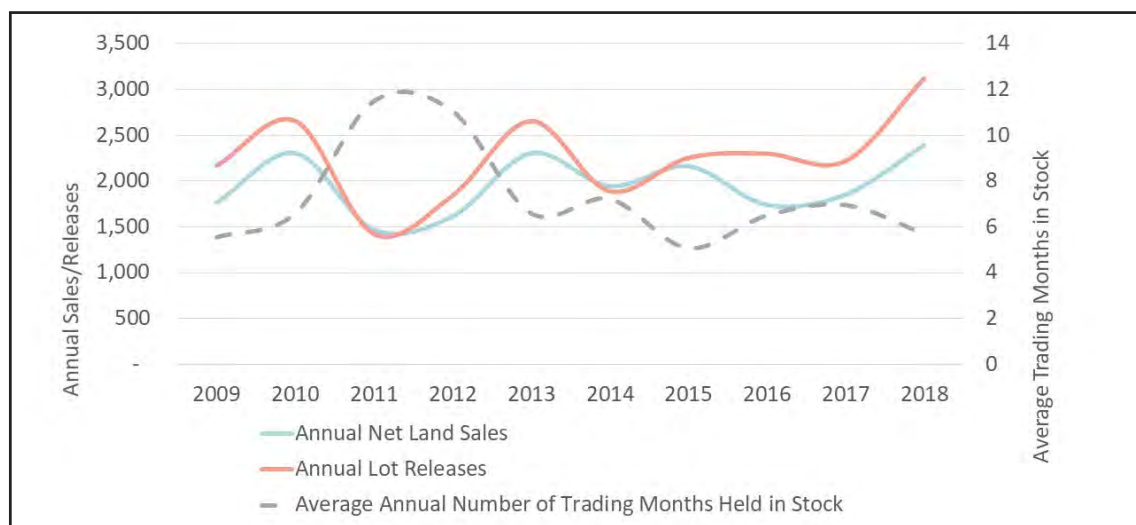
The lift in active estates under survey has resulted in an overall increase in production capacity. The combined Greenfield capacity for Adelaide is now modelled to be 689 lots per month. Development capacity is defined as the upper limit of an estates ability to produce new land. It is important for production capacity to exceed underlying demand by at least a factor 2 to 1; to ensure market stability. The Capacity to Demand ratio, going forward, is expected to be 3:1; meaning that land estates will experience high levels of competition while price growth remains low.

A leading indicator for the strength of demand is the cancellation rate; number of lots that were previously noted as being sold, is now listed back with the Developer. The Adelaide market as a whole tends to have a higher than normal cancellation rate. This is due in part to the very competitive nature of the market setting and also the scale of the market. Based on history a cancellation rate of 15-20% is normal for this market; not ideal, but it would appear that the Adelaide greenfield market has become used to this level of cancellation.

Over 2018 the level of stock ready for sale has posted some small gains. Stock ready as at the close of the 2018 year was equal to 6 months' worth of trading. The market has been tracking close to this number for the past 8 quarters. Ideally, stock ready for sale should be closer to 4 months in order to stimulate modest price growth, however remaining at or below 6 months provides purchasers with a very competitively priced product.

When it comes to land prices, Adelaide's current median land price is \$180,000 per block. Prices lifted over the 2018 year by 5.9%.

## Annual Greenfield Activity



Source: Research4



Land prices are always linked to the price movement in the established housing market. According to the latest ABS data on house prices for metro Adelaide, the median house price was \$459,000.

The outlook for house price growth in 2019 is for +0.5% improvement per quarter. This expected price increase will provide

opportunity to lift land prices over the coming year; however the higher than normal level of competition will slow any price growth. Over the long term, land prices have averaged 39% of the median house price for Adelaide. Currently the ratio is 38%.

## Greenfield Sub-Markets

The performance of the Adelaide land market is now equally divided between Adelaide Hills and North Adelaide. The 2018 year saw these two markets post sale rates averaging 73 and 80 lots per month. For the first time, it seems Adelaide now has two major Greenfield fronts which will strengthen the overall brand. The Southern Adelaide submarket is currently selling 25 lots per month while the Barossa and Gawler sub-market is averaging 30 lots per month, up from its average last year of 20 per month.

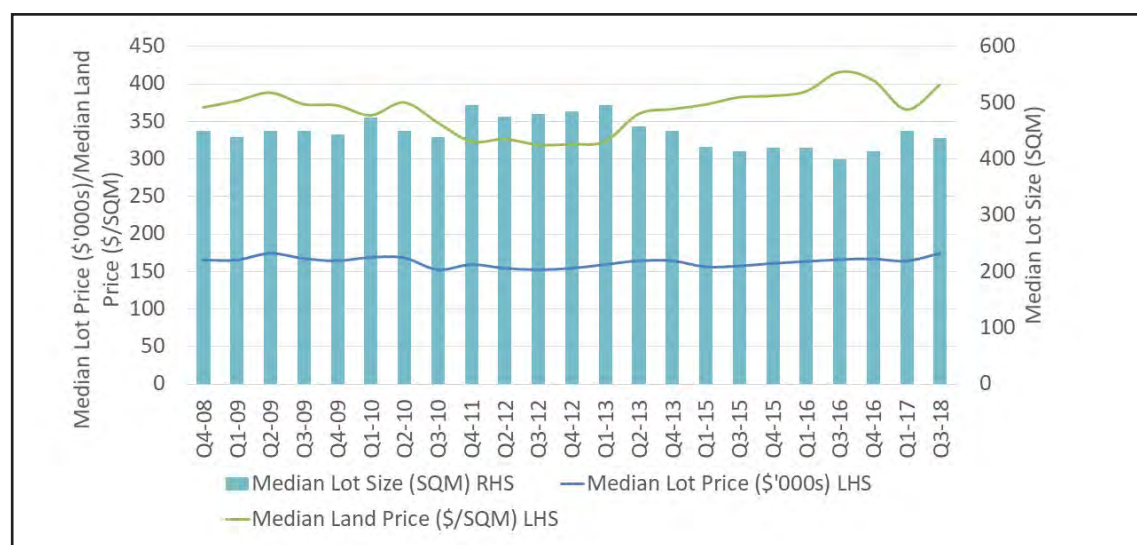
In terms of average land prices per block of land, North Adelaide has increased from \$150,000 in 2017 to \$164,000 in 2018, while the Adelaide Hills has remained strong at \$195,000 (down from \$198,000 last year). The most expensive market is Southern Adelaide at \$205,000 per block, up from \$183,000 last

year. The Barossa and Gawler sub-market is currently selling at \$154,000, which equates to a 2% decrease from last year per lot.

