

UDIA State of The Land 2020

National Residential Greenfield and Apartment Market Study





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Welcome to 2020 annual **State of the Land** report



Simon Basheer

UDIA National
President

At a time of flux in housing markets, the Urban Development Institute of Australia (UDIA) *State of the Land* report remains the industry's most crucial and comprehensive overview of new home and apartment markets across our capital cities.

We know how important new dwelling construction is to the national economy – with direct and indirect output generating more than \$300 billion in economic activity, or 7.5% of the national economy. Jobs, wages and prosperity up and down supply chains depend on housing construction.

So too do the dreams of home ownership for millions of Australians. The *State of the Land* report provides robust analysis and insights into the fortunes of the sector across our capital cities.

An important feature of this report is its ability to deep dive into the supply pipeline. Official data suggest other elements of the housing market – prices and loan approvals, for example – have begun to stabilise after two years of decline.

Notwithstanding recent improvements in market activity in terms of sales and finance availability, the *State of the Land* report reveals that in 2019 land sales and new home construction remained soft and median prices were flat.

That is why so much of UDIA National's advocacy efforts are geared towards working with governments to boost supply pipelines – breaking the back of inefficient planning systems, streamlining red and green tape and reducing excessive property taxes.

We need to foster a balanced market that better matches supply to demand and reduces the risk of escalating price rises that freeze out homebuyers.

Producing these reports takes the time, commitment and collaboration of our partners and we greatly value their work. Research4 and CoreLogic serve as our research partners and deserve credit for the quality and comprehensive nature of their work. I'd also like to commend the endeavours of the team in the UDIA NSW office which took the lead on the report this year and each of the other UDIA State offices which contribute to the project.

We hope you find it a valuable resource and look forward to continuing to work with you on critical issues facing the industry in the year ahead.



The Grange at Marsden Park by Winten Property Group

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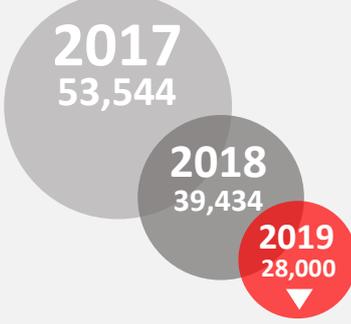
Greenfield Summary

NEW RELEASES (2019)

Annual Change

MEL	11,964	🏠🏠🏠🏠🏠🏠	▼ 36%
SEQ	8,188	🏠🏠🏠🏠🏠	▼ 29%
PER	6,763	🏠🏠🏠🏠	▲ 1%
SYD	4,864	🏠🏠🏠	▼ 26%
ADL	2,494	🏠🏠	▼ 19%
ACT	1,470	🏠	▲ 9%

NATIONAL ANNUAL LOT SALES



TRADING MONTHS OF STOCK (as at Q4 2019)



NATIONAL ANNUAL MEDIAN LOT SIZE (sqm)



MEDIAN LOT PRICES (2018 v 2019)



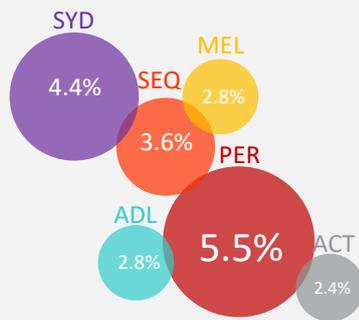
Multi-Unit Summary

NEW UNIT COMPLETIONS (2019)

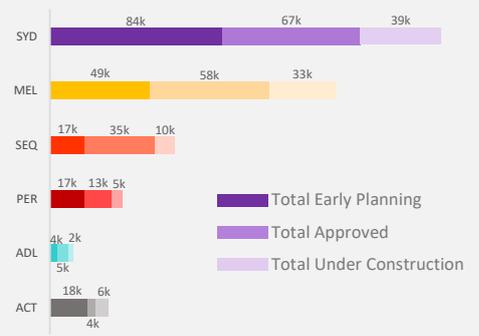
Annual Change

SYD	26,992	🏢🏢🏢🏢🏢🏢	▼ 14%
MEL	22,782	🏢🏢🏢🏢🏢	▲ 9%
SEQ	12,586	🏢🏢🏢	▼ 7%
PER	4,288	🏢	▲ 45%
ADL	3,227	🏢	▲ 90%
ACT	2,413	🏢	▼ 14%

UNIT VACANCY RATES (as at Q4)



UNITS PIPELINE (as at Q4 2019)



ANNUAL NATIONAL NEW UNIT COMPLETIONS



MEDIAN SALE PRICE OF NEW UNITS (2018 v 2019)



UDIA State of the Land 2020

Capital City Market Performance Dashboard – Annual Change (2018 – 2019)

	SEQ	Greater Sydney	Greater Melbourne	Greater Adelaide	Greater Perth	ACT
 Total Market Supply	-7% ↓	-16% ↓	-6% ↓	47% ↑	5% ↑	-9% ↓
 Greenfield Lot Sales	-26% ↓	-25% ↓	-48% ↓	-7% ↓	-3% ↓	51% ↑
 Greenfield Lot Releases	-29% ↓	-26% ↓	-36% ↓	-19% ↓	1% ↑	9% ↑
 Greenfield Median Lot Price	2% ↑	-6% ↓	-3% ↓	3% ↑	-2% ↓	-8% ↓
 Greenfield Median Lot Size	435sqm ↑	380sqm ↑	395sqm ↓	449sqm ↑	375sqm ↔	494qm ↑
 Multi-Unit Sales Volume (New)	-26% ↓	0% ↔	-16% ↓	1% ↑	-26% ↓	-13% ↓
 Multi-Unit Completions	-7% ↓	-14% ↓	9% ↑	86% ↑	45% ↑	-14% ↓
 Multi-Unit Median Sale Price (New)	-2% ↓	-4% ↓	7% ↑	1% ↑	-3% ↓	4% ↑
 Under Construction	-46% ↓	-6% ↓	-15% ↓	-1% ↓	20% ↑	24% ↑

Greenfield Market

Multi-Unit | Infill Market

NATIONAL RESIDENTIAL MARKET OVERVIEW

The national development industry encountered a challenging operating environment at the commencement of 2019. This was highlighted by soft demand in most capital city markets as the housing correction continued to unwind in the midst of political uncertainty with the federal election on the horizon. The tide began to turn mid-year with a rebound in consumer confidence and improved access to finance translating into heightened levels of sales transactions and dwelling value growth.

- A combined total of approximately 117,000^[1] new homes were completed in greenfield release areas and urban infill locations across the major capital cities in 2019. This represented a 7% reduction in annual market supply and the lowest quantum of completions since 2015.
- UDIA estimates that there were approximately 43,000 completions of detached houses in the nation's greenfield release areas in 2019 which represented a 15% annual retraction. This reduction in greenfield output underpinned the overall combined market supply pull-back.
- Of the 380,000 new dwellings delivered over the last three years (2017-2019), 60% have been multi-unit stock. At a combined capital city scale apartments, townhouses and other medium density dwellings are the dominant new residential supply typology.

Melbourne

- Continues to provide the largest volume of year-on-year housing supply across the capital cities with a total of 41,600 new dwellings completed in 2019.

Sydney

- Achieved a total supply output of approximately 34,100 dwellings in 2019. This was a 16% annual reduction in completions, with lower supply from both greenfield housing (-23%) and multi-unit (-14%) projects.

SEQ

- Recorded a 7% annual reduction in new dwelling completions, driven by retraction in both multi-unit and greenfield housing completions.

Perth

- New residential supply completions in the metropolitan region remain subdued and was 26% lower than the 7-year average.

Adelaide

- Recorded a 48% annual increase in completed new market supply in 2019, which was driven by a significant lift in multi-unit completions.

ACT

- Saw an annual reduction in completed new market supply in 2019 (-9%) which was driven primarily by a fall in multi-unit completions.

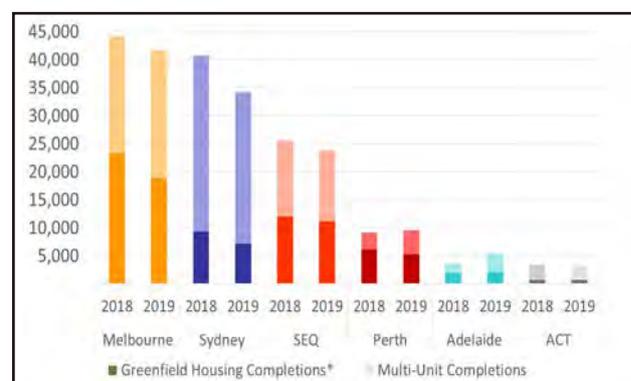
Combined Capital City New Residential Market Supply



*UDIA estimates

Source: UDIA; CoreLogic; Research4

Capital City New Residential Market Supply



*UDIA estimates

Source: UDIA; CoreLogic; Research4

[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed across each of Australia's major metropolitan regions. There are additional dwelling completions which are not covered under State of the Land reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

NATIONAL RESIDENTIAL MARKET OVERVIEW

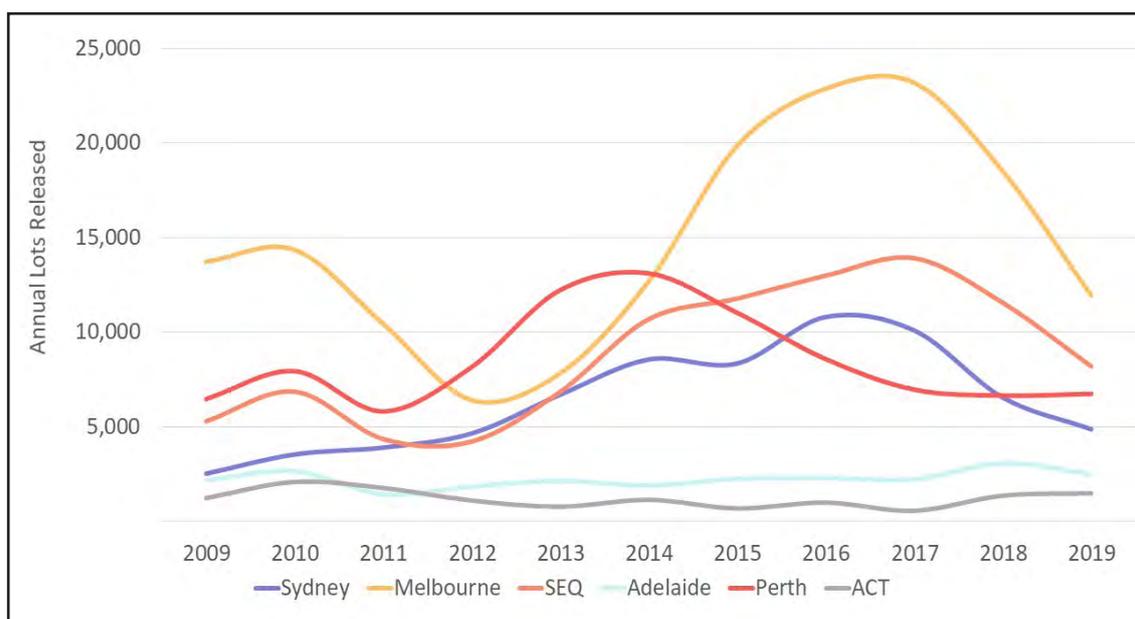
GREENFIELD MARKET ANALYSIS

The National Land Survey (NLS) undertaken by Research4 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 2019.

Lot Production

- **National** residential lot production declined by 25% in 2019, with a total of 35,740 lots released across the capital city markets.
- **Melbourne** maintained its prominent role as the nation's largest greenfield market with a total production of 11,960 lots despite recording a startling 36% annual decline.
- **SEQ** recorded a 29% retraction in lot output in 2019 with a total of 8,190 releases, although it still comfortably retained the mantle of the second largest greenfield market in the country.
- The continuation of challenging market conditions in **Perth** is underscored by another year of modest output with a total of 6,760 releases which, while 1.3% above the 2018 output, represented a 23% decline on the ten-year average.
- **Sydney** recorded a 26% decline in lot production in 2019 to total just 4,860 releases. This is the lowest annual quantum released since 2013 and reflects extremely modest releases in the first half of the year, however production improved considerably in the second half.
- **Adelaide's** developers released 19% less annual lots in 2019, with a total of 2,490 releases.
- The **ACT** was the only market which recorded a notable year-on-year increase in lot production output (+9%) in 2019 with the release of 1,470 lots.

Annual lots Released

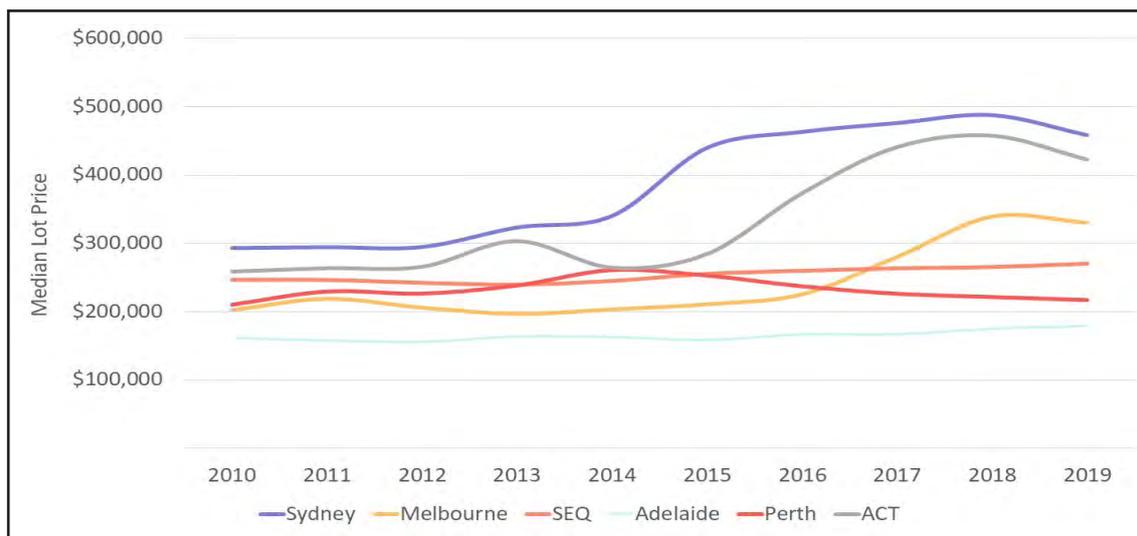


Source: UDIA; Research4

Lot Prices (\$)

- Median lot pricing declined across many of the nation's greenfield markets in 2019.
- For the first time since 2013, **Melbourne** recorded an annual decrease in median lot pricing, dropping by 3%, to finish the year at \$330,300.
- The nation's most expensive greenfield market, **Sydney**, recorded a 6% drop in median pricing in 2019 with a year-end lot price of \$458,900. This is the first annual pricing decrease recorded for Sydney over the NLS time series of 10 years.
- **SEQ** recorded a 2% annual price growth to \$270,800. At this median price-point level SEQ holds a considerable affordability advantage over the other two major east coast housing markets, being 70% cheaper than Sydney and 22% cheaper than Melbourne.
- **Perth's** median lot pricing declined 2% in 2019 to \$217,000 (which was the fifth straight year of price reduction) and the **ACT** saw median pricing retract 8% to \$423,000.
- **Adelaide** recorded a 3% annual price increase in 2019 to \$179,500 and remains Australia's most affordable market by some margin.

Median Lot Price



Source: UDIA; Research4

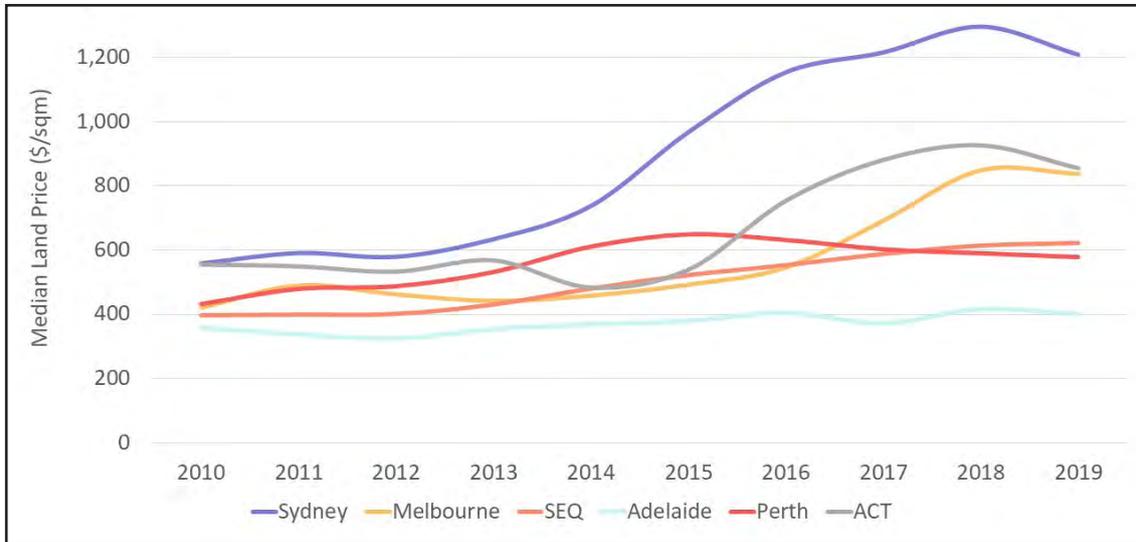
Land Price (\$/sqm)

The reduction in lot prices coupled with the minimal rise in lot sizing has delivered further slight decreases in the price of land on a per square metre basis.

- **Sydney's** land price dropped 7% to \$1,209 per sqm.
- **ACT** recorded an 8% reduction in land price to \$856 per sqm.
- **Melbourne's** land price declined 1% in 2019 to \$837 per sqm.
- **SEQ** recorded 1% growth in land pricing to \$622 per sqm.
- **Perth's** land price retracted by 2% to \$579 per sqm.
- **Adelaide** recorded a 4% annual reduction to \$400 per sqm.

NATIONAL RESIDENTIAL MARKET OVERVIEW

Median Land Price

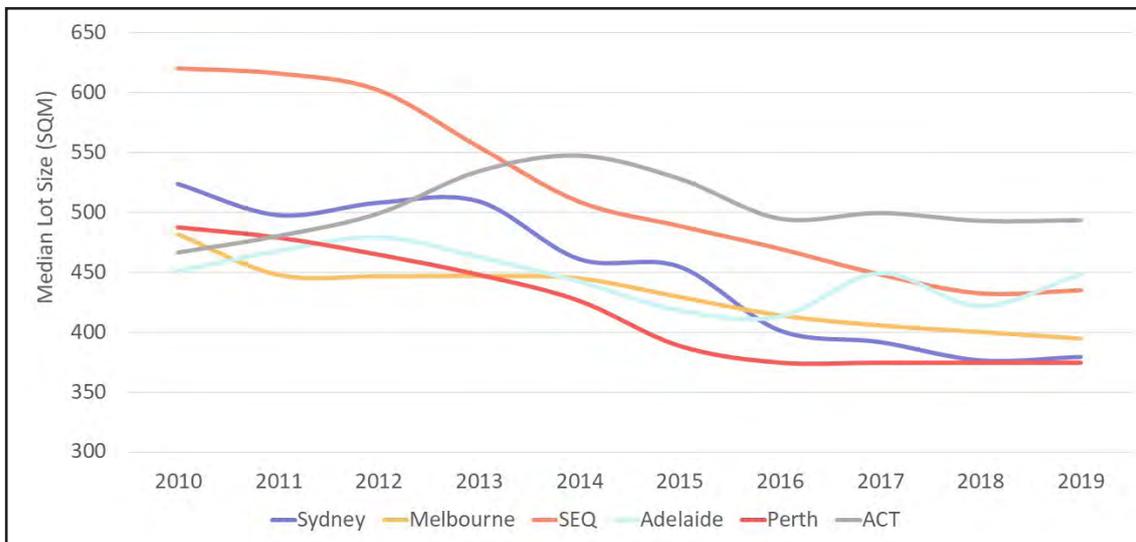


Source: UDIA; Research4

Lot Sizes (sqm)

- The trend of declining lot sizes highlighted in previous *State of the Land* reports has paused in 2019 with only **Melbourne** and **SEQ** recording smaller median lot sizes than the preceding year. **Perth** retains the smallest median lot sizes in the country at 375 sqm, while **Sydney** finished 2019 at 380 sqm with a 1% annual size increase.
- The largest median lot sizes are still found in the nation's capital with the **ACT** recording a 1% increase in lot sizing to finish 2019 at 494 sqm.

Median Lot Size



Source: UDIA; Research4



West Village by
Sekisui House Australia

NATIONAL RESIDENTIAL MARKET OVERVIEW

MULTI-UNIT MARKET ANALYSIS

This year's *State of the Land* overview of the residential multi-unit/urban infill markets across the capital cities utilises an expanded suite of 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 and Volume

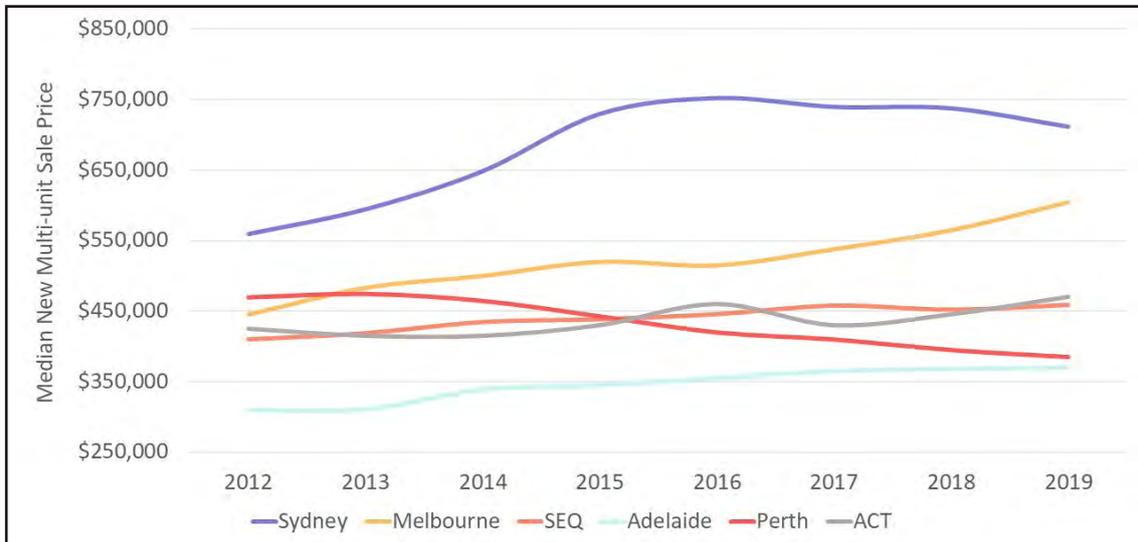
Key Findings: Sales Pricing

- **Sydney** recorded a 4% annual contraction of new unit pricing to average \$712,000, which is 44% more expensive than the combined capital city new unit average of \$495,000.
- **Melbourne** recorded a 7% annual price growth in 2019 to record a new unit median price of \$605,000, which was 15% cheaper than Sydney and 22% above the combined capital city average.
- **SEQ** new unit prices rose by 2% over the year, recording a median new unit sale price of \$458,000.
- **Perth** continued its ongoing pricing contraction in 2019 (down-3%) to finish the year at \$385,000. This reflects a 20% reduction for new unit stock pricing since 2014.
- **ACT** units saw the highest median sale value growth across the capital cities, going up 6% to \$470,000.
- **Adelaide**'s new unit pricing remained flat at \$370,000, confirming Adelaide as the most affordable multi-unit market in the country, being 34% cheaper than the combined capital city average and 92% cheaper than Sydney.