Lot sizes remain steady at 440sqm for Southern Adelaide, 470sqm in the Adelaide Hills and the smallest lot sizes occurring in Northern Adelaide at 375sqm. Lot size in the Barossa/Gawler market remains large at 550sqm and generally, the market appears to be using its lot size reduction to drop prices.

Current industry capacity, or the number of projects selling include 11 projects active in Southern Adelaide, 14 in the Adelaide Hills (up from only 7 projects two years previous) and 20-23 projects in Northern Adelaide.

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



Source: Research4

## Greenfield Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (SQM)	Annual Median Lot Price (\$'000s)	Annual Median Land Price (\$/M)
<b>2009</b>	1,765	35	446	\$168	\$378
<b>2010</b>	2,306	40	452	\$161	\$357
<b>2011</b>	1,467	45	468	\$158	\$337
<b>2012</b>	1,613	53	480	\$156	\$324
<b>2013</b>	2,306	40	452	\$161	\$357
<b>2014</b>	1,944	66	443	\$163	\$368
<b>2015</b>	2,162	62	419	\$158	\$379
<b>2016</b>	1,739	57	413	\$167	\$404
<b>2017</b>	1,851	58	450	\$167	\$371
<b>2018</b>	2,392	69	426	\$176	\$412

Source: Research4

## OUTLOOK

The outlook for the Adelaide Greenfield market is for improved trading conditions. The market is well or better placed than other major Greenfield markets to weather the fallout from the Financial Services Royal Commission. With land prices that are 45% lower than Melbourne, gaining finance to borrow will be easier in Adelaide. Some small improvement in population inflows with a modest increase in established house prices should help to keep sales activity above 200 per month.

The industry will continue to experience strong levels of inter estate competition; especially in the North Adelaide sub market. The Adelaide market has theoretically too many estates relative to underlying demand, meaning that price growth will be subdued. From a customer's point of view this will be seen as a positive and ensure Adelaide remains the

nation's most affordable land market.

The Adelaide market is likely to continue to benefit from the performance of the Adelaide Hills Greenfield market. Mount Barker and surrounds is diversifying the Adelaide Greenfield brand which will only add greater choice and enhance the sectors desirability. This factor cannot be overstated as the success of any major metro land market is strongly linked to clearly demarked growth zones with unique characteristics.

# ADELAIDE

## MULTI-UNIT | INFILL ANALYSIS

There was a total of 1,876 multi-unit completions across Greater Adelaide in 2018 reflecting a 43% uplift on the average annual volume of completions achieved across the 2012 – 2017 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 remained flat in 2018 at \$365,000. The multi-unit sector experienced median weekly rental growth of 3.2% across 2018 across Greater Adelaide to finish the year at \$320 per week cementing Adelaide as the most affordable median rental price point across Australia's major capital cities.

Central Adelaide recorded the highest level of completions with 633 across 2018. Within Adelaide City specifically, this reflects an overall increase in total unit supply of 7.3%. Given that the Adelaide CBD forms the largest component for the supply of units, the expiration and non-renewal of stamp duty concessions for apartments has had the biggest impact in the CBD.

While the number of overall number of completions rose in 2018 (with a spike before expiration) the overall level is expected to drop in 2019. We have seen no change in the overall supply of units as a percentage of total dwellings across Greater Adelaide. In 2018, new units represented 16.5% of new dwelling supply.

### Multi-Unit Summary Table

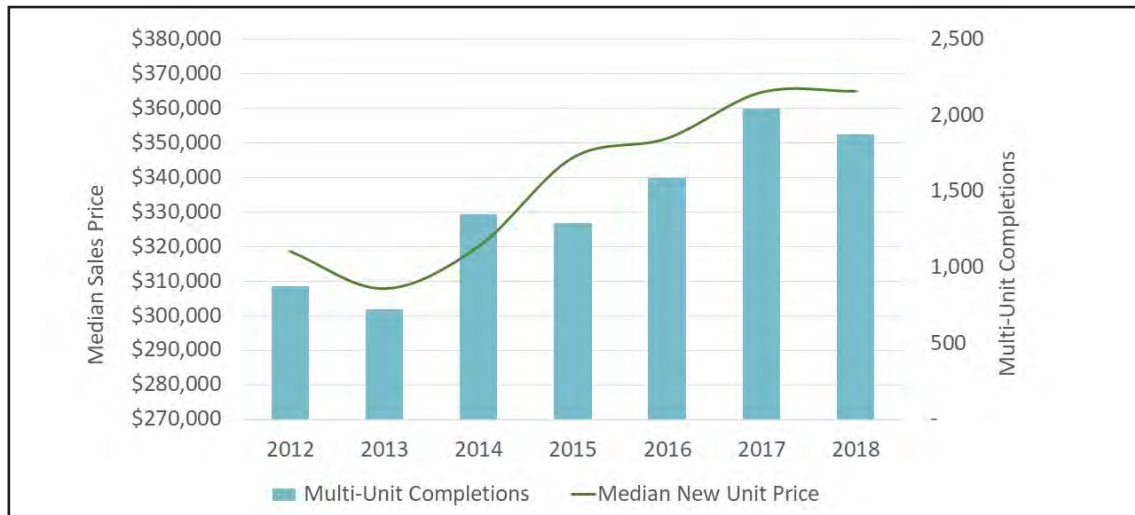
	2018	Annual Change
<b>Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)</b>	\$365,000	0%
<b>Total New Multi-Unit Completions</b>	1,876	-8%
<b>Median Multi-Unit Rental Asking Price (Per Week, All of Market)</b>	\$320	3%
<b>Multi-Unit Vacancy Rate (All of Market)</b>	3.6% (Dec 2018)	4.9% (Dec 2017)

Source: CoreLogic

WEST Stage 1 by Commercial & General

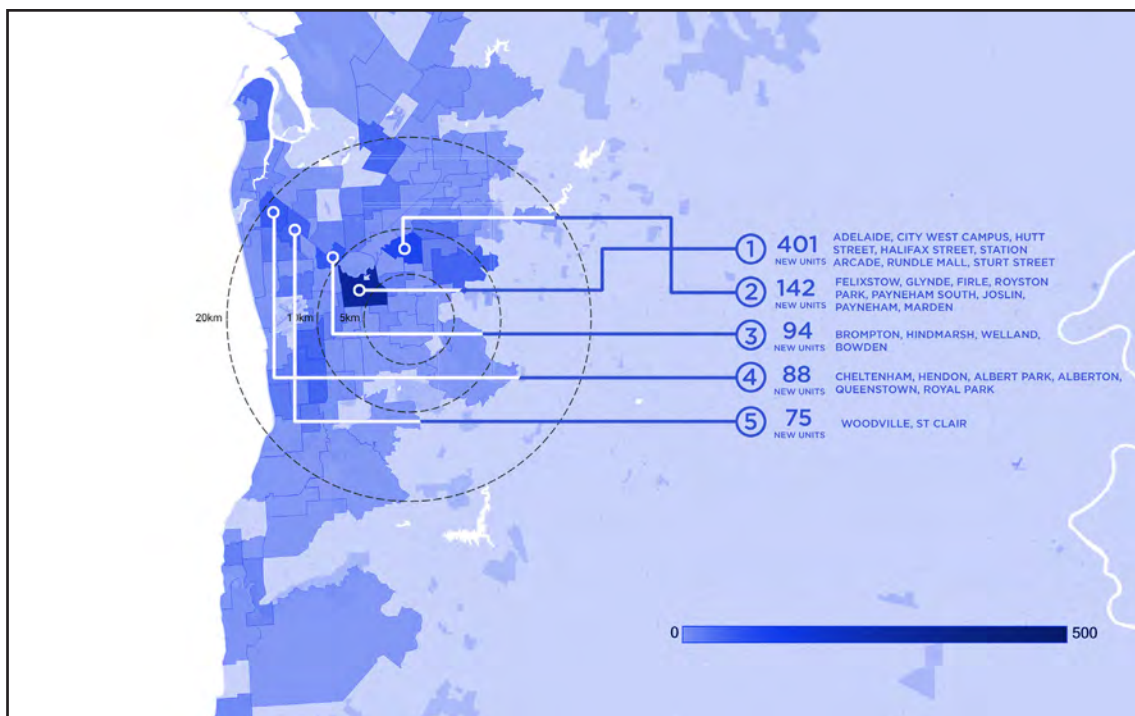


## Median New Unit Price & Annual Unit Completions

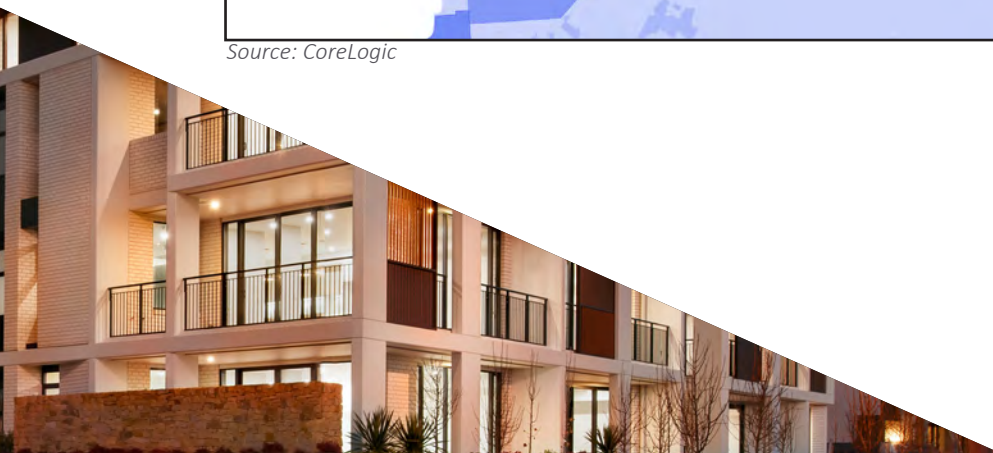


Source: CoreLogic

## Multi-Unit Completions 2018, by Postcode



Source: CoreLogic



# ADELAIDE

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## STATE POLICY ENVIRONMENT

The 2018 State Election meant a period of adjustment both economically and politically as the new Liberal State Government settled in. In July 2018, the state government chose not to continue stamp duty concessions on off-the-plan apartments which expired on 30th June. This has resulted in a decline in the number of CBD apartment purchases in the last half of 2018.

Adelaide City Council 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 growth. This opportunity expires in June 2019, but it is not expected to impact the market after a low take up rate.

The State Government has continued to roll out a number of significant elements to the planning reforms occurring in SA, the full impact of which is not yet known. Aside from a new set of State Planning Policies, the government is now revealing in a 3-stage process the State Planning and Design Code, which will ultimately codify every planning rule and regulation across the various planning zones in South Australia.

The State Planning Commission is also in the process of developing a Metropolitan Growth Management Program, which is a positive strategic initiative.



**Jason Green**  
Managing Director, Lanser

*"The Adelaide Greenfield market remains steady despite the fallout from the Banking Royal Commission and generally weaker conditions across other parts of Australia. New land estates in Adelaide remain affordable and the market is characterised by a diverse offering in terms of new estates, product types, and location. The outlook for the market is one of optimism with stronger prospects for job and population growth over future years."*





Virginia Grove by Lanser





# PERTH

## SUMMARY

Despite the tightening of bank lending criteria, the second and third quarters of 2018 saw consecutive growth in Perth lot sales reflecting the improving state economy and increasing consumer confidence. However the year closed with sales falling significantly in the final quarter, dampening the earlier signs of recovery. This fall was driven by negative sentiment surrounding the Financial Services Royal Commission, media coverage of softening markets on the east coast and possible amendments to negative gearing and capital gains taxation regimes following the 2019 Federal Election. As a result, lots sales within the State of the Land sample survey averaged 401 per month across 2018, 15.6% lower than average monthly sales in 2017.

Low population growth continues to be drag on lot sales, however the signs suggest this is turning with annual population growth lifting to 0.8% in June 2018, driven by a decline in the number of persons moving to the eastern states. The number of employed persons has been lifting, with almost 9,000 jobs added to the economy over the course of 2018, however the State's unemployment rate increased to 6.2% (in original terms) in December 2018, slightly above the five-year average of 5.8%.

WA's economic outlook is looking brighter with strong investment by the resource sector in particular. UDIA WA recently analysed the length of historical property market cycles and tracked this against resource industry investment. Whilst the current downturn has extended for longer than many might have expected, it sits well within the average time range of historical market cycles. Encouragingly, the study uncovered a distinct two year lag between upturns in mineral exploration expenditure and uplifts in dwelling commencement figures. Based on this evidence and the current heightened mineral exploration expenditure, we would estimate the next property market upswing is likely to occur with the next 12 to 18 months.

## GREENFIELD MARKET ANALYSIS

WA lot sales activity in 2018 slowed 15.6% from 475 the previous year to average 401 sales per month over the course of 2018. However, much of this decline was driven by a significant fall in sales in the final quarter of 2018, dampening the earlier signs of recovery which saw positive growth in lot sales in the second and third quarters. The fall in the December quarter sales was driven by negative purchaser sentiment following media coverage of softening east coast

property markets, the Financial Services Royal Commission and possible amendments to the negative gearing and capital gains tax regimes arising from the forthcoming Federal election.