Key Findings: Sales Volumes

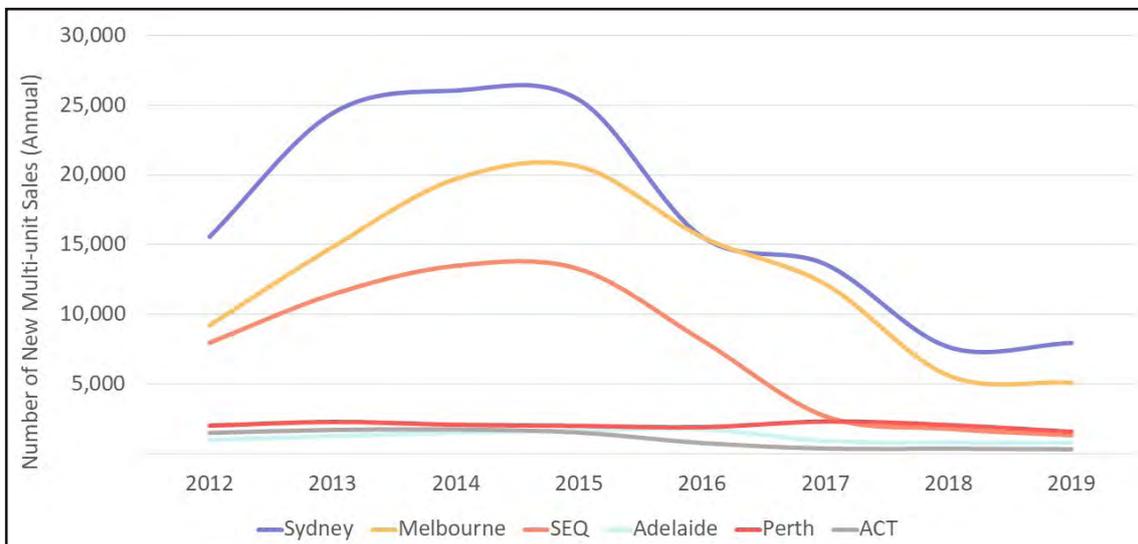
- Multi-unit sales volumes of new supply remained subdued across the capital cities in 2019.
- **Sydney** recorded 7,913 settled new unit sales in 2019 which is down 72% from the 2015 peak.
- **Melbourne's** annual new multi-unit settled sales volume (5,095) was 76% below the 2016 peak, despite increasing 26% since May 2019.
- **Perth** new unit sales fell by 26% over the year to 1,536 units.
- There were 1,337 settled new unit sales in **SEQ** in 2019, the lowest amount seen in the last decade.
- **Adelaide** recorded 792 settled new unit sales in the year, similar to 2018 levels.
- **ACT** multi-unit sales also remained low at just 300 annual settled sales.

Annual Median New Multi-Unit Sale Price



Source: UDIA; CoreLogic

Annual Median New Multi-Unit Sales Volumes



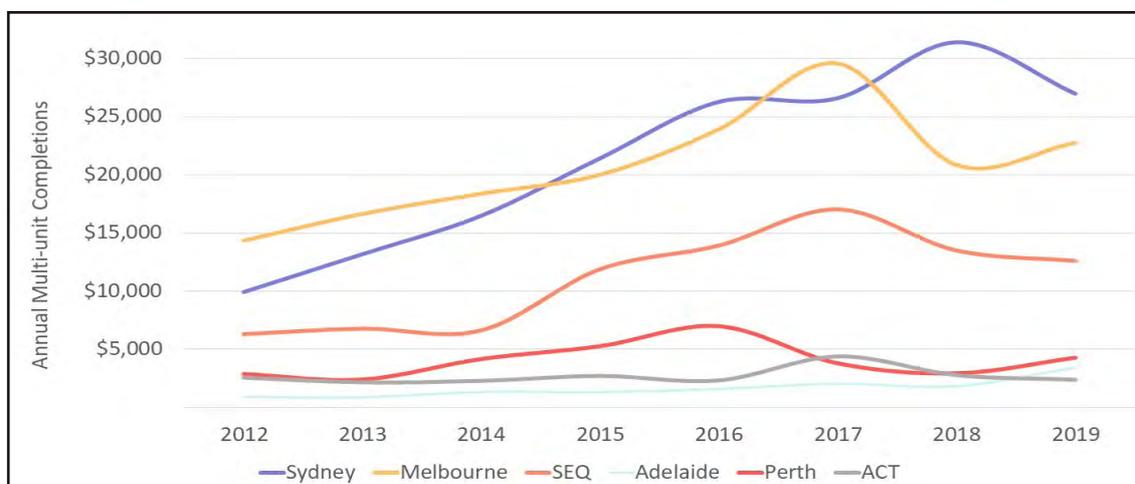
Source: UDIA; CoreLogic



Multi-Unit Completions

- There was a 2% annual reduction in total multi-unit dwelling completions in 2019 across the combined capital cities, with a total supply yield of 69,090 units. While this was the lowest output since 2015 it still reflected an 16% increase on the long run average.
- **Sydney** and **Melbourne** remain the focal point for multi-unit production with 72% of completions attributed to Australia's largest and most mature housing markets.
- **Sydney** remains the largest new multi-unit capital city market with a total of 26,990 completions in 2019. This was, however, a 14% reduction on the 2018 yield and notably the first drop in volume recorded across the last ten years.
- **Melbourne** recorded 22,800 multi-unit completions in 2019 which represented a 9% increase on 2018 volumes.
- **Brisbane** supply reduced by 15% in 2019 with a total volume of 9,150 units completed. This production output still comfortably positioned Brisbane as the third largest capital city multi-unit volume market and was 5% above the long run average.
- The comparatively low volume capital city markets saw significant rises. **Perth** increased 45% (total output of 4,300 units) and **Adelaide** increased 90% (total output of 3,500 units).
- **ACT** recorded a fall in production in 2019 with a total output of 2,410 units, which reflected a 14% annual retraction.

Annual Median New Multi-Unit Completions



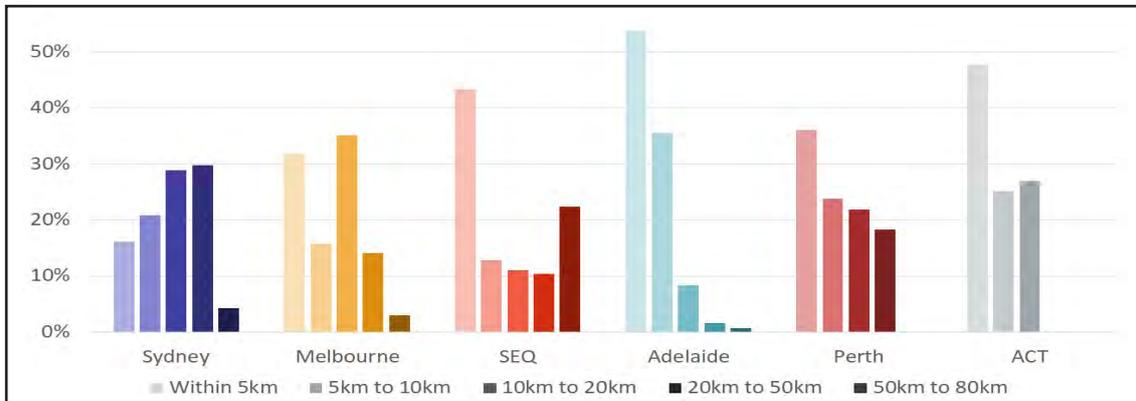
Source: UDIA; CoreLogic

The geographic distribution of new multi-unit supply across the capital cities varies considerably.

- In **Brisbane**, **Adelaide** and **Canberra** over 60% of all new supply in 2019 occurred within a 5km band from the CBD.
- This highly centralised supply picture contrasts with the far more even spread of supply recorded in **Sydney**, **Melbourne** and **Perth** where only 15% to 30% of new supply occurred in the 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 2019 data which is a marked change from the far more centralised supply picture reported in last year's *State of the Land* report.

NATIONAL RESIDENTIAL MARKET OVERVIEW

Multi-Unit Completions by Geographic Zone*



*Measured by distance to Capital City GPO

Source: UDIA; CoreLogic

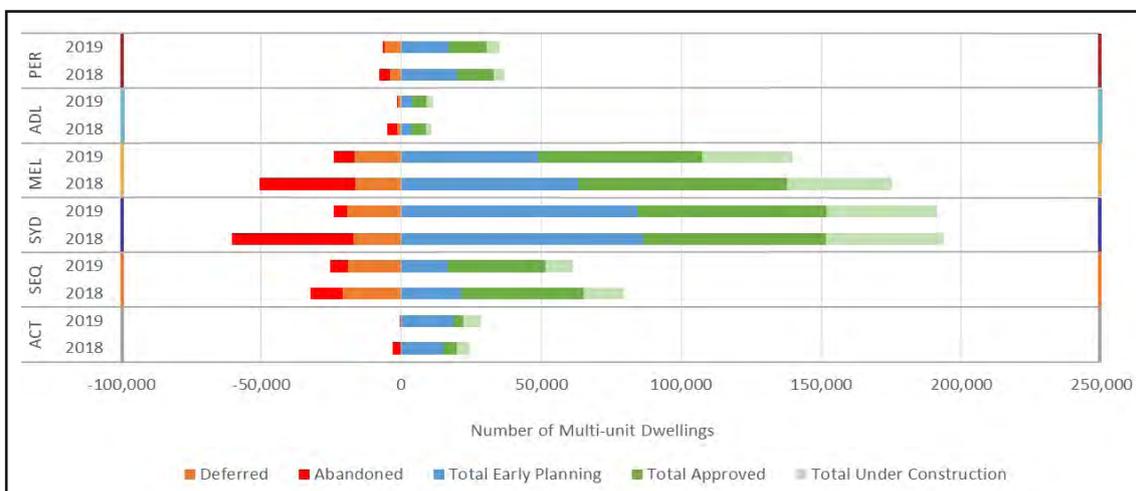
Multi-Unit Pipeline

CoreLogic has produced point-in-time estimates on the multi-unit pipeline across the capital cities, based on December 2018 and December 2019 snapshots of their industry leading Cordell Construction database.

Key Findings

- 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 2018 and 2019, at circa 191,000 units and 140,000 units respectively.
- **SEQ** recorded an overall 23% decrease in potential forward yield in 2019 (to total 61,250 units)
- **Perth** saw a slight 1% decrease in the 2019 pipeline to total 35,200 units.
- As at December 2019, there was a combined capital city apartment yield of 91,527 units under construction, with 43% of this stock in **Sydney** (39,500 units) and 36% in **Melbourne** (32,500 units).
- The remaining under construction supply was split between **Brisbane** with 6,240 units (7%), the **ACT** with 6,180 units (7%), **Perth** with 4,930 units (5%), and **Adelaide** with 2,170 units (2%).

Capital Cities Multi-Unit Pipeline by Status



Source: UDIA; CoreLogic

NATIONAL RESIDENTIAL MARKET OVERVIEW

BROADER MARKET TRENDS, NATIONAL

Population

- Population growth is the primary driver of demand for new dwellings. This is reflected in the population growth profiles across the states, with the largest new home markets of **Victoria** and **New South Wales** attracting most of the recent growth. The latest available demographic data from the ABS shows that, collectively, **Victoria** and **New South Wales** accounted for 65% of national growth over the 2018-19 financial year.
- **Victoria** recorded a net population growth of 132,785 which reflected an average annual growth rate (AAGR) of 2.1%. This was the fastest rate of growth across the capital cities but was slightly down from its 2017-18 growth rate of 2.5%.
- **New South Wales** added 109,358 persons to the base population at an AAGR of 1.4%, followed by **Queensland** which grew by 85,676 persons at an AAGR of 1.7%.

State Population Growth and Annual Growth Rate, 2018-19

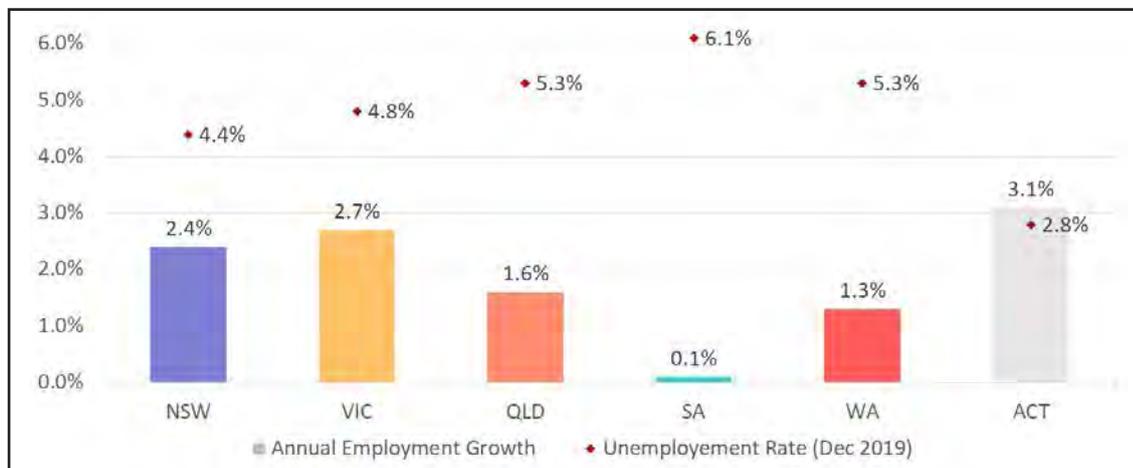


Source: UDIA; ABS

Employment Growth

- ABS employment data highlights that the **ACT**, **Victoria**, and **New South Wales** dominated the national job creation landscape in the last financial year.
- There were 92,000 new jobs created in **Victoria** at a growth rate of 2.7%, while 96,400 jobs were added in **New South Wales** at 2.4%.
- **Queensland** and **Western Australia** had more modest employment growth (1.6% and 1.3%), while **South Australia** recorded negligible employment growth of just 0.1% and the highest unemployment rate (6.1%).
- With the nation's lowest unemployment rate (2.8%) and fastest employment growth rate (3.1%), the **ACT** displayed the most buoyant capital city economic profile.

Annual Employment Growth Rates (2019) & Unemployment Rates (December 2019)



Source: UDIA; ABS

Housing Affordability

- As of June 2019, the median dwelling value to median household income ratio was 8.2 in **Sydney** and 7.2 in **Melbourne** according to CoreLogic calculations. This has increased from a ratio of 7.8 and 6.8 in 2014 for **Sydney** and **Melbourne** respectively.
- The number of years required to save a 20% deposit has ratcheted up to 11.0 in **Sydney** and 9.6 in **Melbourne**, up from 10.4 and 8.1 years in 2014.
- This measure has remained flat over the period in **Brisbane** and **Adelaide**, while it has improved in **Perth**.

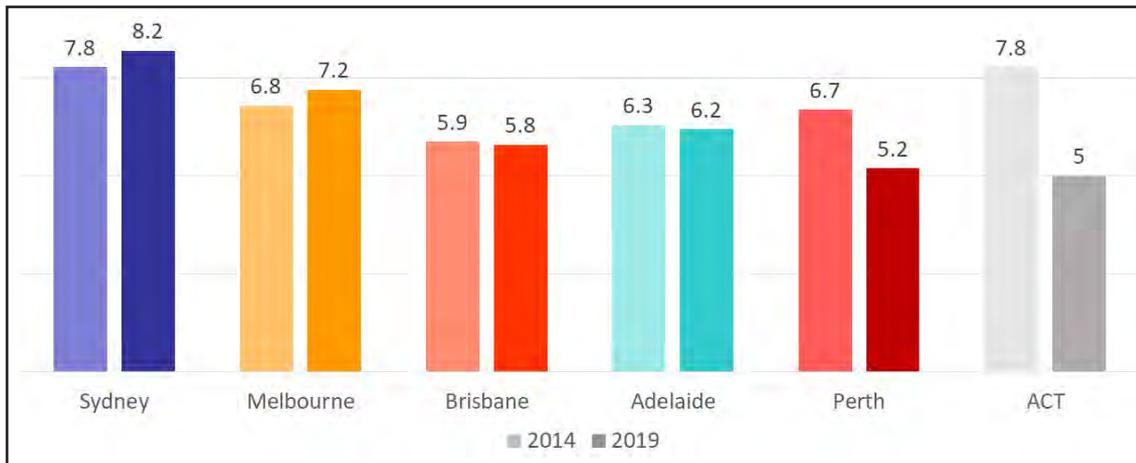
Housing Affordability Measures (as of June 2019)

	Median Dwelling Value (June 2019)	Dwelling value 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	\$777,693	8.2	11	44%	32%
Melbourne	\$619,383	7.2	9.6	38%	28%
Brisbane	\$486,120	5.8	7.7	31%	27%
Adelaide	\$430,654	6.2	8.2	33%	29%
Perth	\$439,732	5.2	6.9	27%	24%
ACT	\$585,193	5	6.7	27%	24%

Source: UDIA; CoreLogic

- As at June 2019, housing affordability had improved across the nation following a downturn in dwelling values. This marked a turning point as dwelling values again began to outpace household incomes across most markets.

Capital City Dwelling Price to Income Ratios



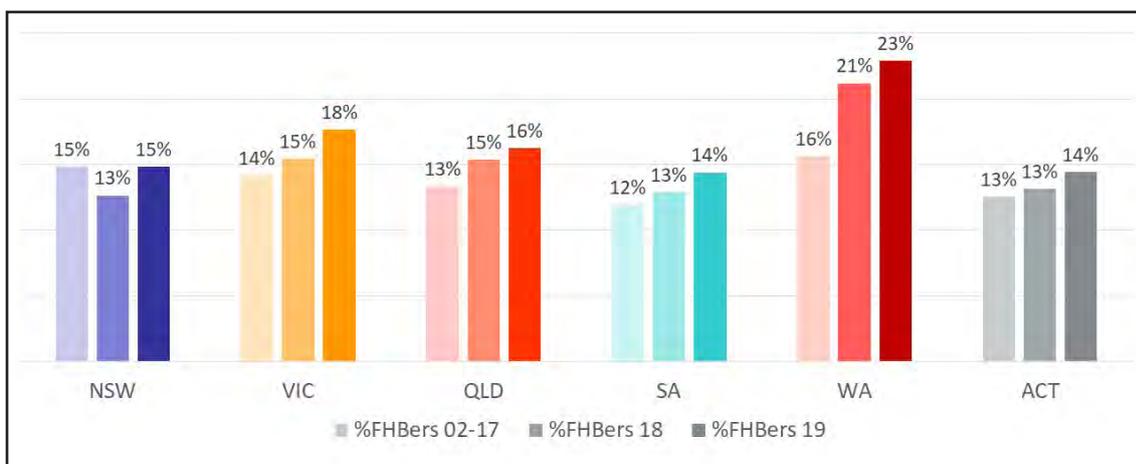
Source: UDIA; CoreLogic

- The deterioration of housing affordability in our largest population centres 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 high rates of population growth coupled with a generally insufficient supply response. Another key factor is the ongoing increase of government taxes and charges on development, which ultimately flow through to retail pricing.

First Home Buyers

- Aspiring First Home Buyers (FHBs) are a key group impacted by the housing affordability crisis. Despite the reality that the hurdles to home ownership have never been higher, an examination of 2018 versus 2019 housing finance data highlights an uptick in the proportional share of FHB activity across the country. The rise in FHB presence reflects the retreat of investors, moderation in dwelling value growth, further interest rate cuts and the on-going provision of various FHB grants and subsidies.

First Home Buyers as a % of Total Home Loan Market



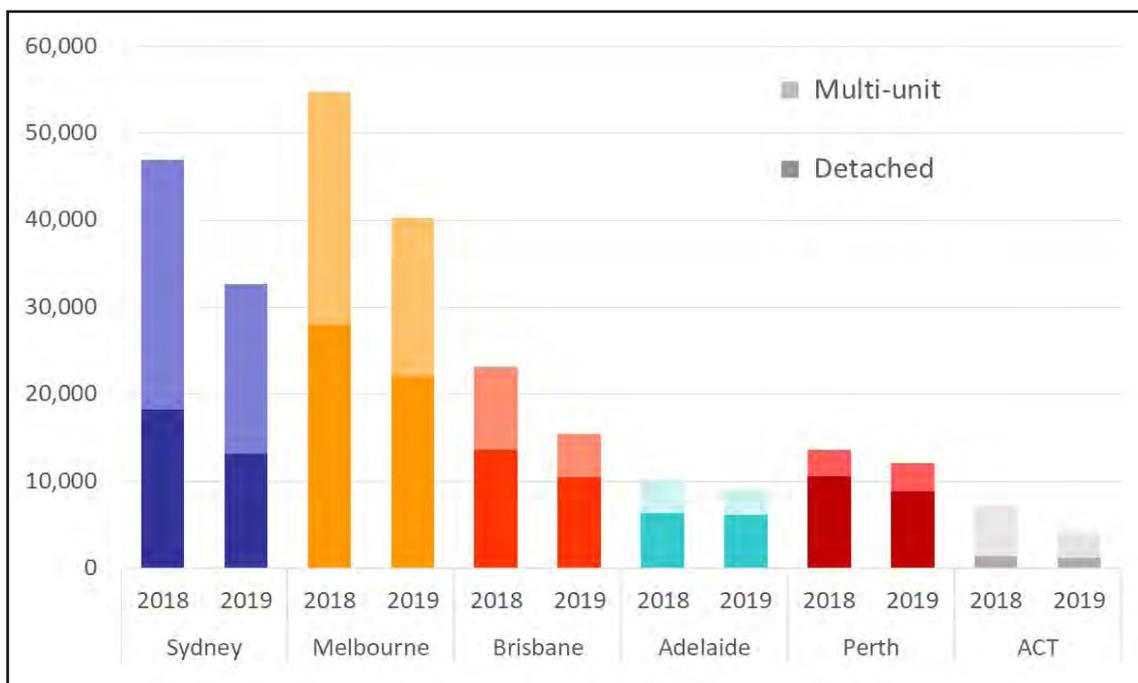
Source: UDIA; ABS

NATIONAL RESIDENTIAL MARKET OVERVIEW

Dwelling Approvals

- 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 subdued market conditions in 2018 and the first half of 2019 have precipitated a free-fall in capital city dwelling approvals which puts significant doubt on whether the forward pipeline can sustain the production levels needed to keep pace with population growth.
- Over the 2019 calendar year dwelling approvals fell:
 - ◆ 31% in **Sydney**;
 - ◆ 27% in **Melbourne**;
 - ◆ 33% in **Brisbane**;
 - ◆ 11% in **Perth**;
 - ◆ 9% in **Adelaide** and;
 - ◆ 40% in the **ACT**.

Capital City Dwelling Approvals, 2018 and 2019



Source: UDIA; ABS

RECOMMENDATIONS

The transformation of Australia's cities and regions continues to escalate. Rapid population growth, densification and demographic and technological change are combining to reshape our urban environments.

Every policy lever available to governments across the nation needs to be harnessed in the name of improved liveability. Central to this challenge is housing affordability.

The *State of the Land* report is a timely reminder of the long-term challenges facing Australia's housing markets.

There are tentative signs of a recovery in demand and improved access to credit; yet supply pipelines are thin. If the trend continues, the collision between stronger demand, increasing pricing and stalled supply will fuel another cycle of diminishing affordability.

That is why the Urban Development Institute of Australia (UDIA) is actively collaborating with federal, state and local governments on designing fit-for-purpose policy solutions.

Sound population policy allows us to more accurately forecast and plan for growth. Robust infrastructure investment lets us to stay ahead of the congestion curve. Understanding growth corridors affords us the opportunity to plot and construct the next generation of housing.

However, we also need to remain focused on the regulatory barriers across land use planning, development approval systems, and red and green tape that inhibit good development.

Where governments are responding well, we applaud their actions. More sensible lending standards, better population and settlement analysis, new investment in rail networks, a deeper understanding of housing markets and a review of green tape are welcomed.

There is more work to do however and over the year ahead UDIA will be seeking stronger efforts by governments to streamline environmental approvals, address inefficient planning systems, coordinate cities policy and overhaul inefficient and inequitable taxes on property.

Australia has the capital, the land and, above all, a well-credentialed housing industry to fix the problem. Our 2020 National Policy Priorities document, 'Building a Better Australia' chronicles the recommendations we make to government to improve housing affordability, boost economic growth and sustain jobs.

We look forward to working with our members and governments to deliver on them.

1. Streamline Environmental Planning Practices

UDIA National recommends using the Commonwealth's independent review of the *Environment Protection and Biodiversity Conservation (EPBC) Act* to achieve the following priorities:

- ✓ Ensuring proposed listings of matters of national environmental significance are underpinned by clear evidence and science – and accompanied by a Regulatory Impact Statement which also details potential economic impacts;
- ✓ Progress towards the 'one-stop shop' premise that underpins the EPBC Act and absorbs lessons from existing processes which work well;
- ✓ A fixed timeline for completing bilateral agreements and strategic assessments (as well as updating existing bilateral agreements) to strip out duplication and eliminate opportunities for different tiers of government to revisit earlier assessment outcomes;
- ✓ Development and application of statutory timeframes for responding to applicants, and introduce the concept of 'deemed consent' when they are not met;
- ✓ Providing a simpler and more effective regime for offsets;
- ✓ Lifting the quality, consistency and transparency of guidance – particularly through the referral process.

2. Busting the Barriers to Housing Supply

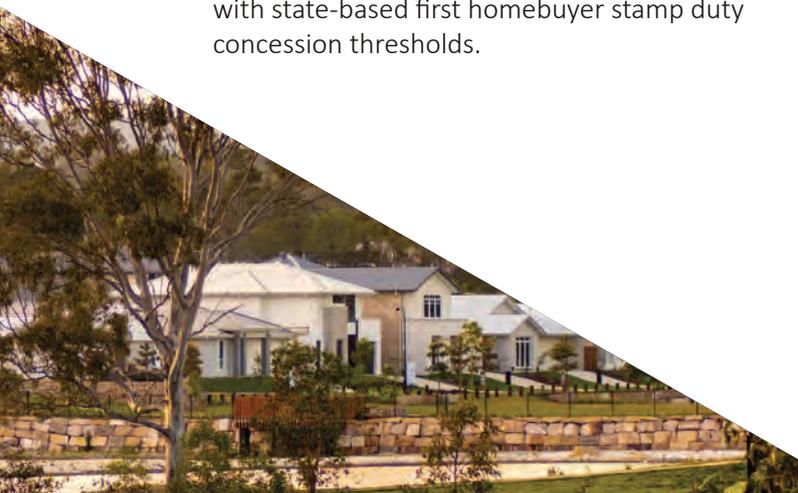
The expanded mandate for the National Housing Finance and Investment Corporation (NHFIC) should include:

- ✓ Welcoming industry leadership and dialogue to the table, with the appointment of private sector leaders to an advisory group to help inform research priorities and outcomes;
- ✓ Aligning populated data from the pending Intergenerational Report and new Centre for Population with the analysis that informs NHFIC's supply and demand estimates;
- ✓ Introducing financial incentives that prompt state and local governments to pursue genuine planning and approvals reforms and meet housing supply targets;
- ✓ Identifying and recommending removal of inefficient red and green tape, as well as statutory charges, that act as both a handbrake and a cost impost on the delivery of new housing;
- ✓ Mapping the current mix of taxes, charges and levies which are imposed on new housing – and establishing a league table benchmarking the states and territories;
- ✓ Assessing the relative efficiency (or inefficiency) and equity (or inequity) of each tax, charge or levy – and chart a short, medium and long-term path for eliminating taxes that are better captured through more equitable and broad-based revenue measures;
- ✓ Refining the income thresholds attached to the First Home Loan Deposit Scheme to ensure they are tailored to reflect the intersection of house prices and incomes in different cities;
- ✓ Aligning house price caps under the Scheme with state-based first homebuyer stamp duty concession thresholds.

3. Reducing the Red Tape on Housing

UDIA urges the Commonwealth to unveil a new productivity agenda to spur housing supply by designing a framework for using incentives to improve housing supply, land release and planning systems. This includes:

- ✓ Analysing the best method for utilising the Commonwealth's balance sheet strength to encourage state and local governments to act;
- ✓ Testing the capacity for the National Affordable Housing Agreement (NAHA), City Deals and Commonwealth investment in infrastructure to serve as the best vehicle for driving change;
- ✓ Establishing a series of benchmarks that state and territory governments will need to meet to access incentive payments, including:
 - The capacity of strategic plans and land release programs to meet population projections and housing demand;
 - Improvements to major project assessment regimes to lift the efficiency of land release and housing development;
 - Ongoing progress against housing supply targets for greenfield and brownfield housing.
 - Red tape reduction targets that seek to reduce both the quantum of regulatory costs imposed on new housing, and individual priority areas (such as depoliticised development assessment);
 - Measures to demonstrably reduce the time taken to progress developments through each phase of the approval process (ie: subdivision to development approval).



RECOMMENDATIONS

4. Leveraging Infrastructure to Diversify Housing Stock

The Commonwealth Government should be seeking a better return on its substantial outlay on infrastructure via project partners across the states, territories and local government, including:

- ✓ Identifying and securing long-term growth corridors – for both infrastructure and housing – to ensure they are aligned to population forecasts and strategic plans;
- ✓ Auditing all current infrastructure projects – as well as proposals from states and territories – to interrogate whether land use opportunities are being maximised;
- ✓ Linking infrastructure investments to local regions prepared to accept their fair share of population growth and housing supply;
- ✓ Increasing the focus on local-scale infrastructure which can generate significant improvements based on a small spend and in turn kickstart new housing;
- ✓ Charting and removing the barriers to the delivery of more diversified housing stock, particularly Build-to-Rent and mixed tenure affordable housing;
- ✓ Planning for the ageing population by ensuring the diversity and facilitation of housing choice for seniors is accommodated.

5. Aligning the Agenda

Building national prosperity, fostering stronger cities and delivering more housing that meets the needs of the market today and generations to come requires good and efficient government.

In the interests of aligning the work across government in support of these goals, UDIA National recommends:

- ✓ Using the refresh of the Intergenerational Report in 2020 to establish a common baseline of data and assumptions that feed into all policy making;
- ✓ Consistently applying the new population projects to underpin the work of government agencies and initiatives, starting with:
 - ✓ The National Housing Finance and Investment Corporation;
 - Infrastructure Australia;
 - The Centre for Population and National Population Plan, and;
 - The National Cities Performance Framework.
- ✓ Ensuring states and territories devise strategic land use and infrastructure plans based on these common population projections;
- ✓ Crafting an Infrastructure Accord that seeks to immunise the identification, funding and delivery of major infrastructure projects from partisan politics;
- ✓ Establishing a rolling pipeline of City Deals to strategically invest in and plan growth ‘hot spots’ across our cities and regions – and benchmark the performance of ones already underway.



SOUTH EAST QUEENSLAND

SUMMARY



- The SEQ region recorded an 11% annual reduction in new dwelling completions in 2019 which was driven primarily by a contraction in multi-unit completions.
- While the combined (greenfield and multi-unit completions) new market supply was lower than the yield achieved in 2018 it still remained 13% higher than the long run average.
- The marketplace remains challenged in many areas due to lower demand following unprecedented multi-unit supply in 2015/16 and moderated new lot sales from 2017/18.
- Restrictive lending had a severe impact on local investors, confidence, and home buyer purchasing power, with investor activity well below long term levels.
- Lot and apartment sales remain subdued but well placed in terms of value to buyers. Increased activity is expected in 2020, provided government regulatory frameworks do not impact adversely on the forward supply pipeline.

New Residential Market Supply^[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

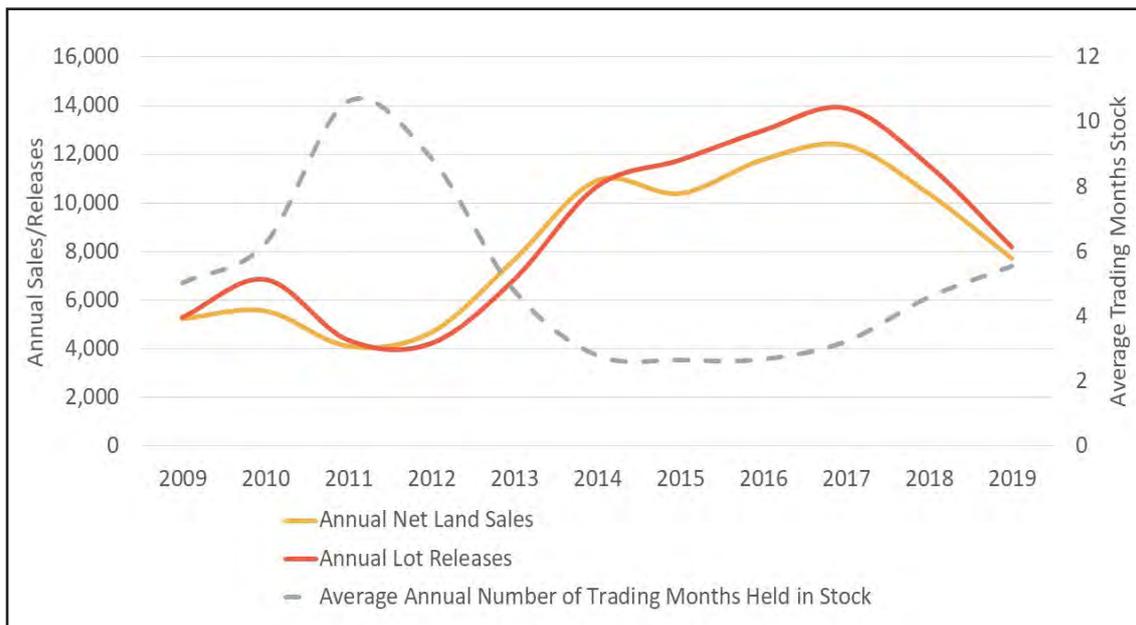
[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The market recorded a 26% reduction in annual land sales in 2019 to average 642 net lot sales per month. This reflects a maintenance of a two-year declining trend in land sales activity from the 2017 peak when an average of 1,030 net lot sales per month were being transacted.
- Industry responded to the softer market conditions by releasing lower levels of stock in 2019, with a total of 8,188 annual lot releases, which was 29% lower than 2018 and 41% lower than 2017.
- Sales volumes were low, particularly in the June quarter when there were just 535 net lot sales per month, resulting in a build-up of unsold inventory. This translated into a 6-year annual average high of 5.6 trading months held in stock.
- Stock levels now appear to be dropping with clearance levels moving up to 120% of that produced.

Annual Greenfield Activity



Source: UDIA; Research4

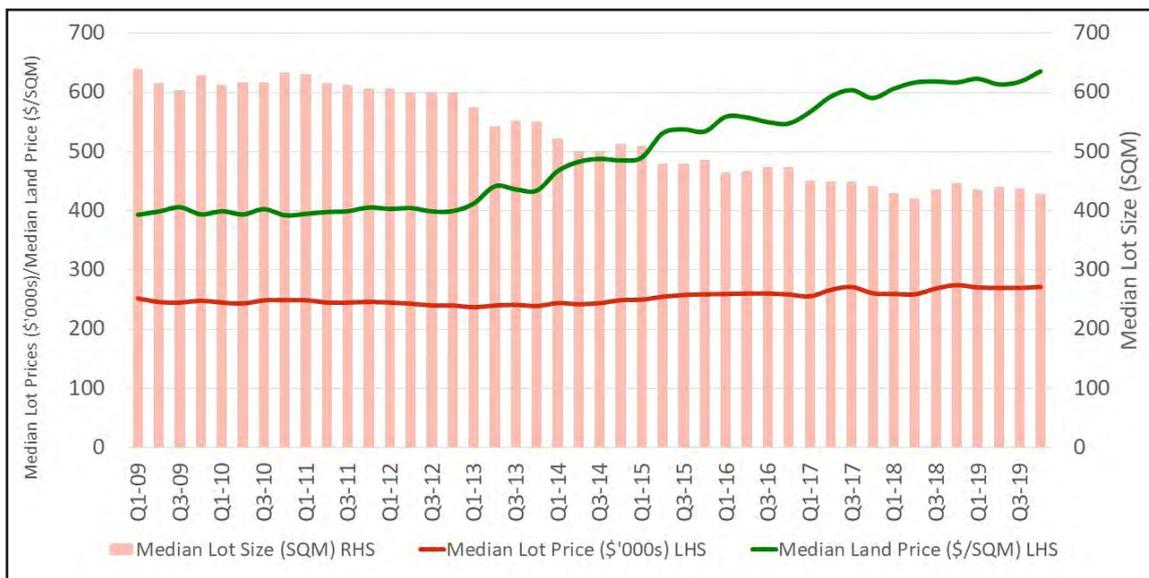
Active Estates & Industry Capacity

- Actively trading estates were down across the year with the highest count in the March quarter with 180 estates leading to the December quarter closing with 161 estates.
- The lower levels of active estates across the year reflects smaller subdivisions (less than 250 lots) not being replaced with new projects.
- Despite the lower levels of competition, the industry profile in the December quarter is assessed by the Research4 Development Capacity Ratio (DMR) as a 'balanced market' with production potential for 2.4 lots for every lot that is required.

Median Lot Pricing

- The December quarter median lot price was \$272,000 which represented 51% of the Greater Brisbane established median house price of \$538,000 (CoreLogic) as at November 2019.
- This compares to the long run average of 53% of the median house price (across 2009-2018) indicating that lot pricing is currently under a 'fair-value' benchmark and represents a strong retail value proposition.
- In line with long term trends there was once again only minimal growth in the SEQ median lot price across 2019 (+1.9%).
- The flat-lining of land pricing is a direct result of the highly competitive landscape across SEQ which is keeping a cap on pricing.

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



Source: UDIA; Research4

Median Lot Sizes

- The SEQ median lot size for the December quarter 2019 was 428 sqm which reflected a drop of 4% from December 2018.
- The gradual retraction in lot sizing reflects the market seeking to provide a product at a price affordable to home buyers.
- Smaller lots have significant market acceptance, and this has helped edge-up per square metre land rates to \$622 per square metre for the year which is up 1.3% from 2018.

Moreton Townhomes by Tessa Developments

SOUTH EAST QUEENSLAND

Greenfield Sub-markets

- The 2019 market performance across the majority of the SEQ submarkets can be described as 'steady' with marginal movement in median pricing for all but Ipswich (+9%) and Brisbane (-13%).
- The state government's Land Supply and Development Monitoring Report indicates low levels of uncompleted lot approvals relative to sales rates in Gold Coast, Sunshine Coast, Redland City, Brisbane, and Moreton Bay.
- The median lot prices for the 2019 December quarter for the SEQ LGAs were:
 - ◆ Logan: \$218,000
 - ◆ Ipswich: \$228,000
 - ◆ Moreton Bay: \$271,000
 - ◆ Redlands: \$295,000
 - ◆ Gold Coast: \$314,000
 - ◆ Sunshine Coast: \$327,000
 - ◆ Brisbane: \$355,000

Greenfield Market Performance 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	5,233	84	622	\$248	\$398
2010	5,554	107	620	\$247	\$397
2011	4,107	129	616	\$246	\$400
2012	4,667	147	602	\$242	\$402
2013	7,655	157	555	\$239	\$431
2014	10,909	169	509	\$245	\$481
2015	10,383	144	489	\$256	\$523
2016	11,773	143	470	\$260	\$554
2017	12,366	166	448	\$264	\$588
2018	10,370	193	433	\$266	\$614
2019	7,714	167	435	\$271	\$622

Source: UDIA; Research4



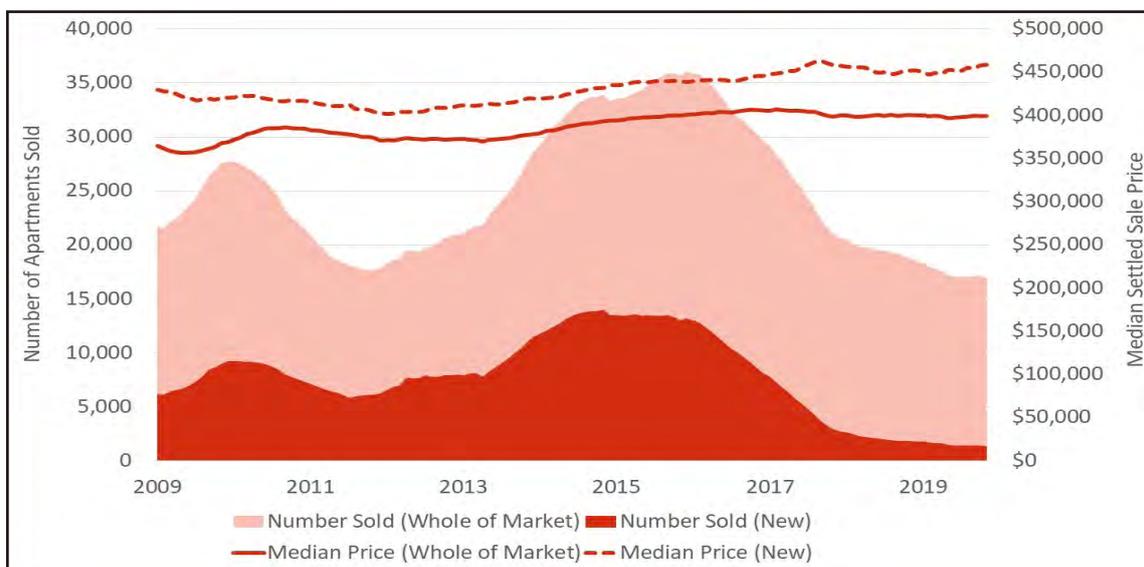
SOUTH EAST QUEENSLAND

MULTI-UNIT | INFILL ANALYSIS

Sales Activity

- Multi-unit sales activity in SEQ remains subdued after a steep decline in 2016-2017.
- There was a total of 16,880 settled apartment sales (whole of market) in the year to November 2019; the lowest level of activity seen in at least the last decade. This is 53% below the peak of 36,100 experienced in 2015, as areas of oversupply, retreat of foreign purchasers and financing restrictions began to bite.
- Sales volumes for new apartments fell 91% from the peak in 2015 (13,990 sales) to just 1,337 sales in the 12 months to November 2019.
- The negative growth in sales volumes for the broader apartment market has slowed considerably in recent years, with the year-on-year decline of 10%.
- As SEQ continues to experience high population growth, UDIA expects the sales activity to improve in response to an emerging undersupply of apartments. Development activity more recently has focused on owner-occupier buyers, however investors are expected to reemerge in the coming 12 months.

Multi-Unit Sales, Whole of Market & New Sales (Settled)



Source: UDIA; CoreLogic

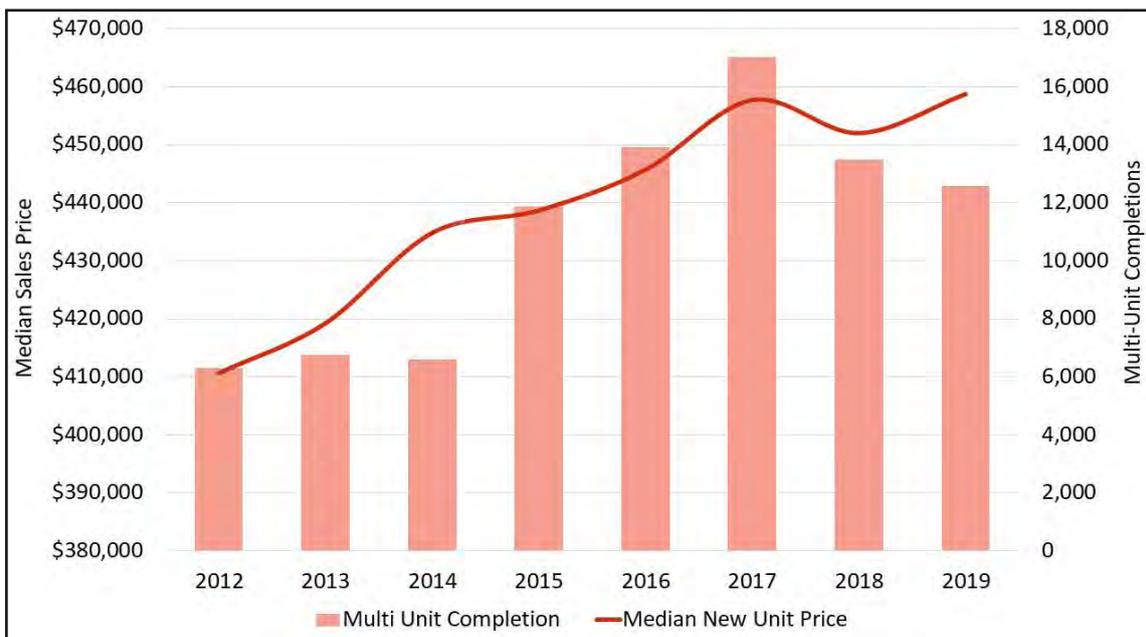
Median Unit Pricing

- In contrast to the dramatic movements of sales volumes, the median price of apartments in SEQ has remained relatively stable over the last decade.
- The median price of all SEQ multi-units remained at \$399,060 over the 12 months to November 2019.
- This represents a 12% increase on the 2009 price of \$356,450.
- The median price of a new apartment was \$458,700, representing growth of 2% over the year to November 2019, and an increase of 14% on the 2009 median price of \$401,360.

Construction Activity

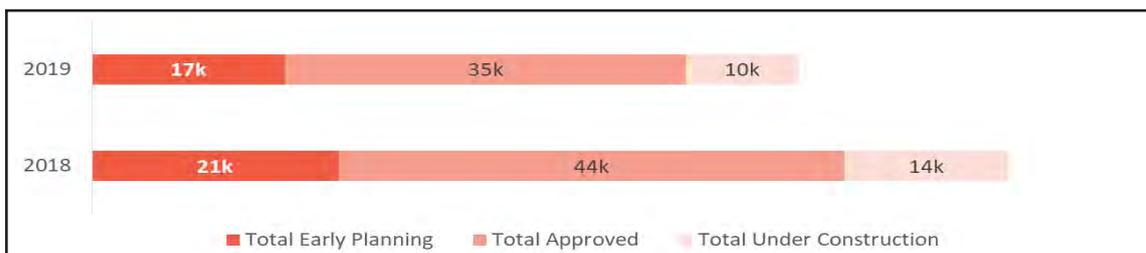
- There were 12,580 new apartments completed across SEQ in 2019. This is down 7% from 2018 and is 9% lower than the long term average.
- This reflects the decline in the SEQ apartment pipeline following a historic high of 17,020 completions in 2017.
- More than 40% of the new multi-unit completions in SEQ occurred within 5km of the Brisbane city centre, with 4,887 new units built in 2019.
- The next highest proportion (28%) occurred greater than 50km from the Brisbane city centre, demonstrating the prominence of the Gold Coast and Sunshine Coast in the SEQ apartment market.
- Reflecting the above, the top three postcodes for multi-unit completions were 4000, 4006, and 4101, all in the Brisbane inner city. The next highest were 4209 and 4212, both in the Gold Coast.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis

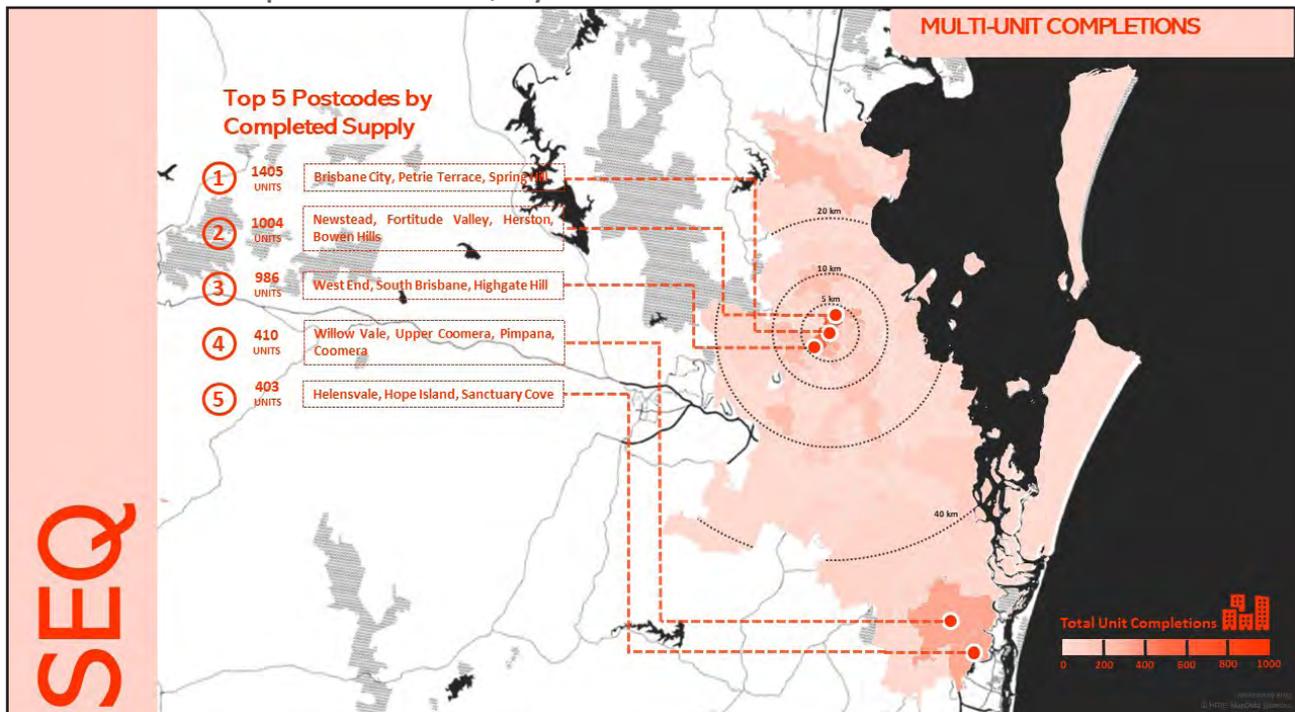


Source: UDIA; CoreLogic

Pipeline Analysis

- CoreLogic has produced point-in-time estimates of the multi-unit pipeline based on a December 2018 and a December 2019 snapshot of the industry leading Cordell Construction database.
- These estimates show that the forward supply of apartments in SEQ is declining and at risk.
- The total active multi-unit pipeline across SEQ was 61,240, down 30% from 2018. This is made up of units under construction (down 46%), approved units yet to start construction (down 26%), and units in early planning (down 28%).
- With completions numbers already declining, it's likely that a boost in the pipeline in the near term will be needed to meet future demand.