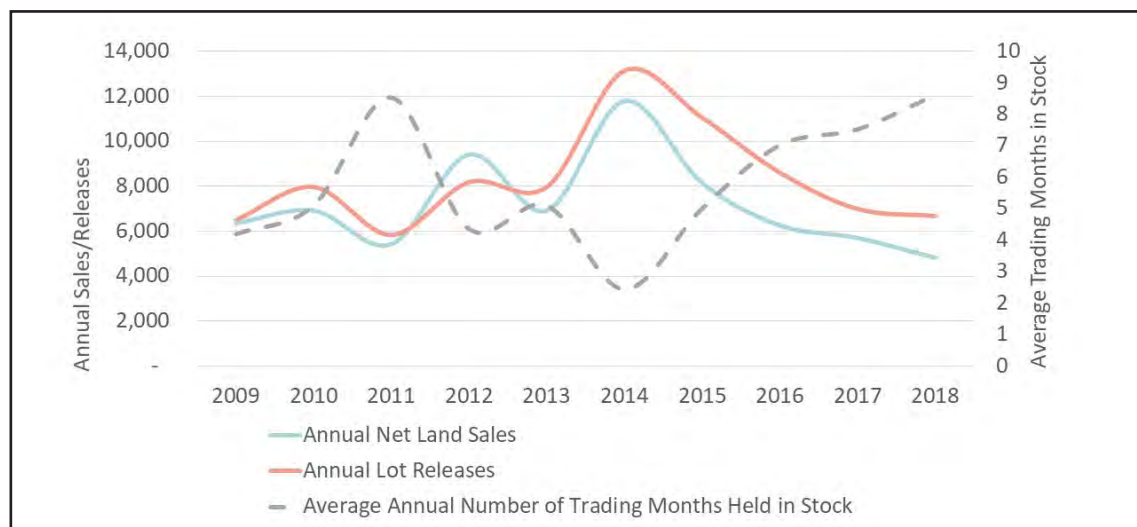
Lot prices remained steady over 2018, with the median lot price down 0.9% year on year to sit at \$224,000 in December 2018, remaining consistent with the long-term average; with a median lot to median house price ratio of 45%. Given this close relationship, any moves in the median lot price is likely to be dictated by the performance of the established housing sector.

The median lot size, at 375sqm, has remained unchanged since the first quarter of 2016, with

WA having the smallest median lot size in the country for five and a half years running. The next smallest lot size for December 2018 was in Victoria at 400sqm. There is some evidence to suggest that the market would benefit from some greater diversity; with estates containing a greater mix of lot sizes tending to perform a little better.

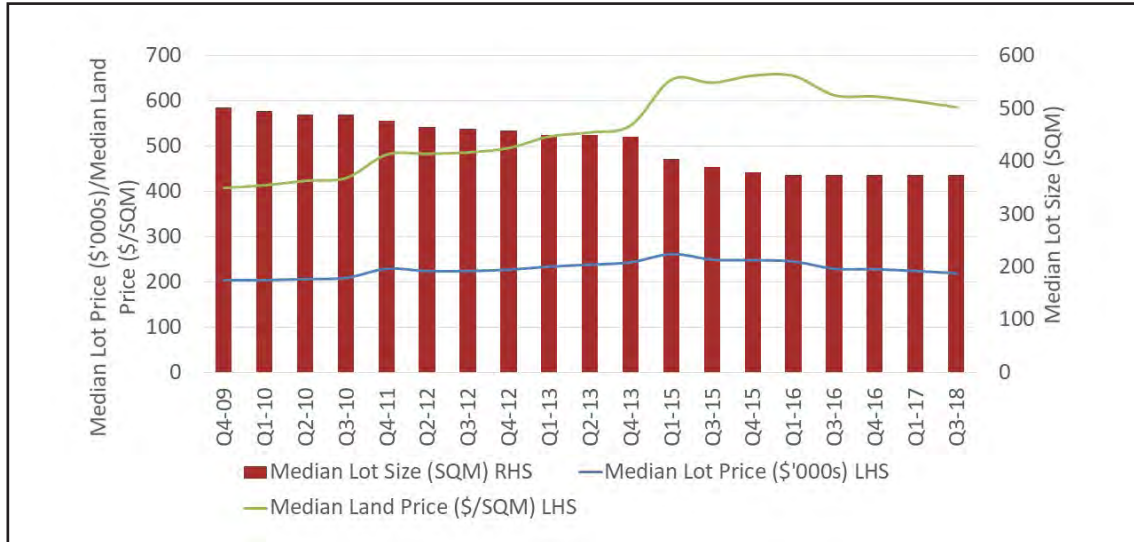
Reduced lot construction activity had helped to reduce stock levels to 7.6 months' worth of supply in September, however this lifted to 10.4 months following weak sales in the final quarter.

## Annual Greenfield Activity



Source: Research4

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



Source: Research4

## Greenfield Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (SQM)	Annual Median Lot Price (\$'000s)	Annual Median Land Price (\$/M)
2009	6,354	81	502	\$205	\$408
2010	6,921	105	488	\$210	\$431
2011	5,421	124	479	\$230	\$479
2012	9,416	140	465	\$227	\$487
2013	6,921	105	488	\$210	\$431
2014	11,805	141	427	\$261	\$612
2015	8,144	153	389	\$253	\$650
2016	6,259	162	375	\$237	\$633
2017	5,700	167	375	\$226	\$603
2018	4,811	163	375	\$222	\$591

Source: Research4

Yagan Square by Metropolitan Redevelopment Authority



## MULTI-UNIT | INFILL ANALYSIS

Following a peak of activity in 2017, multi-unit completions in the Greater Perth region slowed 14% to sit at 2,910 for 2018, well below the long-term multi-unit completions average of 3,930 (2012-18). This decline was driven by the same factors contributing to weak demand in the greenfield housing market with low population growth and declining confidence in the housing market amongst purchasers.

The median value of units in 2018 fell 5.7% to sit at \$393,825 for Greater Perth, reflecting the competitive prices in the established and greenfield housing markets. However, there are signs of a two speed market emerging with premium market areas such as Cottesloe, Claremont and North Fremantle performing well with median prices around \$700,000 driven by strong demand amongst 'baby boomers' in particular. Meanwhile, sales activity remained subdued in more affordable areas such as Rockingham and Mandurah. In the outer metropolitan areas (beyond 20km

from Perth's CBD) median values averaged \$298,494.

In 2018, median weekly rental rates for Perth fell 2.9% to \$340, driven by a relatively high vacancy rate of 7.4% amongst multi-units. However, with the broader rental vacancy rate dropping to 2.9%, developer sentiment is improving; with the number of units scheduled for completion in Greater Perth in 2019 expected to increase 34% to total 5,436, with 2,713 of these units expected to be completed in the first six months of 2019. It is anticipated almost 60% of the supply of multiple-unit dwellings will be located within 10km of Perth's CBD and in particular in the centrally located suburbs of Perth, East Perth and South Perth. Looking further ahead all eyes will be on the State Government for announcements regarding the development of the 'METRONET' precincts and the expansion of Perth's rail network.