Multi-Unit Completions 2019, by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The majority of 2019 apartment sales activity in South East Queensland occurred in Brisbane City and the Gold Coast, with 6,295 and 6,359 apartment sales respectively.
- This was followed by the Sunshine Coast with 2,152 sales and Moreton Bay with 1,052 sales.
- These regions also fared best in terms of price, with the Gold Coast, Sunshine Coast and Brisbane City remaining stable over the year.
- Moreton Bay's median apartment price fell by 5%, while median apartment prices in Redland, Scenic Rim, Logan, and Ipswich all fell by an average of 7%.

SOUTH EAST QUEENSLAND

Multi-Unit Market Performance Summary Table

	2019	Annual Change
Multi-Unit Sale Volumes (Whole of Market)	16,880 (Nov 2019)	-10%
Multi-Unit Sale Volumes (New Stock)	1,337 (Nov 2019)	-26%
Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)	\$ 458,700 (Nov 2019)	2%
Total New Multi-Unit Completions	12,586 (Dec 2019)	-7%

Source: UDIA; CoreLogic

BROADER MARKET TRENDS

- The population of Queensland increased by 85,676 in 2018/19, steady with the previous year and continues the stronger than longer term average growth.
- Net interstate migration continues strongly at levels not exceeded since the 2000s.
- Housing demand is strongly related to growth in employment. Over the year to December 2019 employment growth in Queensland increased 1.6%. Job advertisements however have declined 6% from 2017/18 levels.
- Underlying demand for all detached and attached dwelling types is forecast to average 2,427 per month over the coming year.
- Lot sales per calendar month have been low through 2019 in line with the reduced demand precipitated by financing restrictions.
- Economic and population calculations suggest an underlying demand for around 780 to 800 lots per month average for 2020. The industry will need to watch demand outcomes closely to ensure supply can be brought on.
- Multi-unit completions slowed further in many areas and face headwinds including increasing local government requirements. However, with underlying demand likely to take up stock, evidenced by declining valuation issues for some off-the-plan sales, suggests opportunities for further development activity in the apartment market.

SOUTH EAST QUEENSLAND

STATE POLICY ENVIRONMENT

- The Queensland development industry has been challenged to respond to a range of policy announcements and it looks like there's no let-up in 2020. State Government departments are moving on a number of fronts with numerous releases of draft strategies and policies for consultation and regulation changes. The rapid pace of this change represents significant risks to the smooth delivery of housing to meet the population growth needs of the community. As always, uncertainty is a major threat to industry operations.
- Key among the challenges is responding to regulation change around the Koala Conservation Strategy, planning scheme changes that increase costs on development, declining land supply resources and increasing reliance on fragmented raw land stocks.
- Government has stated that new koala habitat mapping, increased areas of clearing prohibition and removal of some previous exemptions for new housing in zoned housing areas is expected to remove the potential for 4,300 homes. However, the industry is presently assessing this and expects that with edge effects, continuation and potential expansion of local government overlays, the impact will be far greater.
- UDIA QLD's position is that a more strategic landscape scale approach should be taken to koala habitat protection, ensuring sustainable corridors and national parks for koalas and other species separate from urban areas. Our most iconic species is not well served by small fragmented patches of habitat close to highly urbanised areas.
- Other important changes also coming through include increased minimum on-site carparking standards for apartments in Brisbane; increased energy infrastructure costs; rental reforms; changes to cultural heritage processes; new bushfire requirements; new building project trust account requirements; and increases to taxes on foreign related development activity.
- Land supply for greenfield and infill projects is a critical issue, with increasing difficulty in accessing well serviced affordable land supply stocks, which are a significant driver underpinning affordable stock provision for homebuyers. Substantial concerns are present for greenfield land supplies in the Redland City, Gold Coast, and Sunshine Coast. In Moreton Bay good land supply and planning outcomes have been delayed by structure planning and infrastructure issues.
- The industry however has significant hopes for the state government's Growth Monitoring Program and action on the slow-moving underutilised fragmented land areas. Early outcomes on structure planning and other tools would enable the industry to better activate these areas in a timely manner. We are also hopeful for more infrastructure investment from all levels of government that can catalyse better land supply and liveability in this region.



Michael Stone
*General Manager
Development, QLD
Peet Limited*

"The outlook for the SEQ greenfield market is positive on the back of increased infrastructure expenditure by the State Government and continued population growth. Environmental and planning policy changes have impacted supply across all growth corridors and continues to create uncertainty for new investment and supply. The only impediment to housing growth over the short term is the strict bank finance conditions and inconsistent valuations the industry has experienced over the past 18 months."



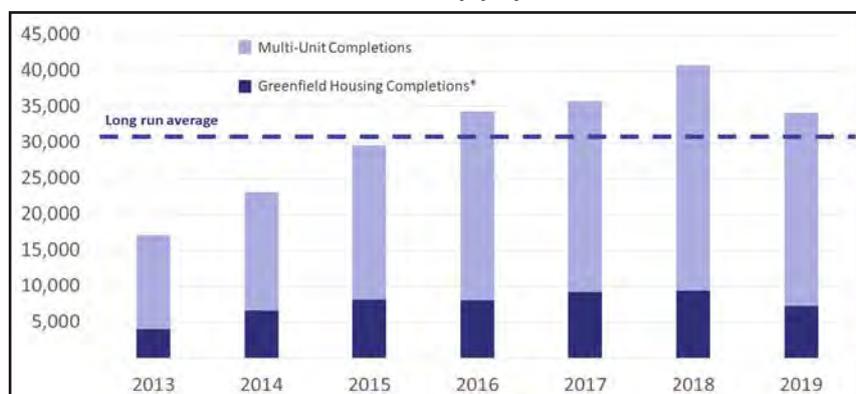
SYDNEY

SUMMARY



- Sydney's new housing market experienced a roller-coaster ride in 2019, featuring a deeply challenging first half of the year followed by a more positive second half of the year, with rebuilding consumer confidence causing the industry to rebound.
- The Sydney housing market recovery was underpinned by the continued stimulus provided by lower interest rates, improved access to home loan finance, and greater certainty following the State and Federal elections.
- New product sales improved markedly in the second half of the year with greenfield lot sales more than doubling and off-the-plan apartment enquiries and sales also picking up strongly in the second half.
- Despite the positive end to the year, Sydney recorded a 16% annual decrease in completed new market supply in 2019 with reduced production across both greenfield housing (-23%) and multi-unit (-14%) project completions, however new market supply was still 11% higher than the long term average.

New Residential Market Supply^[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

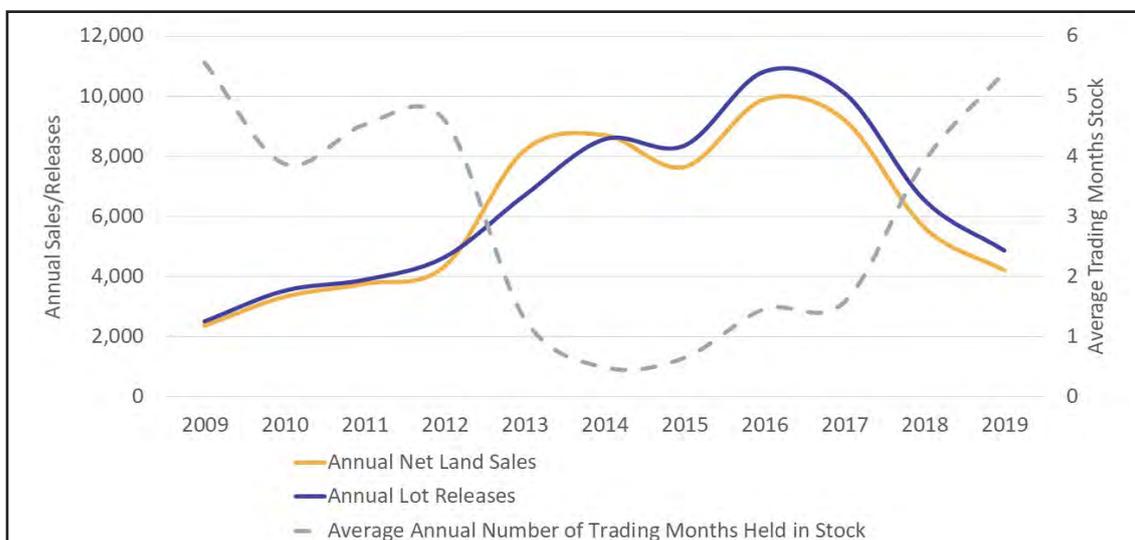
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GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The Sydney greenfield market recorded a 25% reduction in annual land sales in 2019 to an average of 351 net lot sales per month. This is the lowest volume of lot sales recorded for Sydney since 2011, with the 2019 aggregate of 4,219 sales down 57% from the peak of 2016.
- Challenging market conditions lead to the comparatively low levels of stock released to market across 2019. There was a total of 4,860 annual releases which was 26% lower than 2018, with the average quarterly release of 1,216 lots being 24% lower than the long-term average (2009-2019). While releases were particularly low in the March quarter (872 lots), industry confidence steadily returned through the year with December quarter releases totalling a year-high of 1,662 lots.
- Clearance rates improved across the year, with a 100% rate achieved in the December quarter, as compared to 75% in the March quarter. The strong end of the year helped clear a backlog of unsold inventory, but the sluggish clearance rates achieved in the first half of the year resulted in the average trading months of unsold stock for the year equalling 5.4 months – up from 3.9 months in 2018.

Annual Greenfield Activity



Source: UDIA; Research4

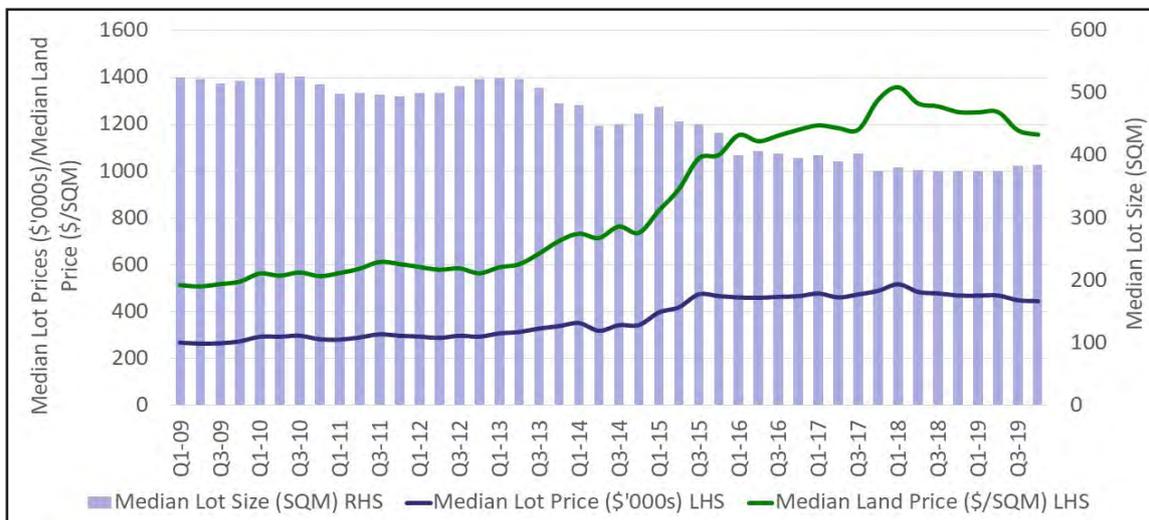
Active Estates & Industry Capacity

- Despite the low sale and release volumes, the average number of active trading estates (81) across the year remained in line with the estate counts recorded in recent years – including 2016 which delivered more than double the output.
- A number of estates are set to trade-out in 2020, particularly in the South West of Sydney, so new estates will need to quickly replace them to maintain the positive forward production momentum, and retain a healthy competitive trading profile.

Median Lot Pricing

- The median lot price contracted by 6% across 2019 to average \$459,000. This is the first time negative lot price growth has been observed for the Greater Sydney market over the 11 years of the NLS time series.
- The moderation of land pricing is a direct result of the competitive landscape operational across the metropolitan area, in addition to the correction in broader established housing market values.
- The December quarter median lot price was \$459,000 which represented 49% of the established median house price of \$905,000 (CoreLogic as at Nov19) for Greater Sydney. This compares to the long run average of 51% of the median house price (across 2009-2018), indicating that lot pricing is currently under a 'fair-value' benchmark and represents a positive retail value proposition.

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



Source: UDIA; Research4

Median Lot Sizes

- The median lot size sold across Sydney in 2019 was 380 sqm which reflects a 1% increase on the 2018 average lot size and has arrested the trend of average block size contraction observed year-on-year since 2012, albeit only slightly.
- In line with median lot price contraction, the annual median land price per square metre reduced by 7% in 2019 to average \$1,209 psm which represents the lowest rate recorded since 2016. Despite the reduction, the Sydney land price per square metre is currently 44% higher than Melbourne – the nation's second most expensive land market.

The Grange at Marsden Park by Winten Property Group

Greenfield Sub-markets

- Greater Sydney currently has only two substantive active sub-markets: the North West and the South West. The NLS also tracks the West and Liverpool sub-markets however these two sub-markets accounted for negligible activity in 2019.
- The South West has historically been a bigger volume market than the North West due to a larger number of estates with greater capacity. This is underscored in the December quarter 2019 with the South West capturing 58% of net lot sales, followed by the North West with 36% of sales.
- The major active supply precincts in the South West have been East Leppington, Edmondson Park and Oran Park which have each consistently accounted for circa 20% each of net lot sales per month.
- Over the last three years the majority of sales activity in the North West have occurred in Marsden Park (32%), Box Hill/Box Hill Industrial (27%), and the Riverstone (19%) precincts.

Greenfield Market Performance 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	2,378	40	520	\$269	\$517
2010	3,337	42	524	\$293	\$560
2011	3,771	49	498	\$295	\$592
2012	4,344	65	508	\$295	\$580
2013	8,206	69	509	\$323	\$635
2014	8,719	49	461	\$340	\$738
2015	7,659	54	455	\$440	\$968
2016	9,909	87	402	\$463	\$1,154
2017	9,227	84	392	\$476	\$1,215
2018	5,649	86	377	\$488	\$1,295
2019	4,219	81	380	\$459	\$1,209

Source: UDIA; Research4



SYDNEY

MULTI-UNIT | INFILL ANALYSIS

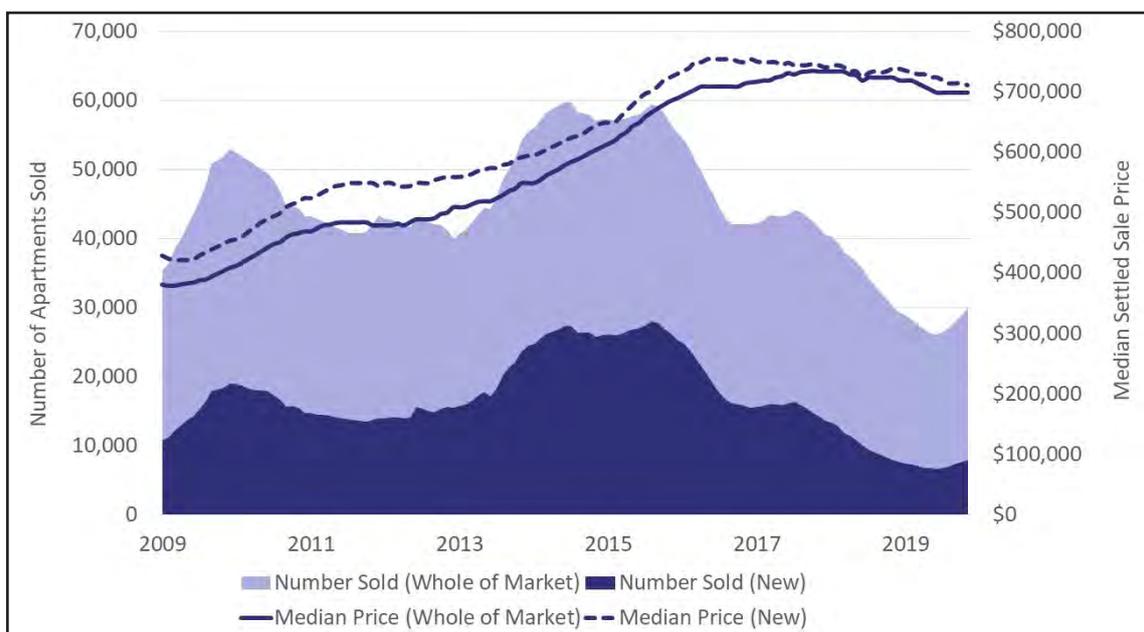
Sales Activity

- Multi-unit sales activity in Greater Sydney staged a second half of the year recovery after a steep decline over two years. There were 30,009 settled multi-unit dwelling sales (whole of market) in the year to November 2019, representing a 15% increase from the low of 26,104 (rolling annual average) experienced in June 2019.
- New multi-unit dwelling sales have also recovered, rebounding 19% since June 2019 to reach 7,913 in November. Despite this recent recovery, multi-unit sales activity is still down significantly from the peak experienced in early 2016; with new multi-unit dwelling sales 72% below the 2016 peak, and whole-of-market multi-unit sales down 50%.

Median Unit Pricing

- The median sale price of multi-unit dwellings in Greater Sydney was \$700,000 in the year to November 2019, representing a decline of 3% over the year, and down 5% from the peak in late 2017 of \$736,000.
- For new multi-unit dwellings, the median price in the year to November 2019 was \$711,990, down 4% on the year and 6% below the peak also in late 2017 of \$755,000.

Multi-Unit Sales, Whole of Market & New Sales (Settled)

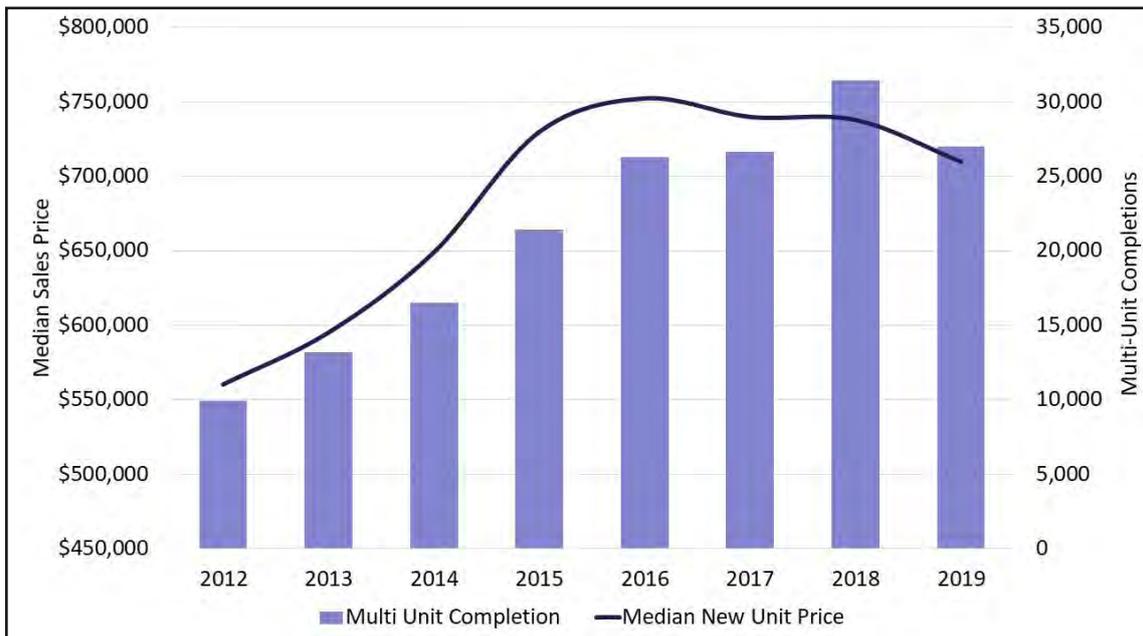


Source: UDIA; CoreLogic

Construction Activity

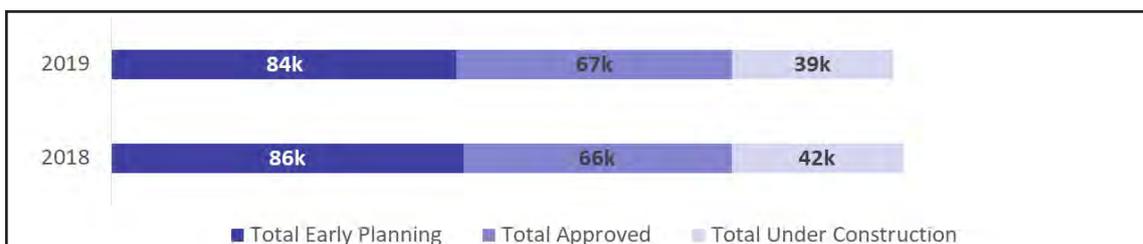
- There were 26,992 new multi-unit dwellings completed in Greater Sydney in 2019. This is an annual decline of 14%, bringing completions back in line with the long run average after an historic high in 2018.
- The majority (58%) of the new multi-unit dwelling completions in Greater Sydney occurred between 10km and 50km away from the Sydney city centre.
- These completions were split evenly between the 10km to 20km and the 20km to 50km distance bands, and highlights the significance of multi-unit residential development across Greater Sydney in areas outside of the inner city.
- This is highlighted by the postcodes with the highest levels of multi-unit dwelling completion. While three of the top five postcodes were within 10km of the city centre, postcode 2155 (Rouse Hill) contributed the second highest volume of completions of any metropolitan postcode with 1,372 units and postcode 2750 (Penrith) contributed fifth most with 895 units.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis



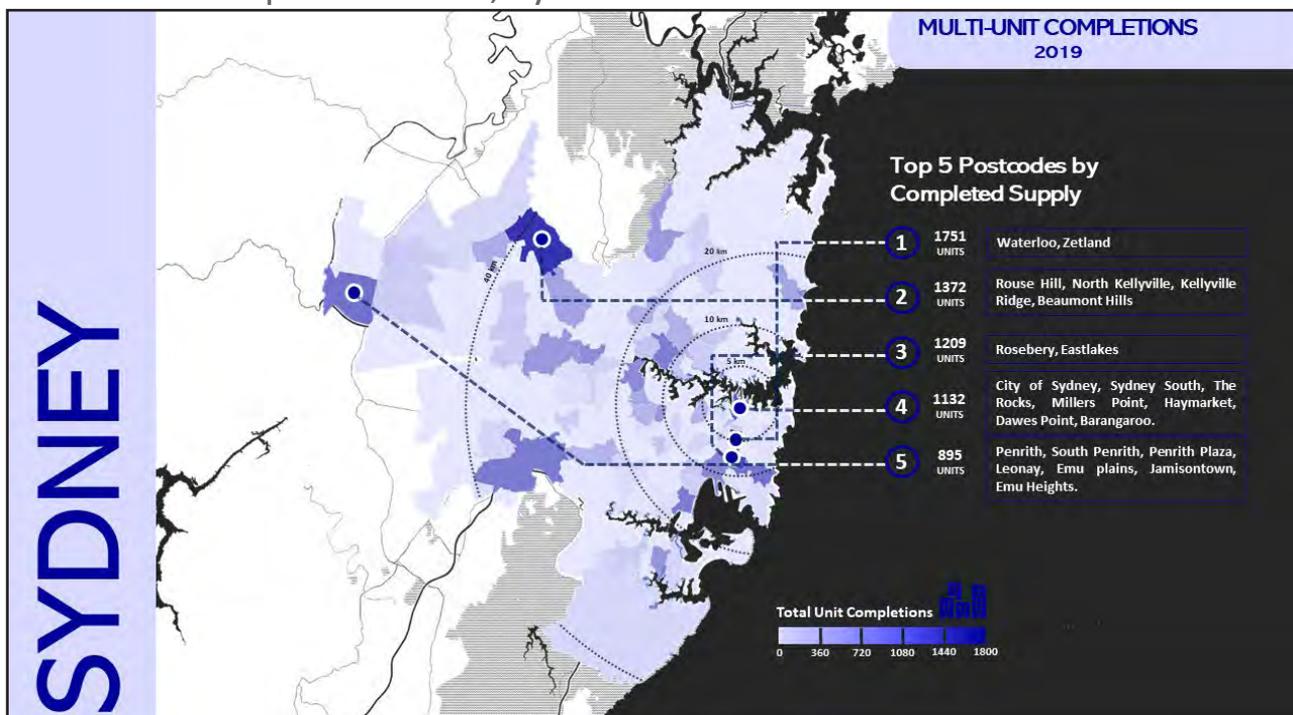
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2018 and a December 2019 snapshot of the market leading Cordell Construction database.

- The total active pipeline number is 191,337 units.
- This is made up of units under construction (down 6% from 2018), approved units yet to start construction (up 3%) and units in early planning (down 2%).

Multi-Unit Completions 2019, by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The City of Sydney had the most multi-unit sales activity (by LGA) in Greater Sydney, despite experiencing a 7% decline in annual sales with over 3,000 units sold in the year to November 2019, at a median sale price of \$862,250.
- This was followed by Parramatta with 1,968 sales, the Northern Beaches with 1,947 sales, and Sutherland Shire with 1,687 sales.
- The LGAs (with more than 100 sales in the year) experiencing the best multi-unit dwelling price movement were Mosman (up 4%), Burwood (down 1%) and The Hills Shire (down 1.5%).
- The City of Sydney faced a decline in annual pricing of 2% and Parramatta multi-unit prices fell by 5%.