### Multi-Unit Summary Table

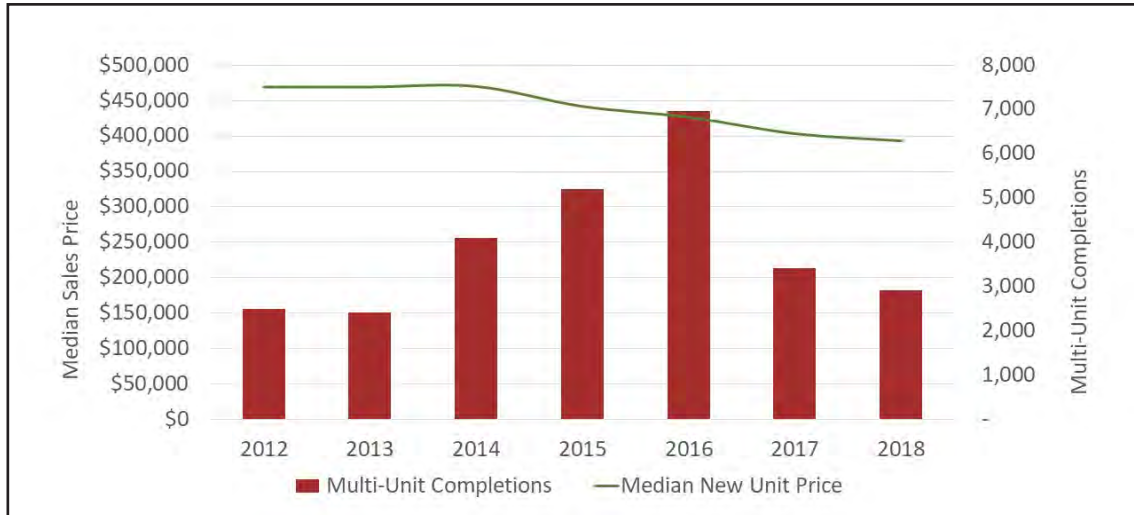
	2018	Annual Change
<b>Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)</b>	\$393,825	-3%
<b>Total New Multi-Unit Completions</b>	2,913	-15%
<b>Median Multi-Unit Rental Asking Price (Per Week, All of Market)</b>	\$340	-3%
<b>Multi-Unit Vacancy Rate (All of Market)</b>	7.3% (Dec 2018)	6.8% (Dec 2017)

Source: CoreLogic



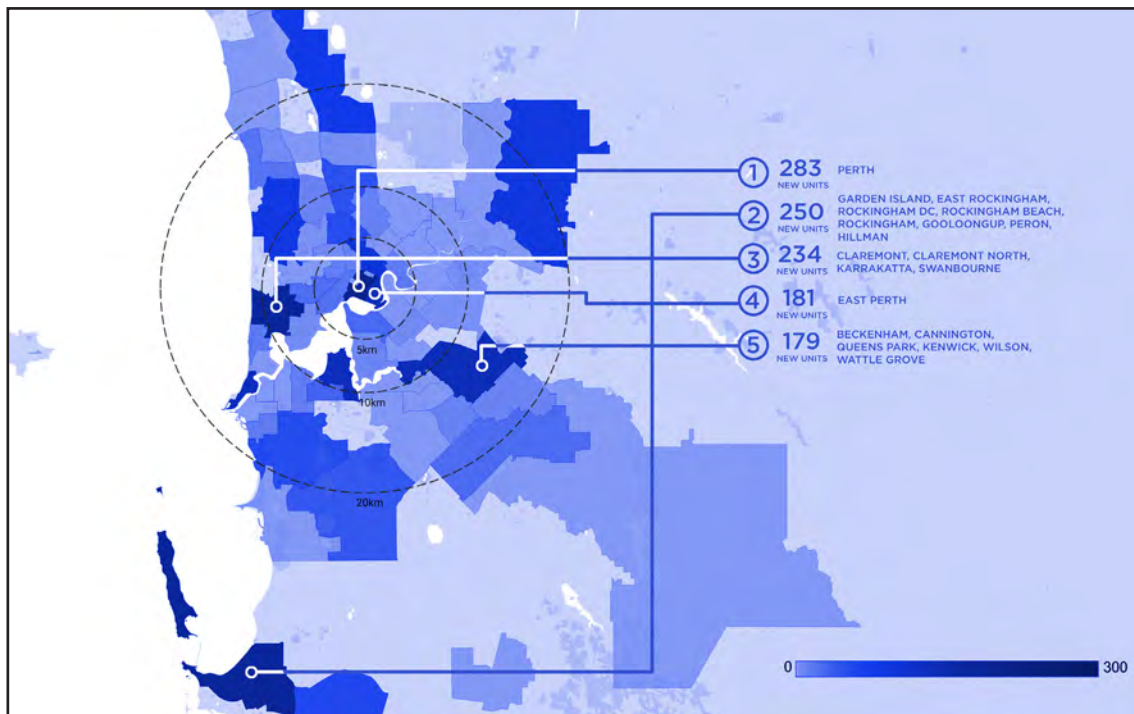
# PERTH

## Median New Unit Price & Annual Unit Completions



Source: CoreLogic

## Multi-Unit Completions 2018, by Postcode



Source: CoreLogic

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## BROADER MARKET TRENDS

Although population growth remains below the national rate of 1.6%, in June, the WA population growth rate stood at 0.8%, up from 0.6% per annum between June 2016 and March 2017. Driving the improving population growth has been a lower level of negative interstate migration. In the year to June 2017, 13,934 WA residents moved to the eastern states, with this falling to 11,300 in the year to June 2018. Additionally, WA's share of overseas migration has been increasing, with 5.6% of overseas migrants moving to WA in the 6 months prior to June 2018, up from 4.9% in 2016, although this is still a long way short of the 21% experienced in 2012.

Supporting the rising population growth rate is an improving economy and more positive economic outlook. Over the course of 2018, 8,800 jobs were added to the economy, with a large proportion of this growth in the health sector. Job creation figures continued to rise throughout the year with a 44% annual increase in the number of WA job vacancies, which lifted to sit at 28,600 in November 2018. Whilst the unemployment rate has lifted in recent months, strong job vacancy data suggests that population growth may be behind this increase, offering further signs of encouragement.