Multi-Unit Market Performance Summary Table

	2019	Annual Change
Multi-Unit Sale Volumes (Whole of Market)	30,009 (Nov 2019)	0%
Multi-Unit Sale Volumes (New Stock)	7,914 (Nov 2019)	0%
Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)	\$711,990 (Nov 2019)	-4%
Total New Multi-Unit Completions	26,992 (Dec 2019)	-14%

Source: UDIA; CoreLogic

BROADER MARKET TRENDS

Approvals

- Dwelling approvals in Greater Sydney have been falling dramatically in the last two years, putting the forward pipeline of dwelling supply of the city at risk.
- Approvals declined by 26% in 2018, bringing them to 43% below the peak of 60,318 recorded in September 2016.
- Apartments comprised the largest component of the decline, with approvals for apartments with 4 stories or taller down 33% on the year and down 59% since the 2016 peak.

Population

- The population of New South Wales grew by 123,000 in 2019, a step down from the high seen in 2016 but above the decade average of 104,000.
- New South Wales continues to have negative Net Interstate Migration with a net loss of 47,000 people in 2019, losing 13% more people to other states than in 2017.
- This is balanced by strong on-going Net Overseas Migration, which has been maintained above 90,000 since 2016, and robust levels of Natural Increase.

- To provide housing for Greater Sydney's growing population profile, Research4 estimates there an estimated underlying demand for all dwelling types of approximately 2,784 per month.

Finance

- Housing finance activity in New South Wales started to improve in the final months of 2019 after declining in the recent downturn, although the total value of lending (excluding refinancing) in New South Wales still fell 14% over the year.
- This was driven primarily by falling investor activity, with the total value of lending to investors retracting by 23% over the year. Investor lending comprised 48% of the market in mid-2017, and just 34% in December 2019.
- The situation is beneficial for first home buyers, who made up 15% of the market in December 2019, up from 12% in December 2018.

SYDNEY

STATE POLICY ENVIRONMENT

- The 2019 calendar year commenced with significant political uncertainty with State and Federal elections scheduled in the first half of the year. The year was also framed with broad concerns around building quality and defects.
- The Government started to focus strongly on planning reform, particularly following some controversial decisions from the Independent Planning Commission, and the NSW Productivity Commission identifying the planning system as a key barrier to productivity and jobs in NSW.
- In November, the Premier announced planning reform as a key priority to help cut red tape, increase transparency and reduce assessment timeframes. The focus on planning reform in 2020, including mandating e-planning for metro councils, is welcomed and brings much needed transparency. We hope this will accelerate the industry's ability to secure approvals in a timely manner.
- UDIA NSW continued strong advocacy on infrastructure funding through our Housing the Next Generation campaign, which focused on extending the cap on development contributions, which is due to be removed on 1 July 2020. Uncapping will place substantial pressure on development, increasing charges beyond \$100,000 per lot in some areas. UDIA NSW is pleased that the Premier has announced that 2020 will be the year that government will fix the uncertainty of developer contributions to boost investment.
- The recent media profiling of several residential towers experiencing structural defects, has led to a strong focus on building regulation reform throughout 2019 led by the newly appointed Building Commissioner – with whom UDIA NSW has been deeply engaged. The NSW

Government's *Design and Building Practitioners Bill* was introduced in November, which increases the requirement for Practitioners to declare compliance with the BCA, to support an improved certification process.

- The planning for the Aerotropolis is continuing to progress, with the 'Western Sydney Aerotropolis Planning package' released in December 2019. UDIA NSW has been emphatic that government must make key decisions now to ensure the Aerotropolis is 'ready for take-off' when the airport opens in 2026. Our advocacy has focused on implementation, infrastructure provision, urban design, water management and biodiversity.
- We are anticipating the release of the McNaughton report in 2020 investigating faster-rail connections between the regions and Sydney. This important study will inform a raft of planning and investment decisions which will shape the Greater Sydney mega-region for decades to come.
- The UDIA NSW policy focus for 2020 is on 'making planning work', resolving infrastructure funding and coordination, restoring confidence in building quality, as well as enabling Western Sydney and the Greater Sydney mega-region to grow, which will create greater certainty for the development industry and provide a catalyst for renewed economic growth.



Richard Rhydderch
General Manager NSW
Development & Design
Stockland

"What a difference 12 months can make in property. After spending the first half of 2019 speculating on the bottom of the residential cycle we now sit in the midst of one of the strongest market recoveries on record. The Sydney housing market has almost recovered to be at 2017 levels, with the media now predicting price growth of 5-10% through 2020.

The recovery has been supported by a number of immediate factors, including the well-publicised changes to APRA lending requirements resulting in improvements in lending conditions, greater certainty following the State and Federal elections, and the continued uptick in infrastructure investment. The market fundamentals have remained strong throughout, with low interest rates, employment growth and strong inflows from overseas migration. This has setup much improved market conditions for 2020."



MELBOURNE

SUMMARY



The Victorian residential development sector experienced a significant downturn in 2018 and the first half of 2019 off the back of unprecedented growth in 2017. The downturn is the result of wide-ranging changes to housing, fiscal, and planning policy and legislation since April 2016.

- The market started showing signs of improvement in the second half of 2019 and has started 2020 with sales in both greenfield lots and new apartments trending upwards, but still lower than the decade average.
- Access to finance remains tight for both developers and homebuyers. Developers found it challenging to obtain finance in 2017 and 2018 due to oversupply concerns from lenders, low presales from projects, and construction quality concerns. However, as the Melbourne market moves in to undersupply this year, there is an expectation that lenders will view the residential sector more favourably. Funding appetite for emerging development models including Build-to-Rent is expected to increase as the first of several demonstration projects commence in 2020.
- Access to finance for homebuyers may improve this year as lenders move away from the Household Expenditure Model (HEM) benchmarks, however increased scrutiny of expenditure will persist.
- The total supply of new dwellings to market in 2019 was approximately 41,000, which continues the downward trend from 2018 and represents an annual decline of approximately 3,000 dwellings. This is substantially lower than the annual target of 50,000 new dwellings outlined in the Victorian Government's housing strategy.

Overall the forecast for industry activity in 2020 is positive for Victoria's residential development sector as it continues to work hard to deliver the housing supply and community development required by sustained long-term high levels of population growth.

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The Melbourne greenfield market recorded a 48% contraction in annual land sales in 2019 to average 682 net lot sales per month. This continues a two-year decline in sales activity from the peak of 2017 when an average of 1,990 net sales per month were being transacted.
- Developers responded to the subdued market conditions by releasing lower levels of stock to market in 2019, with a total of 11,964 annual lot releases which was 35% lower than 2018 and 48% lower than 2017. While clearance levels improved across the year, the poor performance in the first half of 2019 resulted in a build-up of unsold inventory driving a metropolitan wide 6-year annual average high of 5.9 trading months held in stock.

New Residential Market Supply^[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

Active Estates & Industry Capacity

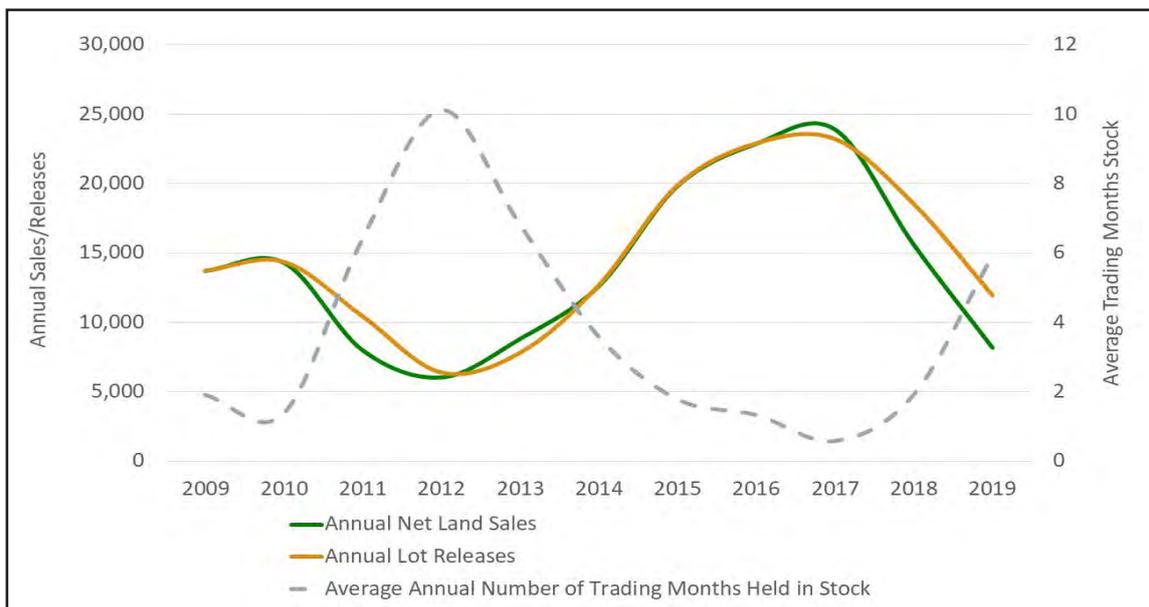
- The number of estates trading increased across the year from 148 in the March quarter to 172 in the December quarter – which represents the highest number of active estates with sales recorded within the 11-year NLS reporting history.
- The majority of the new estates added to the competitive Melbourne greenfield marketplace had less than 250 lots.
- According to the Research 4 Development Capacity Ratio (DCR) assessment the highly competitive greenfield land market across Greater Melbourne translates into a current industry capacity to deliver 2.3:1; which means that for every one block of land needed, the industry can produce 2.3 blocks. This current industry ratio reflects a relatively balanced market between supply and demand.

[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

Median Lot Pricing

- Melbourne's median lot price contracted by 2.6% in 2019 with the market still digesting the steep price jumps recorded in 2017 and 2018.
- The December quarter median lot price was \$327,000 which represented 46% of the established median house price of \$710,000 (CoreLogic) for Greater Melbourne (as at November 2019). This compares to the long run average of 42% of the median house price (across 2009-2018), indicating lot pricing is currently significantly higher than historical norms – in both absolute and relative terms.

Annual Greenfield Activity



Source: UDIA; Research4

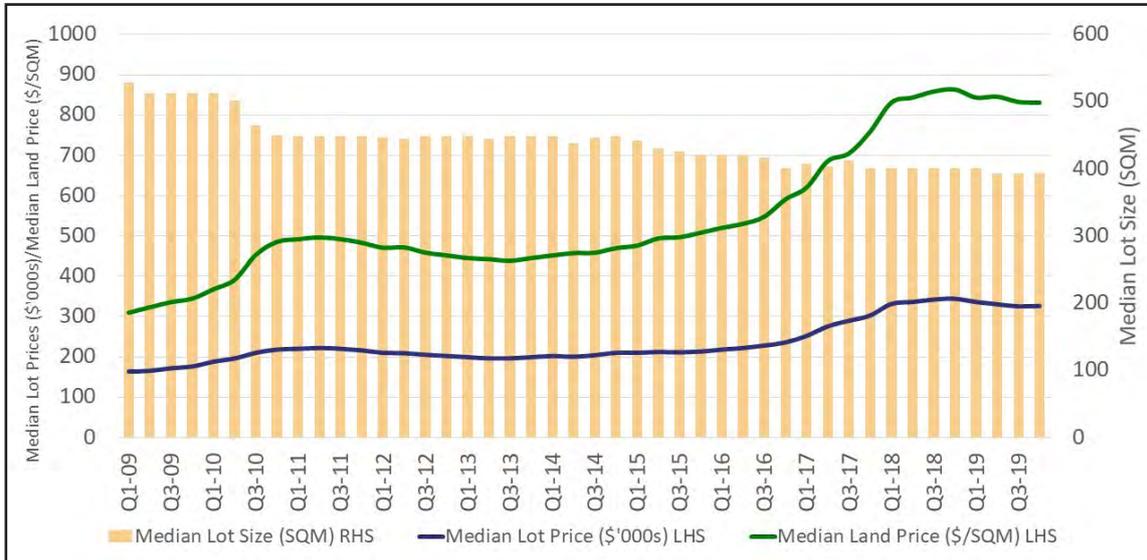
Median Lot Sizes

- Melbourne's median lot size dropped to 395 sqm in 2019 which reflected a 1.4% drop from 2018. This continued the on-going lot size reduction trend across Melbourne's growth corridors since 2009 which has seen lot sizes steadily reduce each reporting year.
- The reduction in median pricing helped drive a modest 1.6% improvement in land rates to \$837 per square metre. This still reflects an 84% increase on 2014 rates.

Central Walk Drysdale by Urban Land Developments

MELBOURNE

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

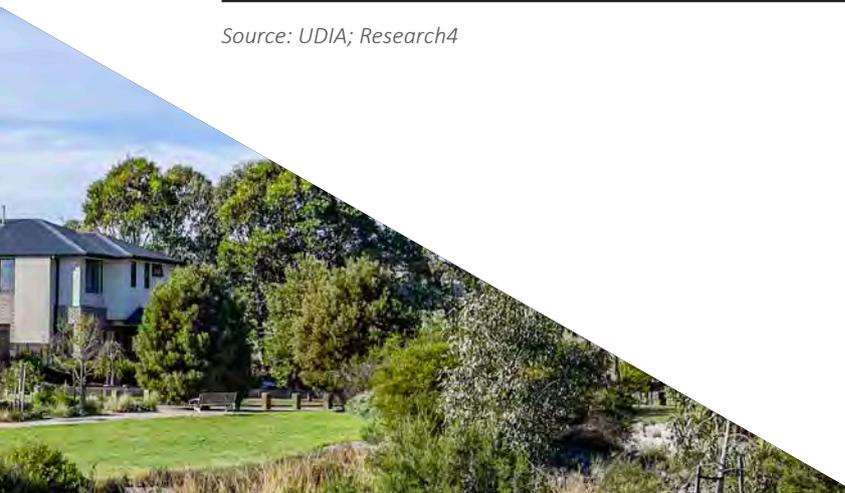


Source: UDIA; Research4

Greenfield Market Performance 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	13,716	98	516	\$169	\$327
2010	14,308	90	482	\$203	\$421
2011	7,994	117	448	\$219	\$490
2012	6,041	141	447	\$207	\$462
2013	8,822	151	447	\$198	\$442
2014	12,616	153	445	\$204	\$458
2015	19,835	154	429	\$212	\$493
2016	22,876	138	414	\$226	\$546
2017	23,903	124	406	\$280	\$691
2018	15,593	129	400	\$339	\$848
2019	8,178	162	395	\$330	\$837

Source: UDIA; Research4



MELBOURNE

MULTI-UNIT | INFILL ANALYSIS

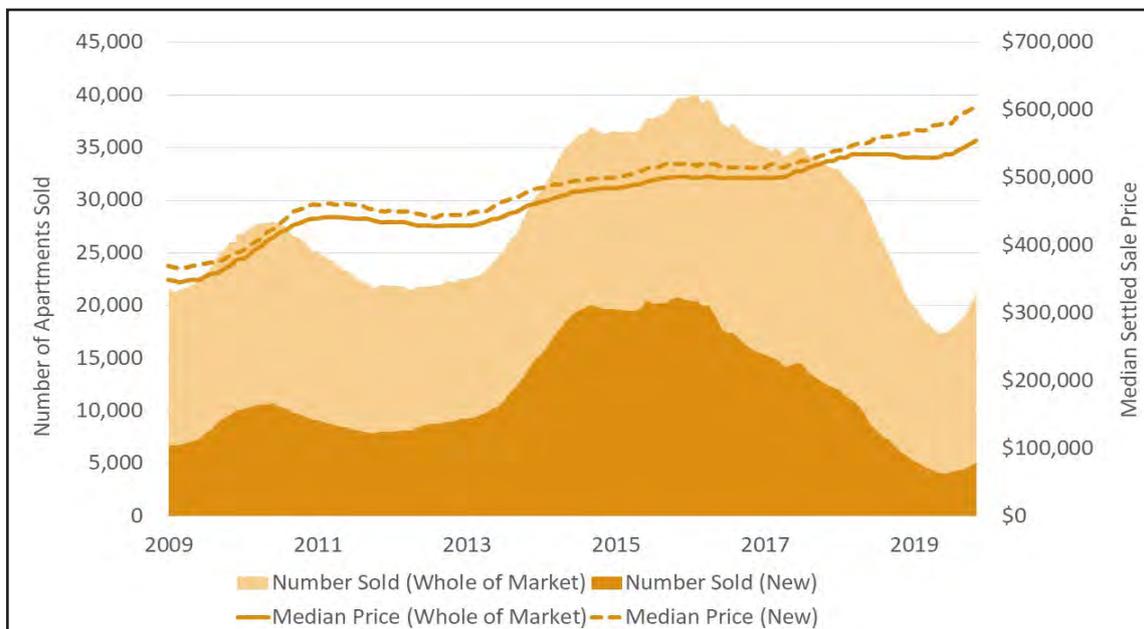
Sales Activity

- Apartment sales activity in Melbourne has started to recover after two years of negative growth.
- There were 21,113 settled apartment sales in the year to November 2019, a 22% increase from the low of 17,365 experienced as recently as May 2019 (based on a rolling annual average).
- New apartment sales have also recovered, rebounding 26% since June 2019 to reach 5,095 in November. Despite this recent recovery, new multi-unit sales activity is still 76% below the early 2016 peak, while the market as a whole is down 47%.

Median Unit Pricing

- In contrast to the dramatic movements of sales volumes, the median price of apartments in Melbourne has experienced relatively consistent growth over the last decade.
- The median price of a Melbourne apartment in November 2019 was \$555,000, an annual increase of 5%, while the median price of a new apartment was \$605,000 with a year-on-year change of 7%.

Multi-Unit Sales, Whole of Market & New Sales (Settled)



Source: UDIA; CoreLogic

Construction Activity

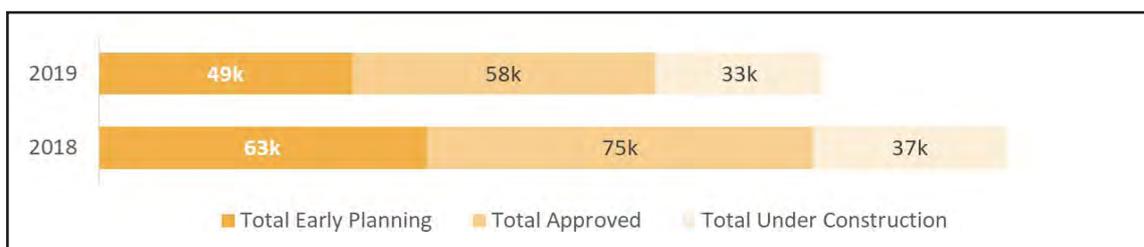
- There were 22,782 new apartments completed across Greater Melbourne in 2019. This is a 9% improvement over 2018 and falls just 3% short of the 5-year average, which is buoyed by a substantial peak in 2017.
- The most (35%) new multi-unit dwelling completions in Greater Melbourne occurred between 10km and 20km from the city centre, supported by areas such as Clayton and Murrumbeena.
- The inner city (within 5km of the city centre) contributed 32% of new units, while the 5km to 10km band and the 20km to 50km band contributed approximately 15% each.
- The top contributing postcodes were all within the first or third band, with 3000 (Melbourne) contributing the most new unit completions at 1,379.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis



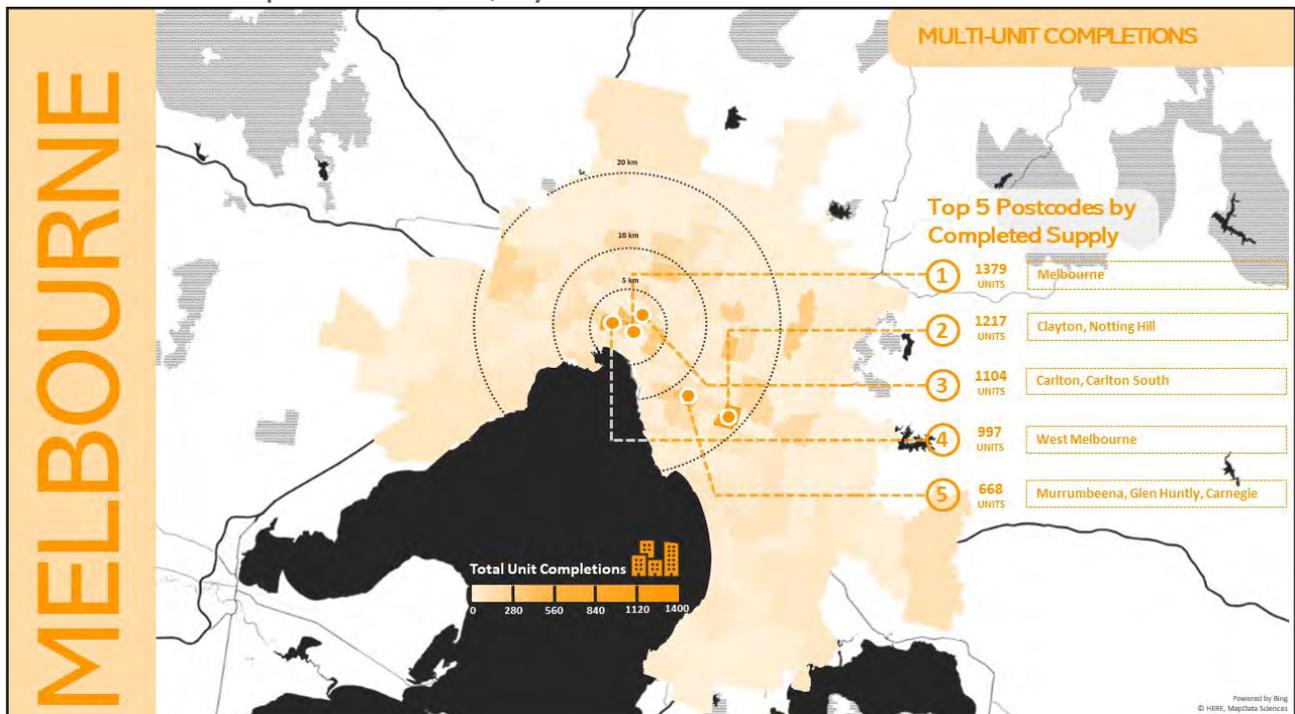
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2019 and a December 2018 snapshot of the industry leading Cordell Construction database. These estimates show that the forward supply of apartments in Melbourne may be under threat.

- The total active pipeline numbers just 140,000, down 20% from 2018. This is made up of units under construction (down 13%), approved units yet to start construction (down 22%) and units in early planning (down 23%).
- The decreased weighting of units in early planning shows Melbourne is moving units through the pipeline faster than they are being replaced, which may impact future levels of supply.

Multi-Unit Completions 2019, by Postcode



Source: CoreLogic; UDIA

Sub-Market Analysis

- The City of Melbourne had the most multi-unit sales activity of Greater Melbourne's LGAs, despite experiencing a 30% decline in sales over the year, with over 2,000 units sold in the year to October 2019 at a median sale price of \$505,000.
- This was followed by Port Phillip with 1,472 sales, Moreland with 1,286 sales, and Kingston with 1,075 sales.
- In contrast, the LGAs experiencing the highest apartment price growth were Manningham (up 17%), Moonee Valley (up 12%) and Monash (up 10%). The City of Melbourne faced a decline in price of 4% while Port Phillip remained stable.

Multi-Unit Market Performance Summary Table

	2019	Annual Change
Multi-Unit Sale Volumes (Whole of Market)	21,113 (Nov 2019)	-5%
Multi-Unit Sale Volumes (New Stock)	5,095 (Nov 2019)	-16%
Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)	\$ 605,000 (Nov 2019)	6%
Total New Multi-Unit Completions	22,782 (Dec 2019)	9%

Source: CoreLogic; UDIA

BROADER MARKET TRENDS

- Private consumption in Victoria continues to decline in response to ongoing low wage growth. Investment in the residential sector is also continuing to decline in response to falling residential building approvals.
- Access to finance remains tight for both developers and home buyers. Developers found it challenging to obtain finance in 2017 and 2018 due to oversupply concerns from lenders, low presales from projects, and construction quality concerns. However, as the Melbourne market moves in to undersupply this year, there is an expectation that lenders will view the residential sector more favourably. Likewise, access to finance for homebuyers may improve this year as lenders move away from the Household Expenditure Model (HEM) benchmarks however increased scrutiny of expenditure will persist.
- Overall, the fundamentals of the residential development sector remain strong. Victoria is experiencing continued population and employment growth which are both supporting strong underlying demand.
- Based on population numbers alone, underlying demand for all housing types is currently estimated to be 3,859 dwellings per month for metropolitan Melbourne. The forecast is for total housing demand [all types of housing stock] to average 3,759 dwellings per month.
- Future threats to the sector include the introduction of more taxes and levies by the State Government, weak purchasing power due to low wage growth, the increasing cost of living, a reduction in the availability of finance for purchasers, and the significant retreat of investors from both the greenfield and apartment markets.