Mineral exploration expenditure has been sustaining positive year-on-year increases for nearly three years now. Over the course of the 2017/18 financial year some \$1.204 billion has been invested on exploration activities, whilst the investment in the September 2018 quarter was up some 23% year on year. Increasing mineral prices are likely to support further investment, with iron prices in January up 7% above the twelve-month price average for 2018. UDIA WA recently analysed mineral exploration investment against residential property cycles, noting a distinct two year lag between this investment and increased lot

sales. This evidence indicates that the next property market upswing is likely to occur over the next 12-18 months.

Despite the improving broader economy, the property market continues to face headwinds in 2018. The tightening of lending criteria by the banking sector, coupled with recent rate increases in the retail mortgage sector and lower property valuations, continues to make accessing the housing market difficult, particularly for those on low to moderate incomes. As a result, First Home Buyers (FHB) have been particularly hard-hit, with WA finance commitments for owner-occupier FHBs (excluding refinancing) falling 13% to 27,294 for the year, as compared to 31,460 in 2017.

Lending to households for investment dwellings (excluding refinancing) similarly slowed, falling 25% in 2018 to \$3.212 billion, following a 9% decline in 2017. As a result, house sales are down with sales in the September quarter down some 8% on the previous year. However, house prices appear to have stabilised with the median house price down 1% year on year, sitting at \$495,000 in December, up from \$485,000 in September.

Reflecting these trends, WA building approvals for houses slowed 10% to 12,773, as compared to 14,285 in 2017. Building approvals for dwellings (excluding houses) fell 34% to sit at 3,486, down from 5,290 in 2017.

There are positive signs in the rental market for Greater Perth which is experiencing increasing demand. In the final quarter of 2018, median house rents increased 1.4% from December 2017 to \$360 per week. This has been driven by a falling rental vacancy rate, down to 3%, the lowest rate since March 2013. Increasing demand is likely to place further pressure on rental prices which will in turn, support demand amongst purchasers.



# PERTH

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## STATE POLICY ENVIRONMENT

All eyes will be on the result of the first quarter of 2019 to ascertain the impact of the Foreign Buyers' Surcharge in WA, which came into effect on 1st January 2019. Similarly, following its release in February, the true impact of the Design WA State Planning Policy (SPP) suite including the Apartment Design Guide will emerge in the second half of the year. UDIA will be monitoring the impact of these new requirements closely in order to highlight the impact of any unintended consequences and ensure that the Government takes appropriate action.

More encouragingly, the Strata Title Reform Program is gathering momentum following the passing of the Strata Titles Amendment Act and Community Titles Act in 2018. It is anticipated that the Strata Titles Regulations will give commencement to the Act in the second half of the year whilst the Community Titles Regulations are likely to come into effect in the first quarter of 2020.

UDIA WA also recently welcomed the announcement of Infrastructure WA to set out an infrastructure strategy, based on an evidence-based assessment of the State's needs. With regards to infrastructure delivery, the State Government's flagship METRONET program is likely to gather further pace this year; with construction set to begin on the Yanchep Rail extension and Thornlie-Cockburn Link and the Forrestfield-Airport Link set

for completion in 2021. We anticipate that announcements regarding the METRONET precincts will emerge in the next few months. Much of these details will no doubt be linked to a revised Development Contributions State Planning Policy (SPP).

With this in mind, UDIA WA is hopeful that clarity on the status of the State Government's planning reform agenda will begin to emerge; as will solutions to remedy the lack of reporting by local governments on development contributions and the implementation of the State's coastal hazards SPP. Much of the Government's focus surrounding emerging state planning policy is likely to focus on design with the advancement of a precinct planning policy and medium density housing code.

Similarly, UDIA WA is optimistic that clarity regarding the environmental approvals process will emerge, with the Independent Review of the Strategic Assessment of the Perth and Peel Regions currently with the Government for consideration. Close attention will also be given to potential amendments to the environment approvals regime should there be a change in Government following the 2019 Federal Election.



**Nick Allingame**

Director, Pindan Developments

*"Market fundamentals point to more positive times ahead, however consumer confidence needs to improve further before we see a clear lift in sales numbers. The industry anticipates that the retail banking sector will begin to relax its cautious lending restrictions which is leading to some pent-up demand. This can be seen by the rental vacancy rate dropping to 2.9%. Commentary regarding the RBA's official cash rate is that the next move will be down. This would be warmly welcomed and one of the few occasions where national monetary policy is aligned with WA market conditions. Whilst these positive outcomes are tempered by potential changes to negative gearing and capital gains taxation policy, the signs point towards improving marketing conditions particularly in the second half of 2019."*









# ACT

## SUMMARY

The performance of the ACT residential market continues to be aided by low unemployment (the lowest in the country), moderately strong jobs growth, and robust population growth with migration trending higher.

Aided by wage growth in the public sector being consistently stronger than the private sector, Canberra has the highest median household incomes of the capital cities (circa \$2,250 per week). This helps underpin Canberra holding the nation's best 2018 housing affordability – as measured by median house price to median income, with a ratio of 5.1 (as at June 2018).

In aggregate terms the ACT housing market performance in 2018 is best described as 'mixed' with a relatively robust year for the greenfield housing estates balanced by a softer year for the multi-unit sector.

While underlying demand for new housing remains strong across the ACT it is expected that short-term demand will likely soften due to uncertainty created by the forthcoming Federal election.

## GREENFIELD MARKET ANALYSIS

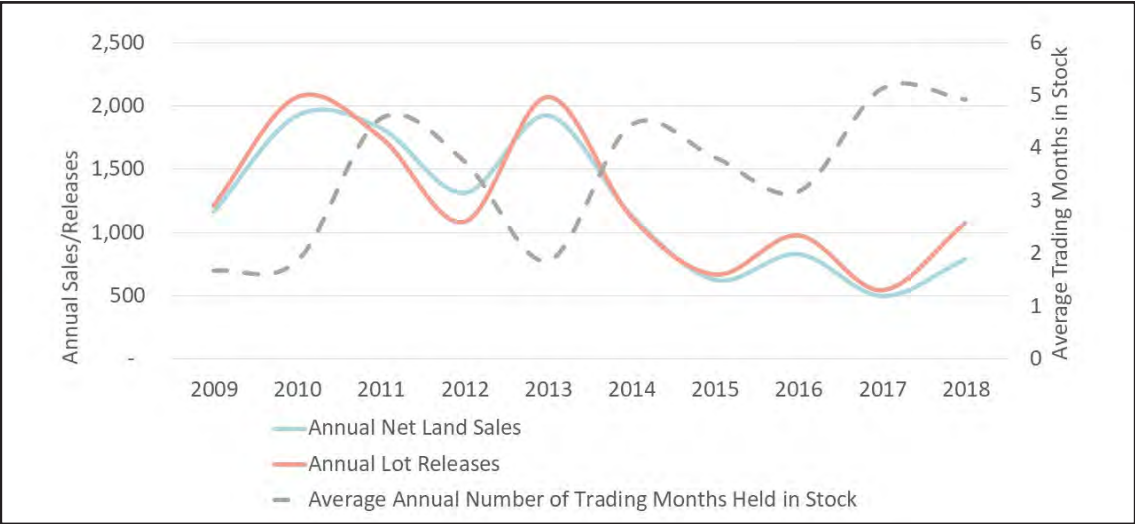
The ACT greenfield land market plays a critically important role in providing new housing supply to address underlying demand. Across the 2013 to 2018 period the new land market has satisfied an average of 47% of the total net private dwelling gain.