Ed Krushka
Project Director, Residential
Development VIC
Stockland

"The Melbourne residential market has faced some headwinds in the past 12 months however there are signs of market conditions improving.

Constraints to the market are the result of ongoing fallout from the Financial Services Royal Commission and the tightening of credit for projects and home loans, as well as the combined impacts of policy and regulatory changes at both Federal and State level.

Measures introduced to discourage investors continue to have an impact on future supply in the apartment market, meanwhile the greenfield market is constrained by delays in planning and the delivery of infrastructure.

Despite this, ongoing population and employment growth is providing strong underlying demand and we are confident the market will continue to improve if State Government continues reform in facilitating the delivery of homes, infrastructure and services our communities need."

STATE POLICY ENVIRONMENT

Housing Policy

- The State Government's housing policy framework – Homes for Victorians- seeks to secure a supply of affordable housing for Victoria's growing population. A key plank of this policy framework is the removal of off-the-plan stamp duty concessions for investors and an increase in stamp-duty-concessions for first home buyers.
- There is evidence that this initiative, combined with other policy interventions and an overall tightening of availability of project and retail finance for residential projects, has had a perverse outcome of contributing to the reduction in the pipeline of new dwelling supply, particularly apartment stock, which is expected to result in a lower total supply pipeline of new dwellings in 2020.

Fiscal Policy

- The Federal and State Governments have effectively used fiscal policy to discourage investment in the residential sector. A significant increase in taxes payable by property investors who are both non-residents and residents has had the effect of drastically reducing investor demand for housing products. This, combined with the tightening of availability of project and retail finance for residential projects, has made it more difficult for projects to secure finance to deliver both investment dwellings for rent and dwellings for homeowners.
- The State Government also increased existing taxes in 2019, specifically the foreign purchaser duty and the absentee land tax surcharge, in addition to introducing significant amendments to state taxes in 2019. The amendment to the *Duties Act 2000* now means Development Agreements attract stamp duty, and the amendment to the *Land Tax Act 2005* changed the method for applying land tax to primary production land. Both taxes will increase the cost of purchasing, and holding, land in greenfield areas prior to residential development starting.

- The building cladding rectification levy came into effect on 1 January 2020 and is also expected to increase the cost of delivering apartment projects.

Planning Policy

- The State Government acknowledged the challenges faced by the development industry within planning and development approval processes, appointing the Commissioner for Better Regulation to carry out a major review of the system in 2019. Industry submissions highlighted the challenges faced across layers of planning policy and regulation creating uncertainty and making investment decisions increasingly difficult.
- There has also been an increasingly heavy reliance on the Victoria Planning Provisions to deliver a range of State Government policies, including the delivery of affordable housing. Compounding this, Local Governments have been carrying out ad-hoc planning scheme amendments that directly impact on the feasibility of delivering residential development across metropolitan Melbourne and regional areas.
- The viability of infill apartment developments in inner Melbourne has been impacted by planning scheme amendments restricting height and urban form, while middle ring developments have been impacted by uncertainty and limited information regarding the State Government proposed Suburban Rail Loop.
- Apartment developments have also had to adjust and respond to the Better Apartment Design Standards which were introduced in 2018 and have been the subject of review since 2019.
- In Melbourne's growth areas the revised developer contributions system introduced in 2018 continues to have significant impacts on the development approval pathway and the time it takes to deliver houses to market.



PACE of Collingwood by Pace Development Group

ADELAIDE

SUMMARY



The Adelaide Greenfield market for the 2019 year experienced a slow but positive lift in total activity. This has been due to the continued strengthening of the Adelaide Hills submarket.

Despite this improvement, the level of competition between trading estates remains tight. This competitive landscape has yielded very affordable land prices making Adelaide the most affordable national Greenfield market. This, combined with a greater choice of locations in which to buy, will provide the foundation from which to further build the Adelaide Greenfield brand. Future success will be closely aligned with the ability to diversify the brand across multiple submarkets. This diversification of location will underpin a wider product range and also a greater capacity to capture housing demand from across metropolitan Adelaide.

- The multi-unit and infill market saw 3227 units completed in 2019, which was an 86.3% increase from 2018.
- The City of Adelaide had the most apartment sales activity in Greater Adelaide with 526 units sold in the year to October 2019, an increase of 18% on the year, and a median sale price of \$430,000.
- This was followed by Charles Sturt with 453 sales, Port Adelaide Enfield with 302 sales, and Holdfast Bay with 293 sales.

The state policy environment for 2019 began with optimism and UDIA SA continued to reinforce our membership's advocacy message through our GROW | REFORM | BUILD Blueprint for our future, which centred on promoting population growth strategies, reforming planning and tax systems as well as infrastructure investment. The introduction of land tax changes as well as some uncertainty related to Planning Reforms will continue to impact the sector in 2020 but to what extent is unknown.

- Adelaide recorded a 50% annual increase in completed new market supply in 2019 which was driven primarily by a significant lift in multi-unit completions.
- The combined (greenfield and multi-unit completions) new market supply was 43% higher than the long run average.

New Residential Market Supply^[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

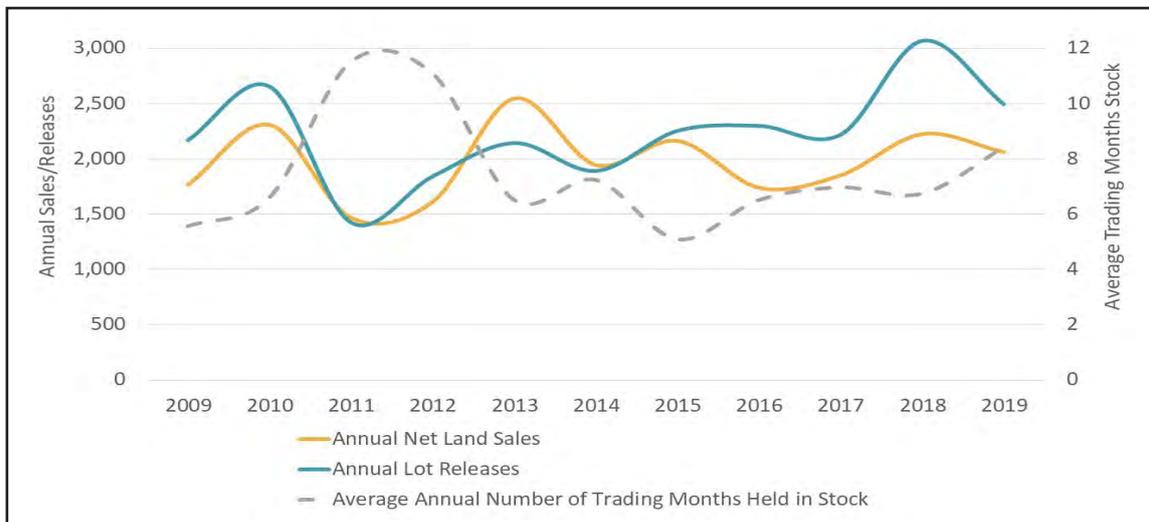
- The Adelaide greenfield market recorded a 7% reduction in annual land sales in 2019 to average 172 net lot sales per month.
- The lower annual volumes were driven by softer activity in the June and September quarters, but rebounded strongly in the December quarter with 215 net lot sales per month.
- The strong December quarter lot sales result reflected a near NSL record – and well above the long-run average of 159 sales per month.
- The development industry responded to the improving market fundamentals by releasing higher than average stock in the September (612 lots) and December (608 lots) quarters – which was approximately 10% higher than the long-term quarterly release average.
- While the average trading months of unsold stock was 8.4 months across the 2019 calendar year, the stronger performance in second half of the year translated into more positive result of 6.2 months for the December quarter.

Active Estates & Industry Capacity

- There was a record annual average number of 74 active trading estates observed in Adelaide across the year. The 2019 average count of estates recording sales each quarter is up 23% from the long-run average and more than double the average number of active estates in 2009.
- According to the Research4 Development Capacity Ratio (DMR) assessment, the highly competitive greenfield land market in Adelaide translates into a current industry capacity of 3:1; which means that for every block of land needed the industry can produce three blocks. A 2:1 ratio is rated as ideal, which indicates there is a current surplus of industry capacity relative to demand.

[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

Annual Greenfield Activity



Source: UDIA; Research4

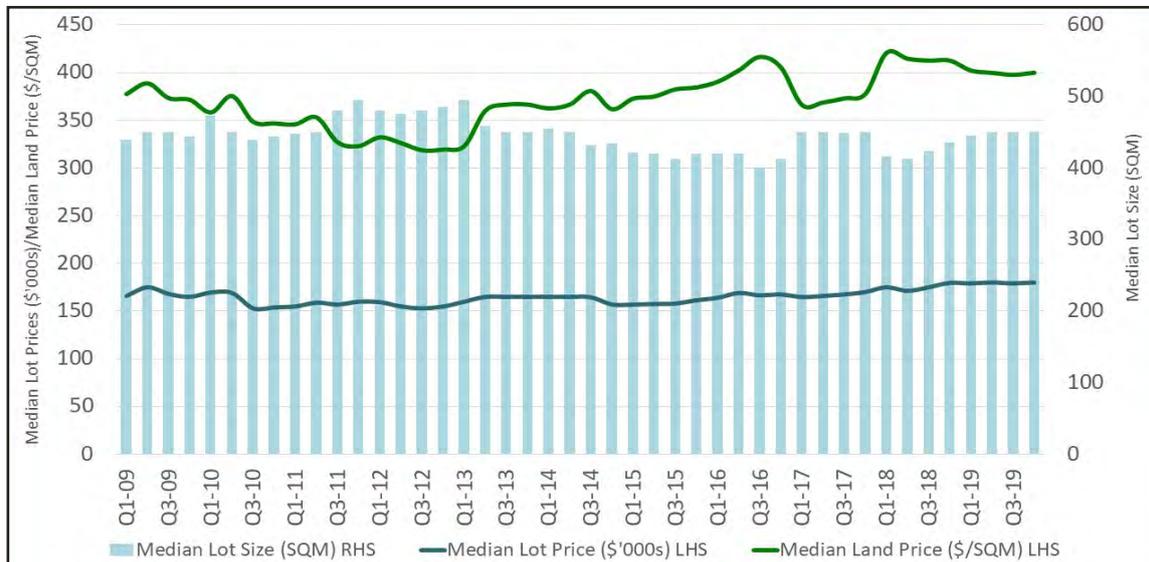
Median Lot Pricing

- In line with long term trends, there was once again only minimal growth in Adelaide's median lot price across 2019 (+2.5%). The flat-lining of land prices is a direct result of the highly competitive landscape operational across the metropolitan area, in addition to the on-going subdued growth in broader established housing market values.
- The December quarter median lot price was \$180,000 which represented 39% of the Adelaide's established median house price of \$460,000 (CoreLogic) as at November 2019. This compares to the long run average of 40% of the median house price (across 2009-2018) indicating that lot pricing is currently marginally under a 'fair-value' benchmark and represents a strong affordability and retail value proposition.

Median Lot Sizes

- The Adelaide median lot size for the December quarter 2019 was 450 sqm which reflected an increase of 3.4% from December quarter 2018. Adelaide is the only capital city market where lot sizes increased across the year – which in part reflects the growth in sales and importance of the Adelaide Hills sub-market.
- The larger median lot sizing and more affordable median lot pricing translated into Adelaide hosting the nation's most affordable land rates. The annual median land rate retracted by 4% in 2019 to \$400psm which represents the lowest rate since 2015.

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



Source: UDIA; Research4

Greenfield Sub-markets

- The Adelaide market has been able to generate greater activity, due in part, to strengthening of the Adelaide Hills submarket. Historically, North Adelaide has been the major player for the Adelaide Greenfield market commanding close to 50% of all activity.
- North Adelaide for the 2019 year represented 33% of total activity while Adelaide Hills accounted for 31% of total annual activity.
- Land prices across the submarket range from \$158,000 for the Barossa through to \$200,000 for the South Adelaide market.
- The rise in popularity of the Adelaide Hills submarket has increased competition and as a result, price growth has slowed for that submarket.

Greenfield Market Performance 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	1,765	35	446	\$168	\$378
2010	2,306	40	452	\$161	\$357
2011	1,467	45	468	\$158	\$337
2012	1,613	53	480	\$156	\$324
2013	2,544	67	463	\$164	\$353
2014	1,944	66	443	\$163	\$368
2015	2,162	62	419	\$158	\$379
2016	1,739	57	413	\$167	\$404
2017	1,851	58	450	\$167	\$371
2018	2,223	71	422	\$175	\$415
2019	2,060	74	449	\$179	\$400

Source: UDIA; Research4

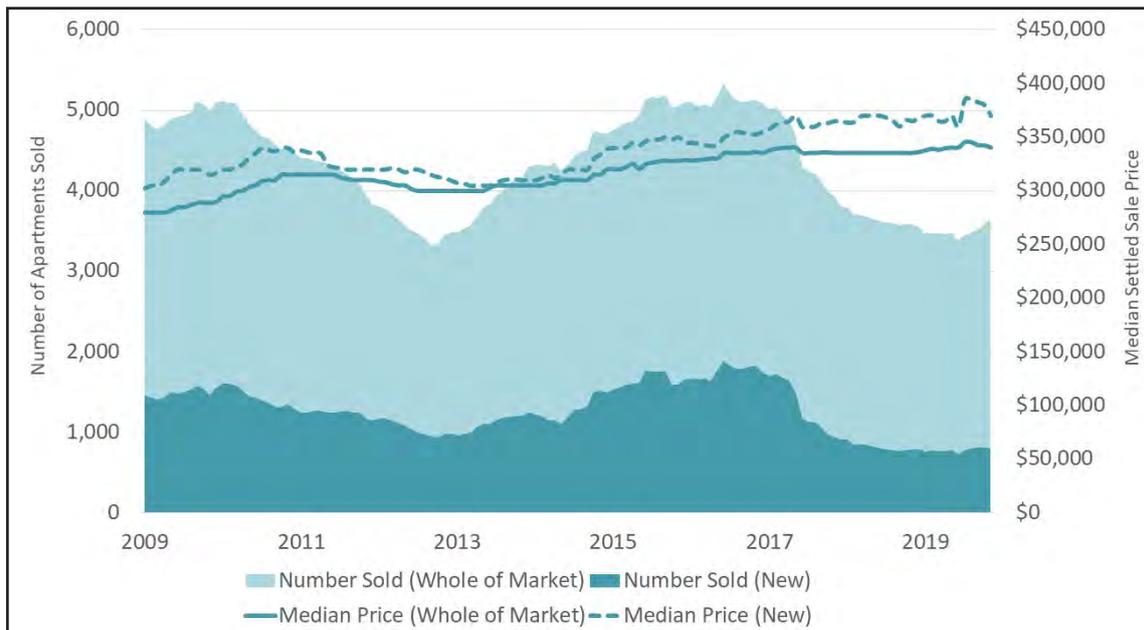
ADELAIDE

MULTI-UNIT | INFILL ANALYSIS

Sales Activity

- Apartment sales activity in Adelaide has started to show signs of recovery in the second half of 2019. There were 3,658 settled multi-unit sales in the year to November 2019, an 8% increase from the low of 3,381 experienced in June 2019.
- New multi-unit sales have yet to improve but have remained stable around 800 per annum since early 2018. Despite this recent improvement, multi-unit sales activity is still down significantly from the peak experienced in June 2016. New apartment sales are 58% below peak, while the market as a whole is down 31%.

Multi-Unit Sales, Whole of Market & New Sales (Settled)



Source: UDIA; CoreLogic

Median Unit Pricing

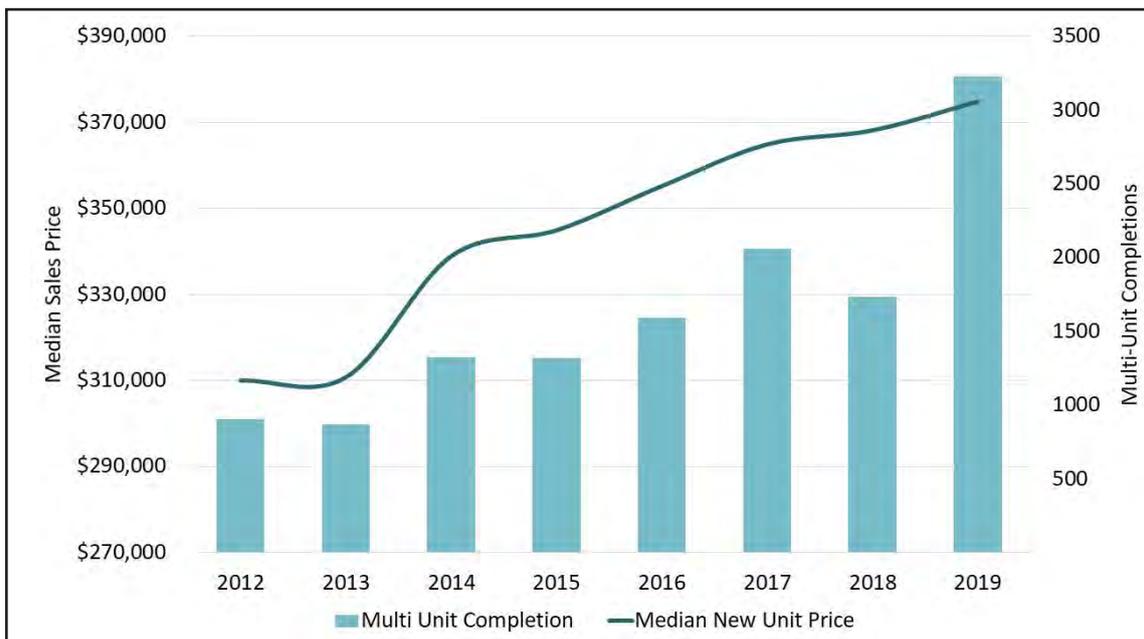
Adelaide's whole of market multi-unit price growth has been relatively stable over the last decade, albeit at a modest level.

- The median price of an Adelaide apartment in the year to November 2019 was \$340,000, rising 1% over the last year. This is a 21% increase on the 2009 price of \$280,000.
- The median price of a new apartment was \$370,000, also having grown by 1% over the year to November 2019, an increase of 10% on the 2009 median of \$302,000.

Construction Activity

- There were 3,227 new apartments completed in Adelaide in 2019, an 86% increase on 2018. The majority of these were very small projects of less than six units.
- There was also an increase in the number of large projects, rising from six projects in 2018 to 10 in 2019. These large projects account for 46% of completions.

Median New Unit Price & Annual Unit Completions



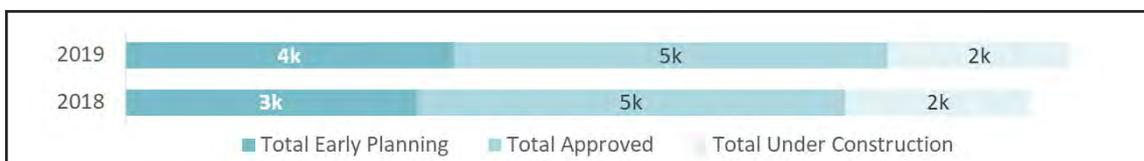
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2018 and a December 2019 snapshot of the industry leading Cordell Construction database.

- These estimates show that the forward pipeline of apartments in Adelaide is looking strong. The total active pipeline of units is 11,213 which is up 4% from 2018.
- This is made up of units under construction (down 1%), approved units yet to start construction (up 1%) and units in early planning (up 12%).
- The increased weighting of units in early planning shows Adelaide is bringing new projects into the pipeline faster than they are being completed, boding well for future supply.

Multi-Unit Active Pipeline Analysis



Source: UDIA; CoreLogic

Multi-Unit Completions 2019, by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The City of Adelaide had the most apartment sales activity in Greater Adelaide with 526 units sold in the year to October 2019, an increase of 18% on the year, and a median sale price of \$430,000.
- This was followed by Charles Sturt with 453 sales, Port Adelaide Enfield with 302 sales, and Holdfast Bay with 293 sales.
- The LGAs experiencing the highest apartment price growth were Walkerville (up 22%), Adelaide Hills (up 19%) and Port Adelaide Enfield (up 13%). Median apartment prices in Adelaide and Charles Sturt remained stable over the year.

Multi-Unit Market Performance Summary Table

	2019	Annual Change
Multi-Unit Sale Volumes (Whole of Market)	3,658 (Nov 2019)	2%
Multi-Unit Sale Volumes (New Stock)	792 (Nov 2019)	1%
Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)	\$ 370,000 (Nov 2019)	1%
Total New Multi-Unit Completions	3,227	86%

Source: UDIA; CoreLogic

BROADER MARKET TRENDS

- The South Australian Residential Market will continue to maintain a trend of stable pricing in what is a competitive development environment. Price pressures are likely to be most evident within the CBD, as a large influx of new apartment developments completed over 2019 and into 2020.
- Changes in regulatory measures have slowed down overseas purchasers and investors of off-the-plan sales. These measures include increased stamp duty for overseas purchasers and removal of off-the-plan stamp duty savings for investors and are continuing to impact prices and pre-sales, particularly within the CBD. Without any new initiatives from the State Government this is unlikely to change through 2020.
- New land tax rules will also hit some residential investors with multiple properties from 1 July. The full impact in this area will only be evident in the longer term, however in the short term it is likely to result in investors exercising a degree of caution dampening demand.
- In terms of population growth, while there is a positive outlook due to improving net overseas migration rates as a result of new government initiatives, it's likely that the deficit in net interstate migration will continue in the medium term.

STATE POLICY ENVIRONMENT

- The beginning of 2019 was characterised by a sense of optimism as the new Government begun its second year in office. Notwithstanding stamp duty concessions were not renewed, economic confidence in the South Australian economy was on the rise with a number of surveys reflecting optimism in the economic objectives of the Government.
- UDIA SA continued to reinforce our membership’s advocacy message through our GROW | REFORM | BUILD Blueprint for our future, which centred on promoting population growth strategies, reforming planning and tax systems as well as infrastructure investment.
- Supported by the UDIA, pleasingly for the development sector, the State Government was able to successfully lobby for special migration policy changes that recognise South Australia’s regional status. While this was one small step and saw an increased number of migrants in the latter half of 2019, there is much more work to be done for South Australia to catch up to the other States in total population growth rates.
- Property investor confidence took a massive hit in the second half of 2019 in South Australia which was characterised by some of the most uncertain times that we’ve seen for decades. The Government introduced a number of punitive land tax changes aimed at those with disaggregated holdings. The new rules for assessment changed what had previously been allowed. They were introduced with no advance notice and without any sunset arrangements. This resulted in a rapid fall in investor confidence and market sentiment in the second half of 2019. The Government continued to refine various iterations of its Land Tax Bill following widespread criticism. UDIA SA played a lead role in ensuring a number of changes to the legislation were made in the interests of our members and the sector. Ultimately this included influencing the final rates at the lower thresholds, which were significantly lower than first introduced. Legislation was passed in late 2019 with the end result providing a net benefit to those primarily with large holdings and non-residential assets. The overall impact on the residential market will only be borne out in the longer-term as investors reshape their portfolios.
- South Australia’s planning reforms, that are now being finalised, were also a major feature of the State’s planning policy discussions through 2019. The State Government released a draft of Phase 2 and Phase 3 of the new Planning and Design Code on the 1st of October for consultation and property developers began turning their attention to what will (or won’t) be possible under the new Code from 2020. Much of the discussion has been centred around the “social licence” for infill development to occur in existing suburbs. The UDIA SA has played a pivotal role in ensuring that the public discourse and policy discussions do not lose sight of some key fundamentals in the debate like housing affordability, consumer choice and overall economic prosperity.



Kym Burke
Managing Director
Burke Urban
Developments Pty Ltd

"2019 started with strong first quarter optimism on the back of sound fundamentals and Government announcements particularly in the Defence and Space sectors. The resilience of the development sector was tested however with members having to deal with several reforms with the most excruciating being the State land tax amendments. The new Planning and Development Act and evolving Design Codes have also created some short-term uncertainty although this process was well anticipated."

The Adelaide market has been steady with modest price growth in some niche sectors, particularly with infill and targeted land product, however greenfield demand overall remained sluggish. Developers experienced renewed activity in the final quarter and with SA being granted Special Migration status the mood remains cautiously optimistic."



The Gallery Apartments at WEST by Commercial & General

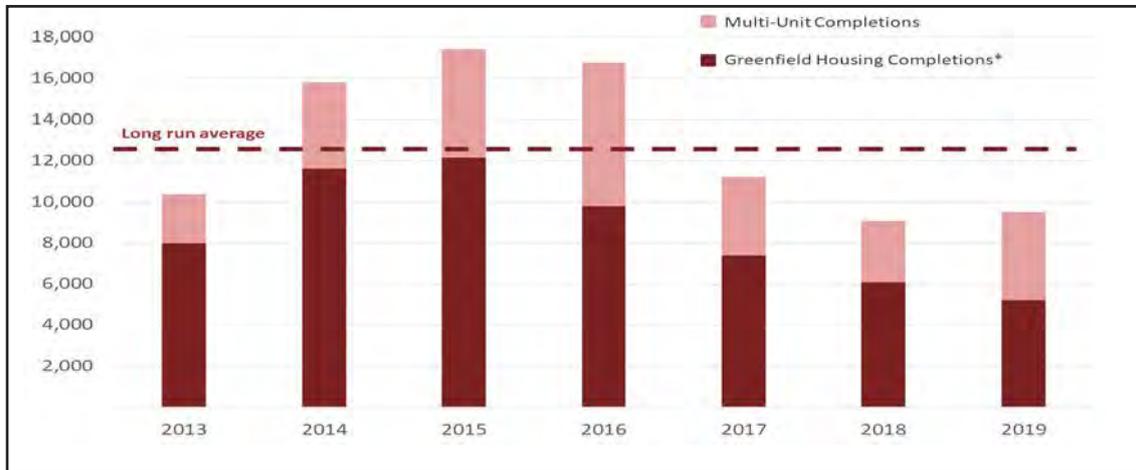
PERTH

SUMMARY



- Perth recorded a 5% annual increase in completed new market supply in 2019, which was driven primarily by a lift in multi-unit completions. While the combined (greenfield and multi-unit completions) new market supply was up from 2018 overall it was 26% lower than the long run average.
- Overall, the Perth greenfield market recorded a slight fall in sales in 2019, down 3.3% on 2018. The overall fall was almost entirely due to poor sales in the first quarter of 2019 with uncertainty regarding the outcome of the Federal election and possible changes to the housing taxation regime and negative gearing affecting confidence amongst buyers.
- Sales activity steadily improved throughout the remainder of the year which provides encouragement for the Perth property market. Developer confidence is also returning and is perhaps best demonstrated by an increase in the total number of active development projects during 2019. However, as a result of this increased competition, the annual median lot price fell slightly to sit at \$217,000.
- At the macro level, WA's economy is showing signs of recovery with a falling unemployment rate and increasing investment activity in the resources sector in particular. While the state's population growth rate is improving, growth remains slow.
- Against this economic backdrop and coupled with the commencement of the 'Foreign Buyers Surcharge Levy' in January 2019, it is not surprising that new multi-unit sales fell 34% in 2019, primarily driven by a rapid decline in investor activity. The introduction of the 'off the plan duty rebate scheme' in October has also pushed demand back as buyers are attracted to development yet to commence.
- In turn, as investor activity has declined, the Perth rental market has tightened, with the rental vacancy rate plummeting to 2.4%. An increase in median house rental in December to \$370 per week, suggests investor activity is likely to return, attracted by the higher yields available while savvy investors may take advantage of the \$50,000 'off-the-plan rebate' currently available.

New Residential Market Supply^[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The Greater Perth greenfield market recorded a 3.3% reduction in annual land sales in 2019 to average 389 net lot sales per month. This is the lowest volume of lot sales recorded for Perth in the 11-year reporting period of the NLS, with the 2019 aggregate of 4,668 sales approximately one third of lot sales recorded in the 2013 peak.
- The on-going challenging market conditions underpinned the development industry releasing comparatively low levels of stock to market across 2019. The average quarterly release for the year was 1,690 lots which is 20% below the long-term average (2009-2019).
- Despite the slowing release schedule, clearance rates remained sluggish across the year (at around 80%) and as a consequence the unsold stock inventory continued to build and remain high across each quarter, with the average trading months of unsold stock for the year equalling 9.3 months.

Active Estates & Industry Capacity

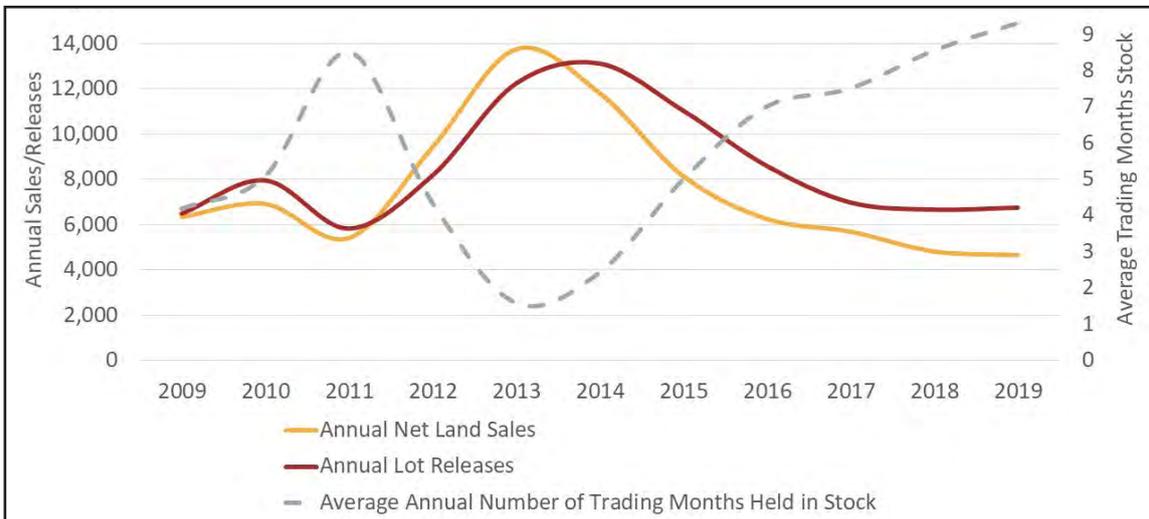
- Despite the low sales volumes there was a record annual average number of 178 trading estates observed across the year. The 2019 average count of estates recording sales each quarter is up 8.5% from 2018 and 23% on the long-run average (2009-2019).
- In aggregate terms, Perth currently has the most estates across the capital city markets with a total of 228 estates being surveyed in the NLS in 2019.
- According to the Research4 assessment the Development Capacity Ratio (DMR) of the highly competitive greenfield land market in Perth translates into a current industry capacity to deliver 4.4:1; which means that for every one block of land needed the industry can produce 4.4 blocks. A 2:1 ratio is rated as ideal, which indicates there is a current surplus of industry capacity relative to demand.

[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

Median Lot Pricing

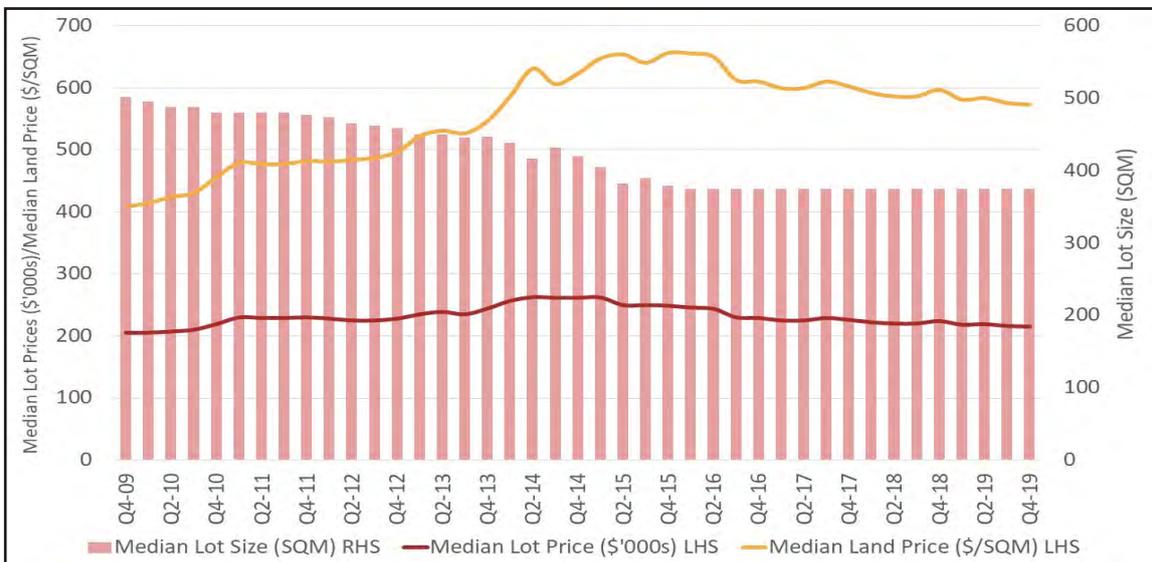
- The median lot price contracted by 2% across 2019 to average \$217,000 which reflects a 17% overall lot price reduction since 2014, from when the Perth market commenced the current correction phase.
- The moderation of land pricing is a direct result of the highly competitive landscape operational across the metropolitan area, in addition to the on-going subdued growth in broader established housing market values.
- The December quarter median lot price was \$215,000 which represented 45% of the established median house price of \$480,000 (CoreLogic) for Greater Perth (as at November 2019).
- This compares to the long run average of 47% of the median house price (across 2009-2018), indicating that lot pricing is currently under a 'fair-value' benchmark and represents a positive affordability and retail value proposition.

Annual Greenfield Activity



Source: UDIA; Research4

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



Source: UDIA; Research4

Median Lot Sizes

- The Perth median lot size across 2018 was 375 sqm which has remained unchanged since 2016.
- The rapid drops in median lot sizes recorded in 2014 and 2015 evidently hit a market acceptability floor at 375 sqm with Perth still currently holding the title of the smallest median lot sizes in the country.
- The annual median land rate retracted by 2% in 2019 to \$579 psm which represents the lowest rate recorded since 2013.

Greenfield Sub-markets

- In 2019, the North-East corridor was Perth's strongest performing sub-market supported by strong sales rates amongst the larger estates within the corridor. Throughout the year, sales were consistently above the quarterly average for the past five years. As the Morley-Elfenbrook trainline continues to progress, strong sales are further anticipated in 2020.
- The North-West corridor, traditionally stronger than the North-East corridor, also experienced strong sales amongst its larger estates. However, in the face of this strong competition, some less established estates struggled to attract sales.
- Both Northern corridors experienced higher sales rates throughout the year despite having higher priced lots in comparison to the Southern corridors; due in part to the North-West corridor's larger lot sizes and proximity to the coast. The South-West corridor was the strongest selling Southern corridor in 2019, being closer to the coastline and also having a slightly higher median lot price. Overall sales and prices in Perth's Southern corridors remained well below those of the Northern corridors.

Greenfield Market Performance 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	126	\$51	\$408
2010	6,921	105	488	\$210	\$431
2011	5,421	124	479	\$230	\$479
2012	9,416	140	465	\$227	\$487
2013	13,741	140	448	\$238	\$532
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	4,828	164	375	\$222	\$591
2019	4,668	178	375	\$217	\$579

Source: UDIA; Research4

PERTH

MULTI-UNIT | INFILL ANALYSIS

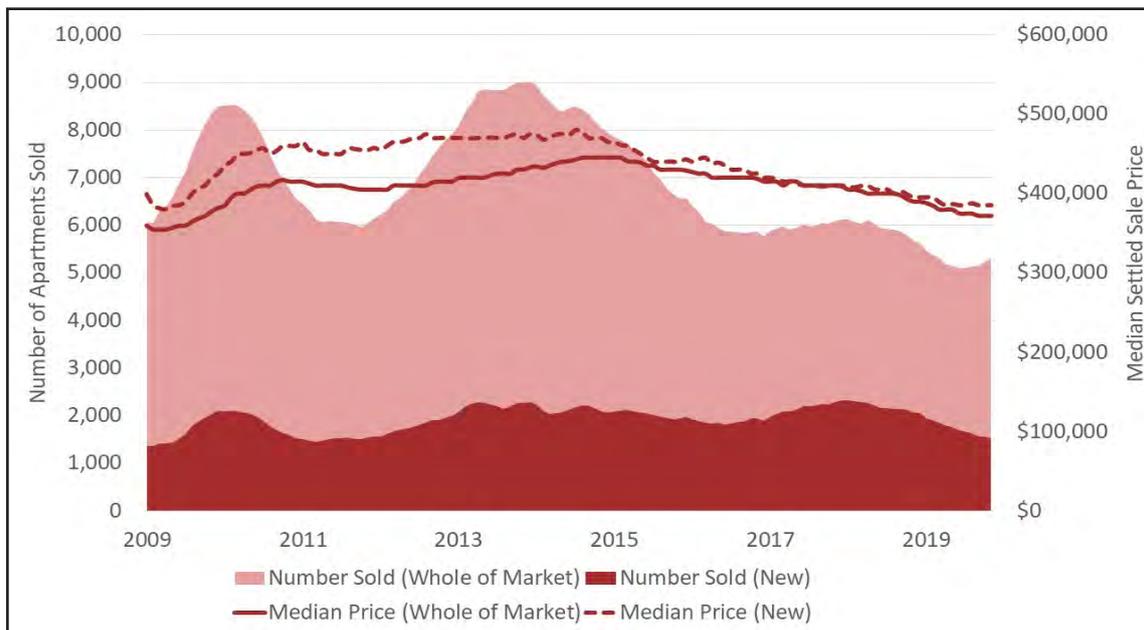
Sales Activity

Multi-unit sales activity in Greater Perth remains subdued and in line with the depressed activity observed since late 2013.

- There were 5,303 settled multi-unit sales in the year to November 2019, one of the lowest levels of activity seen in the last decade after hitting bottom in June 2019, at 5,092 units. This is 41% below the peak of 9,021 experienced in the year to December 2013.
- The decline was primarily driven by a collapse in the sale numbers for new multi-units, which fell 34% from the peak to just 1,536 in the year to November 2019, with a year-on-year change of -26%.
- In more positive news, the negative growth in sales activity for the broader multi-unit market has slowed considerably in recent years, with the year-on-year change of -7%.

As Greater Perth continues to experience increasing population growth, we expect a lift in sales activity in response to an undersupply of apartments.

Multi-Unit Sales, Whole of Market & New Sales (Settled)



Source: UDIA; CoreLogic

Median Unit Pricing

In line with the sales volume decline, the median price of multi-units in Perth has also recorded a constant fall over the last eight years. The median price of a Perth multi-unit in November 2019 was \$372,000, representing an annual decrease of 5%, while the median price of a new multi-unit was \$385,000 with a year-on-year change of -3%.

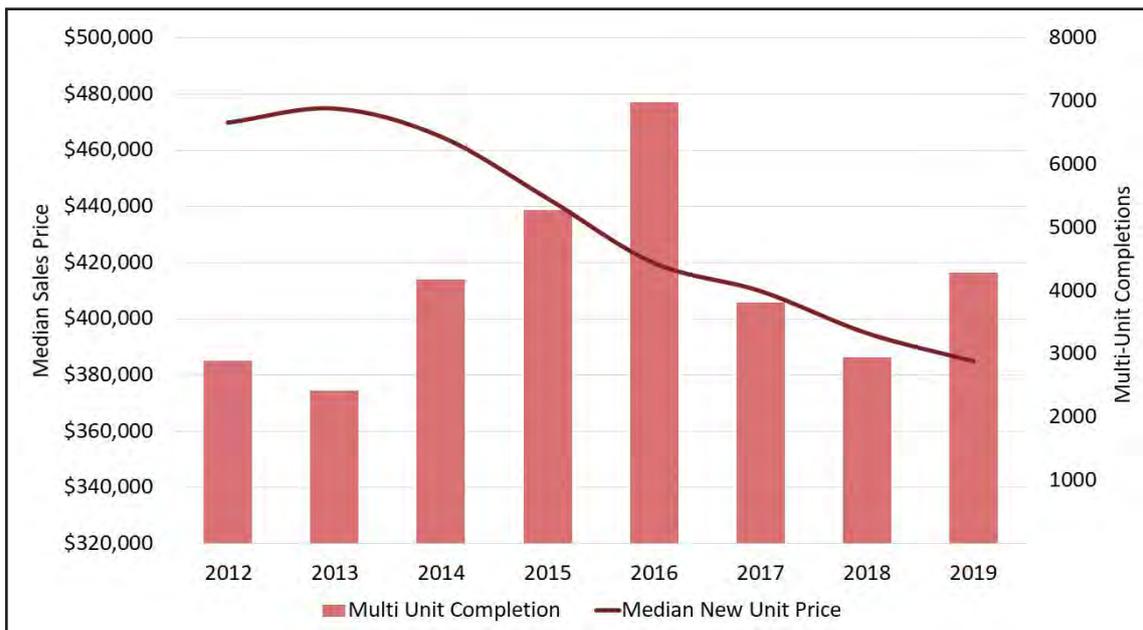
Construction Activity

- There were 4,288 new multi-units (principally apartments) completed across Greater Perth in 2019. This is a 45% increase over 2018 completions and the third highest annum quantum of completions since 2012.
- The inner ring of Perth (within 5km of the city centre) received the most new unit completions, with 36% of the total for the city. This was followed by the 5km to 10km ring with 24% of the new stock, the 10km to 20km ring with 22% and the 20km to 50km ring with 18%. This demonstrates that, while the inner

city is still the dominant market for new multi-unit supply, the outer suburbs are growing in market acceptance.

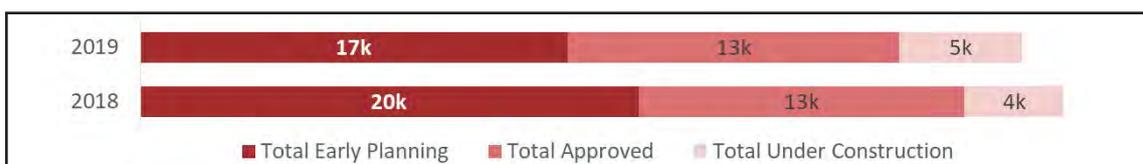
- The only capital city with a greater proportion of 2019 completions in the 20km to 50km ring than Perth was Greater Sydney.
- While three of the top five postcodes for multi-unit completions were in the inner ring, a large development in Baldivis has led to it being placed second at 684 multi-unit dwellings completed for the year.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis



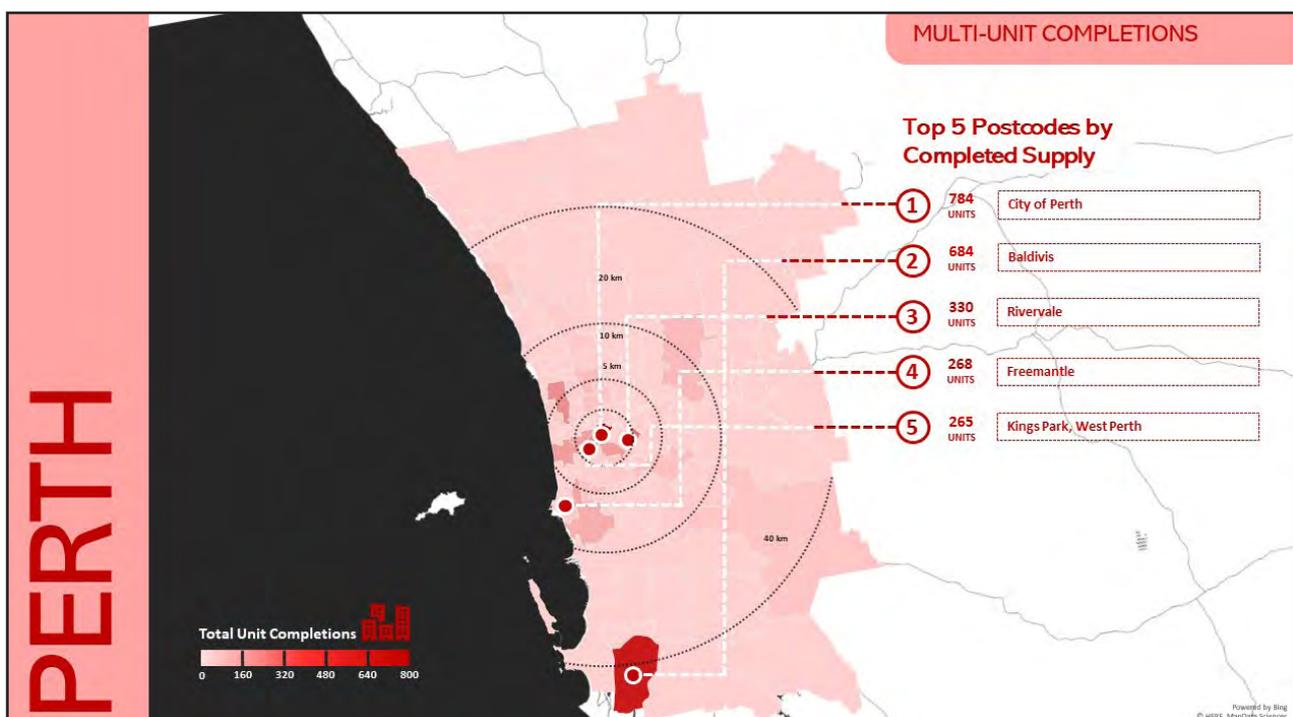
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2018 and a December 2019 snapshot of the industry leading Cordell Construction database.

- These estimates show that the forward supply of apartments in Perth may be under threat. The total active pipeline numbers just 35,100, down 4% from 2018. This is made up of units under construction (up 25%), approved units yet to start construction (up 2%) and units in early planning (down 14%).
- The decreased quantum of units in early planning suggests units are moving through the pipeline faster than they are being replaced, which may impact future levels of supply.

Multi-Unit Completions 2019, by Postcode



Source: CoreLogic; UDIA

Sub-Market Analysis

- The City of Stirling had the most apartment sales activity in Greater Perth by LGA - despite experiencing a 16% decline in sales over the year, with over 900 units sold in the year to October 2019 and a median sale price of \$350,000.
- This was followed by the City of Perth with 611 sales, South Perth with 407 sales, and Melville with 329 sales.
- In contrast, the LGAs experiencing the highest apartment price growth were Nedlands (up 14%), Cottesloe (up 8%) and South Perth (up 6%). Stirling faced a decline in price of 7% while the City of Perth remained stable.

Multi-Unit Market Performance Summary Table

	2019	Annual Change
Multi-Unit Sale Volumes (Whole of Market)	5,303 (Nov 2019)	-7%
Multi-Unit Sale Volumes (New Stock)	1,536 (Nov 2019)	-26%
Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)	\$ 385,000 (Nov 2019)	-3%
Total New Multi-Unit Completions	4,288	31%

Source: CoreLogic; UDIA

BROADER MARKET TRENDS

- WA's GSP growth stabilised in 2019 with economic growth returning to 1% in 2018-19. The economic outlook looks brighter too, with the State Government's 2019-20 budget predicting 3.5% growth in 2019-20, and 3% for the three years following.
- Economic growth has supported a full percentage point fall in WA's unemployment rate over the twelve months to December 2019 to sit at 5.3%, just above the national rate of 4.9%. Nevertheless, while job numbers continue to grow, under-employment remains an issue and relatively high at 9.5%. Given the high under-employment rate, it is not surprising that wage growth has remained flat at 1.6% for the five quarters to September 2019.
- While the economy is moving in the right direction, growth remains patchy, with some industries performing better than others. The importance of mining to WA economic growth is once again increasing, with an 8% increase in gross value added (GVA) from 2017-18 to 2018-19. At the same time, the construction industry has decreased 18.7% in GVA over this timeframe, reflecting the presently subdued property market.
- Mirroring the state's improving economy, population growth lifted to 1.1% in June 2019, the highest rate of population growth in five years. This was primarily driven by a decline in the rate of net interstate migration away from WA, however the net overseas migration rate continues to improve.
- Looking more closely at the property market, the shift from investor to owner occupiers particularly among apartment purchasers continued to gather pace in 2019, with investment activity significantly declining following the introduction of the 'Foreign Buyers Surcharge Levy' in January 2019.
- First home buyers continue to be a critical component of the greenfield market, however accessing finance remains an issue among these purchasers, resulting in a high lot return rate.
- The Perth rental housing market tightened dramatically over the course of the year, dropping to 2.4% in December. December also saw a lift in the median house rent to \$370 per week. This lift provides signs of encouragement for median house prices, which again fell in 2019 to \$480,000.