Over the past year the ACT market, which includes the Googong development at Queanbeyan, has averaged 66 sales per month which reflects a 59% increase on 2017 output, but is well below the 136 sales per month which was averaged across the 2009-2013 period.

A major reason for the lower than average sale rate relates to the lower number of active residential estates (estates which posted sales activity each quarter). Over the past ten years the ACT market has averaged just five trading estates at any point in time; with a peak of 9 trading estates in the middle of year 2010. Over the 2018 year there was an average of 4 trading estates.

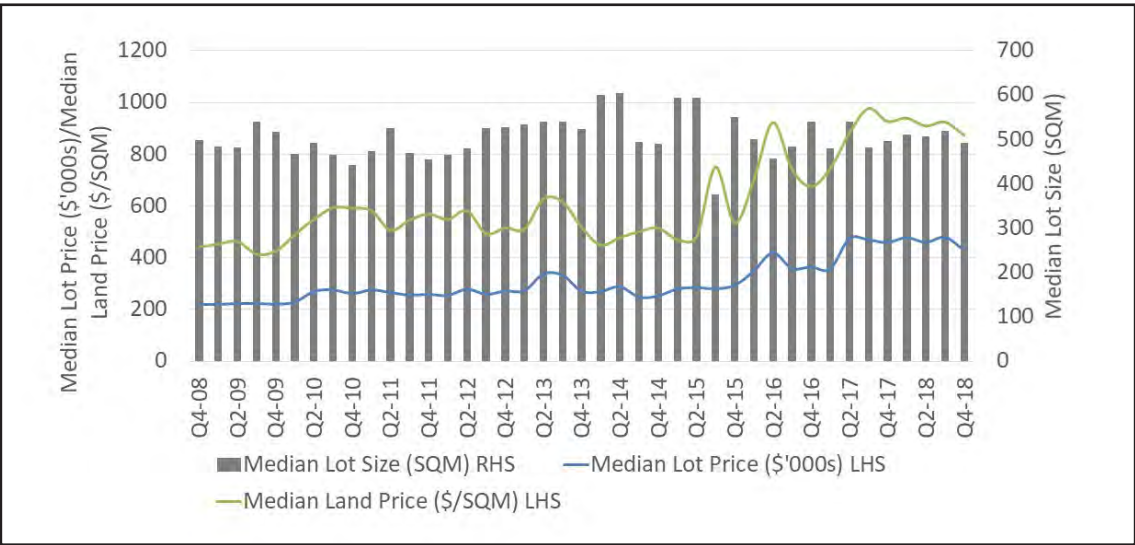


# Annual Greenfield Activity



Source: Research4

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



Source: Research4

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. This level has been relatively steady up until the last quarter of 2018. The median lot price between the June 2017 quarter and the June quarter 2018 was \$470,000. In the last quarter of 2018, the median lot price has fallen to \$430,000. This is still far above the 10 year median price of \$276,000.

Since 2008, new land prices have averaged 66% of the median ACT house price. Currently the median lot price of \$430,000 is estimated to be 61% of the median ACT house price of \$700,000 (CoreLogic). From these statistics, it appears that the “overvalued” median price point (relative to its long running average) in 2017 has corrected in 2018.

Stock of lots ready for sale recorded by the Research4 has picked up since the low 2017 year. This uptick in stock has allowed sales activity to increase in the 2018 year.

The current ACT median lot size of 493 sqm represents the largest lot size across the capital city markets, with the second largest median lot sizes available in SEQ being 10% smaller at 445 sqm. The increase in retail lot price has driven the average land price to \$872 per sqm which represents the second most expensive lot price after Sydney. Interestingly, Melbourne appears to be coming close to ACT's average land price with land valued at \$862 per sqm, up 25% on figures reported last year.

In 2018, the ACT new land market has seen slow positive growth as a result of more trading stock and trading estates relative to the suppressed stock activity in 2017.

## Greenfield Summary table

	Annual Net Land Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (SQM)	Annual Median Lot Price (\$'000s)	Annual Median Land Price (\$/M)
<b>2009</b>	1,165	6	506	\$222	\$439
<b>2010</b>	1,927	7	467	\$259	\$556
<b>2011</b>	1,828	7	481	\$264	\$550
<b>2012</b>	1,314	7	499	\$266	\$533
<b>2013</b>	1,927	7	467	\$259	\$556
<b>2014</b>	1,136	5	548	\$265	\$484
<b>2015</b>	625	4	528	\$285	\$539
<b>2016</b>	829	4	495	\$373	\$754
<b>2017</b>	497	3	500	\$441	\$881
<b>2018</b>	790	4	507	\$462	\$911

Source: Research4

WEST Stage 1 by Commercial & General

## MULTI-UNIT|INFILL ANALYSIS

The ACT recorded a contraction in multi-unit production in 2018 relative to 2017, with a total of 2,668 completions. This reflects a 42% annual drop in stock completed, but is consistent with average volume of multi-unit completions recorded over the 2011 – 2017 period.

The median price for new unit sales across 2018 decreased by 5% from 2017 to \$433,100. This decline in median pricing ends the momentum observable across the preceding two years. Of relevance is the comparison to the median price for sales of new detached housing which grew 4.5% across 2018 to \$700,000. Evidently weaker demand for new multi-unit stock across the ACT did not extend to the new detached housing sector in 2018.

The median multi-unit rental asking price across ACT was \$450 per week for 2018 which reflected a growth of 5.9% on the 2017 median rental asking price. This placed the ACT as the second most expensive rental market across the capital cities trailing only Sydney which recorded a median asking rent of \$540 per week.