PERTH

STATE POLICY ENVIRONMENT

- January 2019 saw the introduction of a 7% foreign buyers surcharge levy followed by a dramatic decline in investment activity. To address this, and in recognition of the protracted downturn in the property market, in October the State Government announced the introduction of an 'off-the-plan duty' rebate scheme for multi-unit developments. The rebate enables all purchasers, including foreign buyers to recoup 75% of all property transaction duties up to \$50,000. UDIA WA anticipates the impact of the rebate will mirror the experience of the 2008 Victorian Stamp Duty Concession, which saw a slight dip in sales following the immediate introduction of the scheme but stronger sales growth following soon after.
- In line with UDIA WA advocacy, in July, Keystart announced an expansion of its eligibility criteria with a temporary lifting of its income limits by \$15,000 for singles and couples and by \$20,000 for families. In December the Government announced a further extension of the revised thresholds to June 2020 and an additional increase to Keystart's borrowing limit by \$437.2 million.
- Infrastructure provision has been a key policy area in 2019 with the announcement of appointments to the board of Infrastructure WA and the release of the eagerly awaited revised draft State Planning Policy 3.6, Infrastructure Contributions. Finalising this policy remains a priority in order to bring much needed transparency and accountability to local government's administration of development contribution schemes.
- Strata titles reform gathered further momentum in 2019, with the Strata Titles Regulations published in the Government Gazette in December. It is anticipated that the Regulations will be introduced to Parliament in February with UDIA hopeful that the Regulations will be adopted without any undue delay.
- Throughout 2019 UDIA WA was heavily engaged with the Strategic Assessment of the Perth and Peel (SAPPR) Independent Review Panel and we expect the Government will shortly announce its position on whether or not it intends to proceed with the SAPPR.
- In addition to the SAPPR review, the Government announced a review of the bushfire planning policy framework in 2019, with the first stage of the review resulting in a lifting of the minimum size bushfire prone area within the Perth central sub-region to 4ha. Following CSIRO's review of the bushfire mapping methodology, policy amendments are due to be announced at the end of 2020.
- In August, the State Government released its long-anticipated Planning Reform Action Plan, a comprehensive plan including 19 actions that aims to create places for people, make planning easier to understand, and improve consistency and efficiency. UDIA WA will be working with the government on the implementation of those actions.



Col Dutton
General Manager
WA Residential
Stockland

"Weak consumer confidence dampened the Perth market, particularly in the first quarter of 2019, following the banking Royal Commission and uncertainty regarding the outcome of the Federal election. Once resolved, market conditions improved throughout the second half of the year. Whilst valuations continue to drive a high lot return rate for many development projects, WA's improving economy and population growth rate point to more encouraging times ahead, as demonstrated by the tightening rental vacancy rate and lift in rents.

Although well intended, the recently introduced 'off the plan duty rebate' has created some short-term winners and losers amongst multi-unit projects depending on their development stage. Those projects well positioned are likely to see strong sales in 2020. With the 2021 State election in sight, UDIA will be advocating for increased infrastructure investment to further boost the economy and create jobs, further supporting improving developer and consumer sentiment."



ACT

SUMMARY



- The ACT's new housing market finished the year in a robust position, despite a challenging first half of the year caused by troubles in the multi-unit sector.
- Multi-unit sales volumes ended the year matching 2018 performance after being down 10% in June and the greenfield market recorded a 51% increase in annual land sales.
- 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.
- The median lot price declined by 8% in 2019 to average \$423,000 for the year, partly driven by the heightened competitive landscape with more active selling estates than in previous years.
- The movements in the multi-unit market were reflected more in sales volume than in price, with the median price of a multi-unit dwelling remaining stable – experiencing growth of just 1% over the year.
- The completion of new units in the ACT returned to 2016 levels in 2019, 45% below the peak experienced in 2017. This was tempered somewhat by the greenfield market, with lot releases 24% above the decade average and with twice as many active estates as 2018.
- 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 2019 housing affordability ratio – as measured by median dwelling value to median income, with a ratio of 5 (as at June 2019).
- The ACT recorded a 9% annual reduction in completed new market supply in 2019, which was driven primarily by a fall in multi-unit completions. The combined (greenfield and multi-unit completions) new market supply was 17% lower than the long run average.

New Residential Market Supply^[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

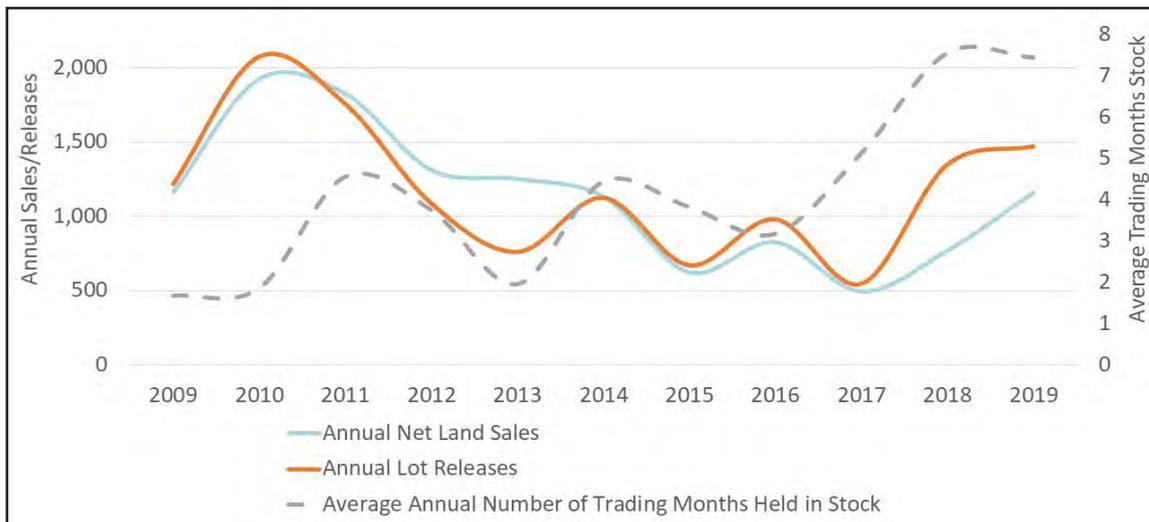
- The ACT greenfield recorded a 51% increase in annual land sales in 2019 to average 97 net lot sales per month. This is the strongest annual trading result for the ACT since 2013 and reflects a particularly productive trading period in the second half of 2019, with the September and December quarters averaging 107 and 113 net lot sales per month respectively.
- The uptick in sales performance was supported by healthy releases of stock to market by the development industry which averaged 368 new lots per quarter across 2019. This reflects a 24% increase on average quarterly releases over the long-run average (2009-2019).
- Clearance rates averaged 92% across the year with the volume of unsold stock in the December quarter averaging 5.6 average months of trading, as compared to the annual quarterly average of 7.45 months of stock. The strong end to the year helped clear a backlog of unsold inventory.

Active Estates & Industry Capacity

- The robust sales performance in 2019 was supported by a record number of eight active trading estates. The annual average count of estates recording sales each quarter was double the count of 2018 and up 33% on the long-term average (2009-2019).

[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

Annual Greenfield Activity



Source: UDIA; Research4

Median Lot Pricing

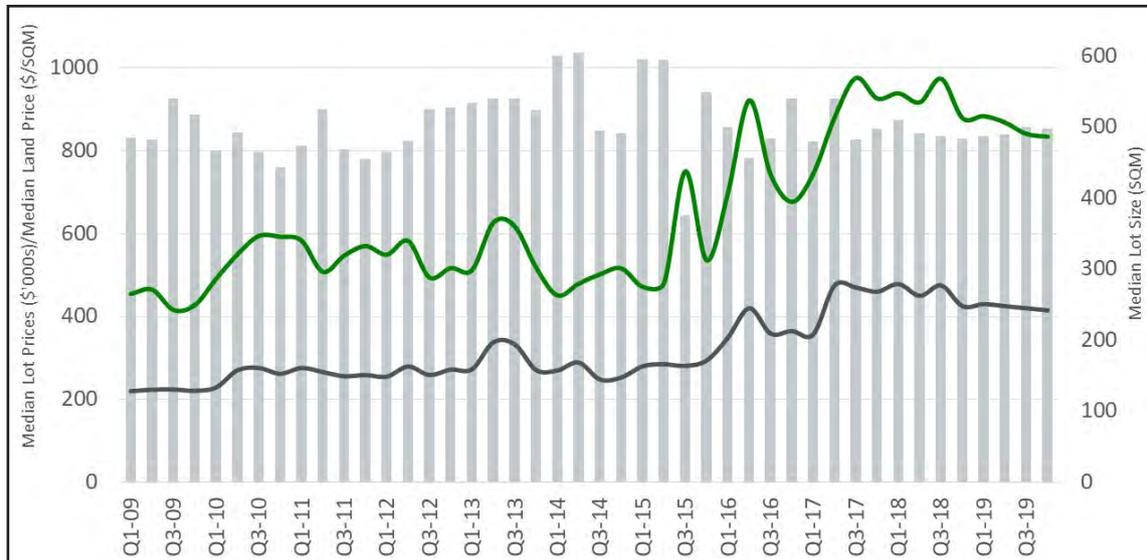
- The ACT median lot price contracted by 8% across 2019 to average \$423,000 for the year. The moderation of land pricing is partly reflective of the heightened competitive landscape, with more active selling estates than recent years, and is also related to land pricing getting ahead of price growth in the established housing market.
- The December quarter median lot price was \$415,000 which represented 62% of the established median house price of \$670,000 (CoreLogic) for ACT (as at November 2019). This compares to the long run average of 58% of the median house price (across 2009-2018), indicating that median lot pricing is currently over a 'fair-value' benchmark.

Median Lot Sizes

- The ACT median lot size across 2019 was 494 sqm which remained largely unchanged from 2018 and resulted in the nation's capital continuing to comfortably hold claim to the largest lot sizes across the capital cities.
- Due to the comparatively small number of competing trading estates, median lot sizes and median pricing have fluctuated considerably over the NLS time series – far more than other cities.
- The 2019 correction in pricing resulted in the annual median land rate retracting by 8% to average \$856 psm – representing the most affordable rate recorded since 2016.

Googong North by Googong Township Pty Ltd (Peet Limited and Mirvac)

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



Source: UDIA; Research4

Greenfield Market Performance 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	1,165	6	506	\$222	\$439
2010	1,927	7	467	\$259	\$556
2011	1,828	7	481	\$264	\$550
2012	1,314	7	499	\$266	\$533
2013	1,254	7	535	\$304	\$568
2014	1,136	5	548	\$265	\$484
2015	625	4	528	\$285	\$539
2016	829	4	495	\$373	\$754
2017	497	3	500	\$441	\$881
2018	771	4	493	\$457	\$927
2019	1,161	8	494	\$423	\$856

Source: UDIA; Research4

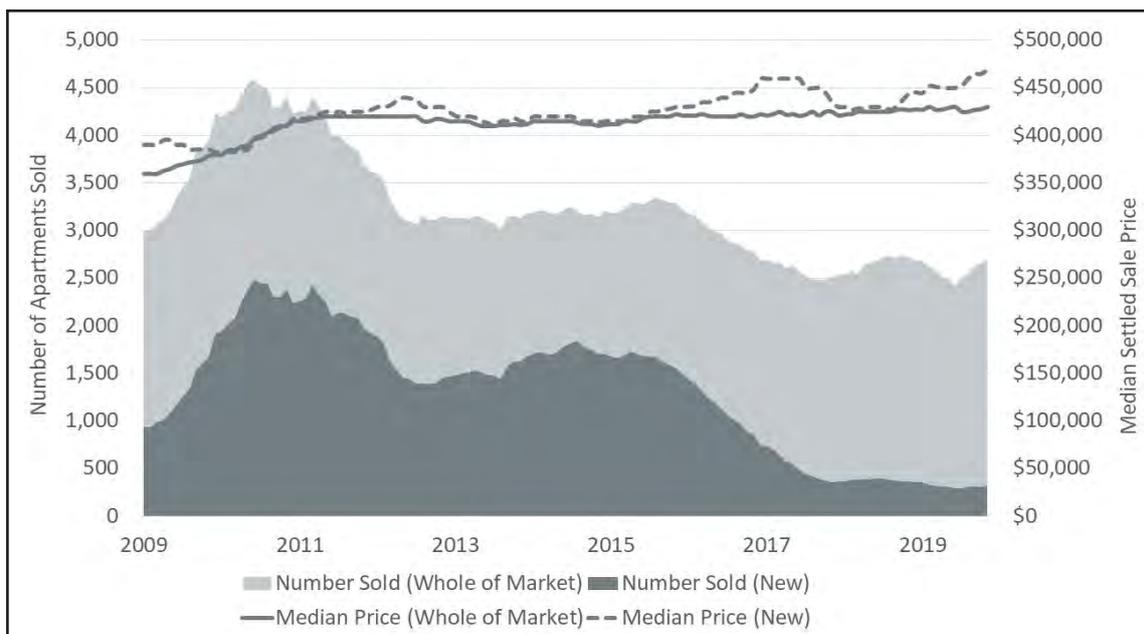


MULTI-UNIT | INFILL ANALYSIS

Sales Activity

- There were 2,702 settled multi-unit dwelling sales in the year to November 2019. This is a return to late 2018-levels after sales fell below 2,500 annual settled sales in the first half of 2019.
- New multi-unit dwelling sales experienced less movement, having recorded just above 300 annual new unit sales since late 2017.
- Despite the end-of-year recovery, multi-unit sales activity in the ACT continue to be below 2012-2015 levels and well below the peak experienced in 2010.
- This is primarily driven by the collapse in new multi-unit sales, which are down 87% from their 2010 peak and are 81% below 2015 levels.

Multi-Unit Sales, Whole of Market & New Sales (Settled)



Source: CoreLogic; UDIA

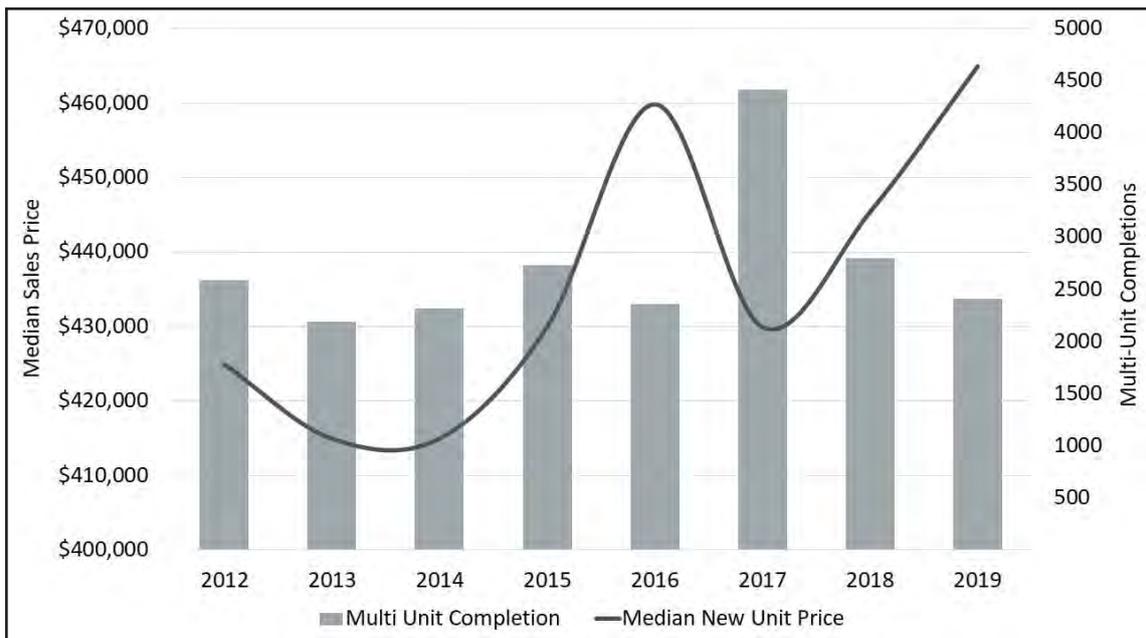
Median Unit Pricing

- The median sale price of multi-unit dwellings in the ACT has remained stable over the decade, increasing by 4% between 2011 and 2019. It increased by 1% over the year to November 2019, reaching \$430,000.
- The median sale price of new multi-unit dwellings shows much more movement, although this is likely due to the smaller volume of sales. The median price in the year to November 2019 was \$470,000, up 6% on the year and 12% above the 2011 median sale price.

Construction Activity

- Multi-unit dwelling completions in the ACT have tempered further in 2019, returning to 2016 levels. There were 2,413 multi-unit dwellings completed in the ACT in 2019, a year-on-year decline of 14% and 45% below the peak of 4,412 in 2017.
- In terms of new multi-unit dwelling completions, the ACT is dominated by supply to the inner city (within 5km of the Canberra city centre) which contributed almost half the completions in 2019. The rest of the completions were split between the 5km to 10km and the 10km to 20km rings, which contributed 25% and 27% respectively.
- The postcode which contributed the most to new multi-unit supply was 2612 (Turner, Reid, Campbell, Braddon) which had 732 new unit completions in 2019.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis



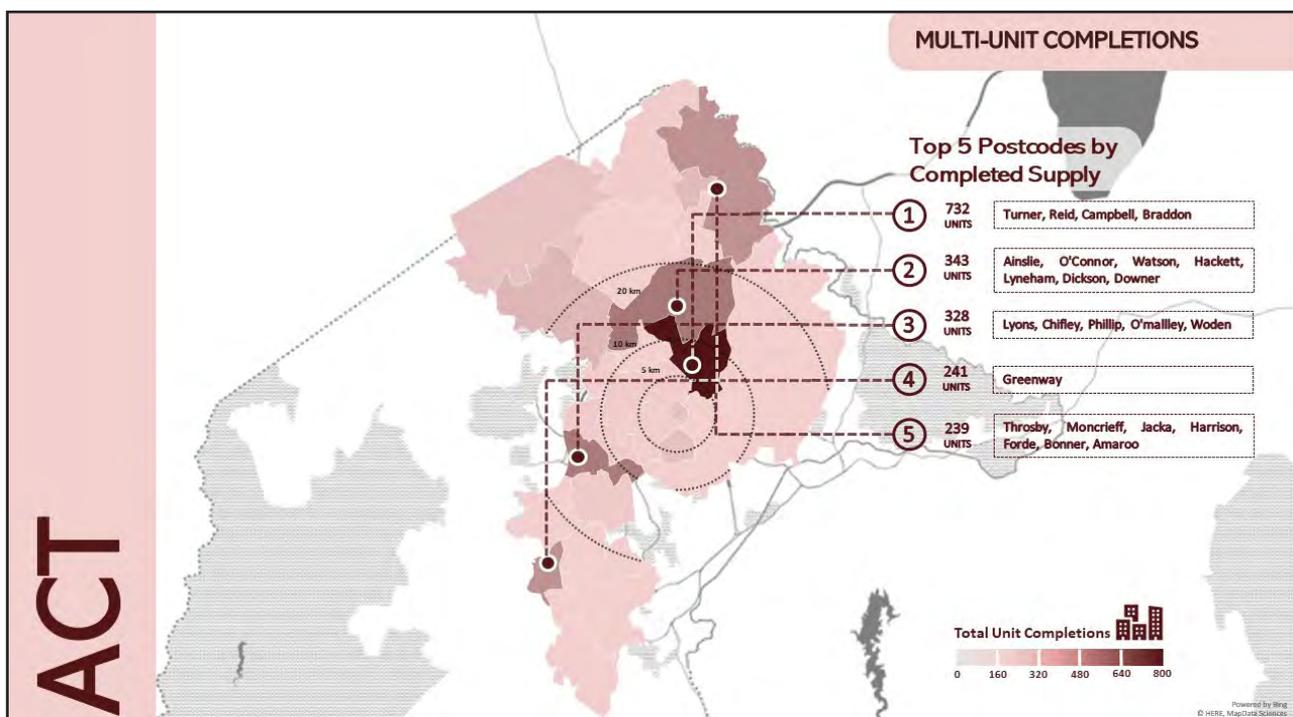
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2018 and a December 2019 snapshot of the industry leading Cordell Construction database.

- The total active pipeline in the ACT numbers 28,539. This is made up of units under construction (up 31%), approved units yet to start construction (down 22%) and units in early planning (up 23%).
- The decreased proportion of approved units shows the supply pipeline may suffer in the short-to-mid-term. This is balanced by the increased proportion of units in early planning, which bodes well for the longer-term pipeline.

Multi-Unit Completions 2019, by Postcode



Source: CoreLogic; UDIA

Sub-Market Analysis

- Kingston had the most multi-unit sales in the ACT, despite experiencing an 8.4% decline in sales volume over the year, with 164 units sold in the year to October 2019 and a median sale price of \$549,000. This was followed by Belconnen with 160 sales, Braddon with 154 sales, and Phillip with 115 sales.
- In contrast, the suburbs (with more than 30 sales in the year) experiencing the best multi-unit dwelling price movement were Campbell (up 19%), Mawson (up 13%) and Barton (up 13%). Kingston experienced 6% price growth over the year, while Belconnen and Braddon remained flat.

Multi-Unit Market Performance Summary Table

	2019	Annual Change
Multi-Unit Sale Volumes (Whole of Market)	2,702	-1%
Multi-Unit Sale Volumes (New Stock)	316	-13%
Median Multi-Unit Settled Sale Price (New Stock/First Time Sales)	\$ 470,000 (Nov 2019)	6%
Total New Multi-Unit Completions	2,413	-14%

Source: CoreLogic; UDIA

BROADER MARKET TRENDS

Population

- The population in the ACT increased by 7,574 people in 2019, stepping down from the high growth seen in 2016 and 2017 to align with the decade average.
- The growth came primarily from Natural Increase and Net Overseas Migration, which contributed 3,247 and 4,014 persons respectively. Interstate migration remains low but positive at 313.

Finance

- Housing finance activity in the ACT fell 11% in 2019 bringing it in line with 2017 values after a strong 2018. This retraction was driven equally by investors and owner-occupiers, with the total value of lending (excluding refinancing) for both falling by 11%.

- Owner-occupiers still make up the majority (74%) of the market. First home buyers have fared better, with the total value of lending (excluding refinancing) to first home buyers increasing by 1% over the year, 11% over 2017 levels. First home buyers made up 17% of the total value of lending (excluding refinancing) in the ACT in 2019.

Approvals

- Dwelling approvals in the ACT fell by 35% in 2019, coming off a strong 2018 to align with 2017 values.
- Apartments were the largest component of the decline, with approvals for apartments with four storeys or taller down 50% on the year.
- Detached house approvals fell by 12% to 1,199 and medium density approvals fell by 20% to 1,402.

STATE POLICY ENVIRONMENT

- The ACT planning system is undergoing review to steer new urban development toward heightened sustainable and resilient pathways while retaining strong liveability outcomes.
- The ACT Planning Strategy 2018 was launched at the end of 2018 with five visions for the future of the capital, which build upon the original Griffin Plan: ‘a city within the landscape that celebrates its bushland setting’ to continue the future growth of the city. The five themes commenced implementation in 2019:
 1. Compact and efficient
 2. Diverse
 3. Sustainable and resilient
 4. Liveable
 5. Accessible
- The next stage of the implementation of the Planning Strategy is to build 100,000 new homes over the next 25 years, with 70% of the growth focused on the existing urban footprint.
- Industry is excited about the commencement of the ACT Planning Review which will specifically look at simplifying the planning system with place, character, context and design as key tenets of the planning system. Simplifying the Territory Plan — which comprises 45 principles, 23 zones, 15 overlays, 159 codes, 23 plans, 189 objectives, 1400 rules, and 1,200 criteria across 2,700 pages — will help correct the balance between certainty and flexibility.
- This includes a substantial focus on creating housing diversity with freestanding houses, units, and townhouses. The review of the Territory Plan will be released in draft in mid-2021 with consultation ongoing this year.
- In 2019, we faced the burdensome prospect of ‘developer licencing’ from the CFMEU and Territory Government. UDIA responded with a strong message that the proposed scheme did not assist industry, create consumer safeguards, or ease the cost of housing.
- Positively, the new Home Buyer Concession Scheme came into effect on 1 July 2019, which removed duty on any property, which has directed the first homebuyer market beyond the new home sector.
- The ACT election will be held on 17 October this year where the incumbent Labor government will seek a further four years beyond its current 19. This will likely mean a greater focus on ACT issues within the Canberra media, moving away from the scrutiny on Federal Issues, which may lead to a greater focus on the effectiveness of the light rail and the urban renewal strategy. Our hope is that this does not distract from the critical reform agenda.



Ken Ineson
 General Manager - ACT,
 General Manager -
 Engineering
 Village Building Co.

"While Canberra didn't experience the same lows as Sydney and Melbourne in the recent market downturn, we saw the first signs of continued growth in the Canberra residential property market towards the second half of 2019 with positive results achieved in median prices for new houses and units. Despite slightly lower sales volumes, there appears to be increased consumer sentiment off the back of lower mortgage rates, improved credit availability as a result of the easing of borrower serviceability assessments, and renewed certainty around property taxation policies post the federal election. Combined with the fundamentals of the ACT economy; higher wages, low unemployment and continued population growth, the market outlook is far more positive for the next 12 months. This however will be tempered with the usual sales hiatus experienced over the course of an ACT election campaign to be held in the second half of this year."



South Jerrabomberra by Village Building Co.



Arundel Springs by Villa World





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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The Grange at Marsden Park by Winten Property Group



Hamilton Reach River Homes by Frasers Property Australia

UDIA STATE OF THE LAND 2019