The ACT vacancy rate at December 2018 was 2.1% which was the lowest in the country across the capital cities. The tight vacancy rate reflects the ACT's resilient population growth rate which continues to absorb new supply. The Capital's growing student population is an important component of the on-going rental demand profile

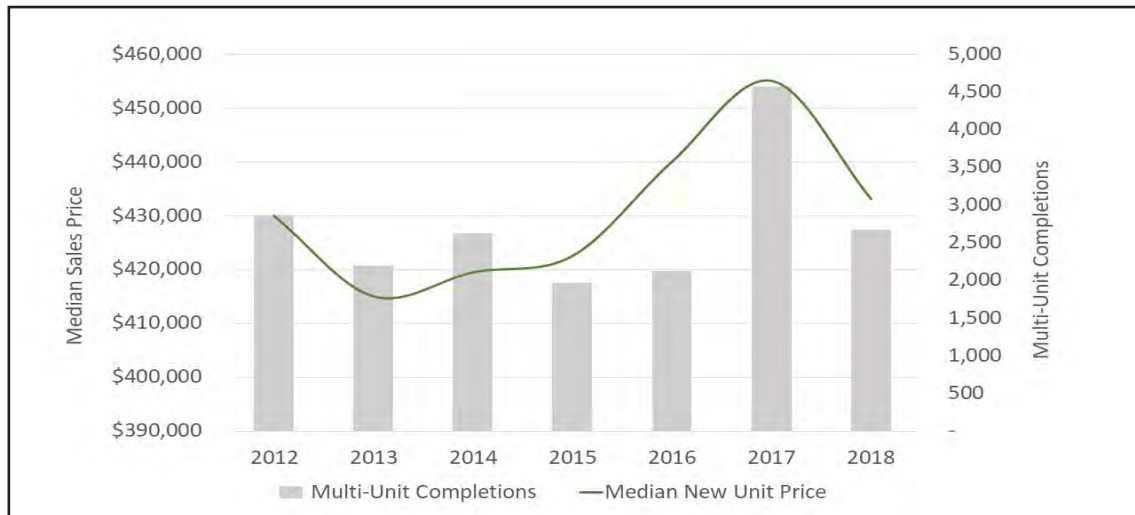
### Multi-Unit Summary Table

	2018	Annual Change
<b>Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)</b>	\$433,075	-5%
<b>Total New Multi-Unit Completions</b>	2,668	-42%
<b>Median Multi-Unit Rental Asking Price (Per Week, All of Market)</b>	\$450	6%
<b>Multi-Unit Vacancy Rate (All of Market)</b>	2.1% (Dec 2018)	3.5% (Dec 2017)

Source: CoreLogic

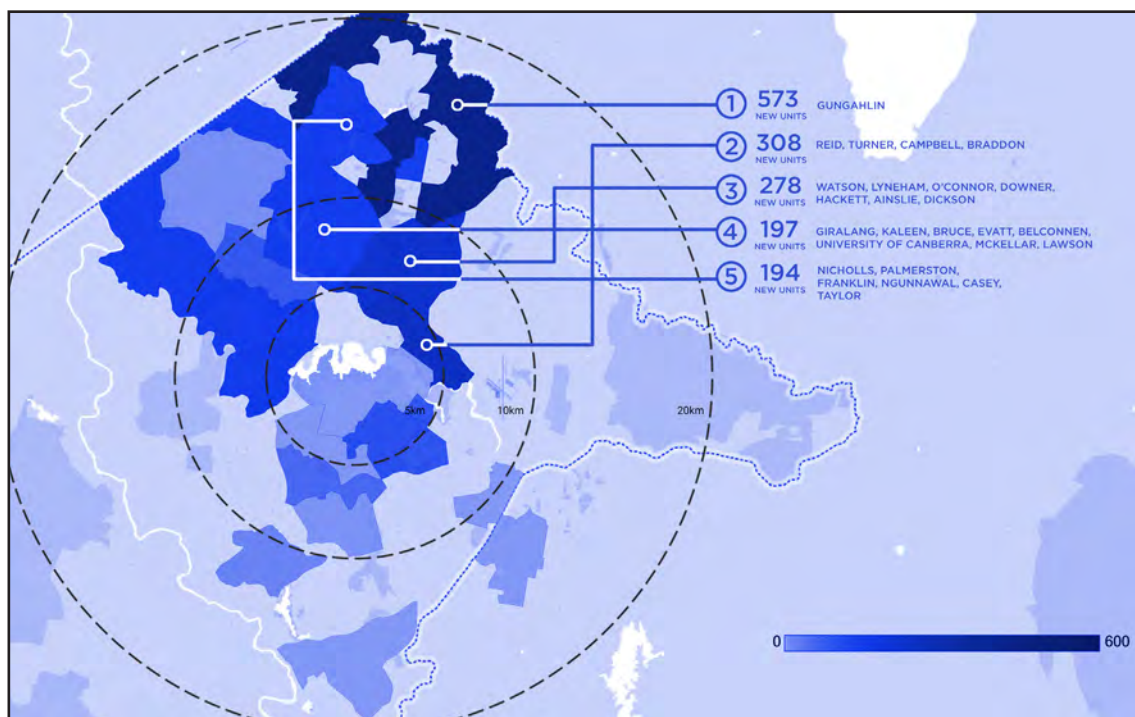


## Median New Unit Price & Annual Unit Completions



Source: CoreLogic

## Multi-Unit Completions 2018, by Postcode



Source: CoreLogic

## BROADER MARKET TRENDS

The forthcoming Federal election is expected to further impact on demand in the short-term, however the local development community expects demand to stabilise in the second half of 2019.

Canberra's economic outlook remains positive at a macro scale, despite some near-term challenges. Demand for new homes remains strong with the volume of new house construction increasing - in line with the broadly rising detached home market.

The demand profile for multi-unit products weakened across 2018 - particularly for investor grade one-bedroom apartments in strongly supplied outer areas suburbs such as Belconnen and Gungahlin.

An interesting market dynamic relates to the 'Mr Fluffy' development sites (related to

the loose-fill Asbestos Eradication Scheme) with a number being completed across 2018. This has added to the supply of newly built medium density residential products across Canberra. There are a total of approximately 1,000 Mr Fluffy sites, many of which are now seeing the construction completion of small townhouse developments by smaller developers, investors and owner-occupiers.

Due to the recent imposts placed on foreign investors and Sydney's decelerating market it has been noted that there has been an elevated level of interest from foreign investors in Canberra. It is predicted that Canberra's attractive entry prices will continue to strengthen investor demand over the coming 12 months.



**Tom Cummins**

Director Development Program, DHA

*"The ACT market continues to buck the trend of the declining Sydney and Melbourne markets and continues to grow with modest gains achieved, particularly for houses. Where good yields are on offer, investor sentiment is robust without being spectacular. ACT Stamp Duty concessions for first home buyers from 1 July 2019 will likely have a positive impact on capital growth, however as this concession applies to all sales, the impact on the off-the-plan market (which currently attracts a grant) may be negative. While buyer finance is the biggest issue facing most property purchasers, the fundamentals of the ACT economy remain strong with low unemployment, higher wages, low vacancy, and well as nation-leading population growth."*











## 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 and contractors.

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# UDIA STATE OF THE LAND 2019

