



Quarterly Market Insights

June Quarter 2018

●LIVER ■UME



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Michael Duster

Chairman
Oliver Hume Property Funds

Welcome to Oliver Hume's June Quarter 2018 Market Insights Report

There has been a lot of media coverage recently about the current state of the property market in Australia with commentators talking about the cooling of the market and price falls in certain areas.

It's true that some markets have peaked with prices moderating and volumes retreating, however, there are many diverse real estate markets all around Australia and there are considerable differences between them. To suggest there are only one or two trends is to oversimplify the complexity and diversity of the Australian real estate market. Overall, despite some short term issues being discussed by some commentators in the property market, the long term outlook is still favourable being underpinned by strong fundamentals. Australia's economy and population growth remains robust and new records continue to be set.

The Australian economy is now in its 27th year of consecutive annual economic growth. We are the only developed economy in the world to achieve this. Moreover, economic growth has outstripped many of our peers over the last two decades and this is expected to continue over the next few years.

Australia's population has now passed 25 million. The populations of New South Wales, Victoria and Queensland are now around 8 million, 6.5 million and 5 million. It has been reported that Melbourne's population growth is one of the fastest in the developed world with growth now double that of most cities in advanced economies.

The June issue of our Quarterly Market Insight covers the latest trends for Victoria and Queensland.

Population and infrastructure underpins the Victorian economy

Victoria continues to enjoy record levels of infrastructure investment, and strong population and economic growth. Victoria is at the epicentre of Australia's infrastructure boom with several large infrastructure projects either underway or in the pipeline. These include the Melbourne Metro Rail Project, the West Gate Tunnel Project East Link and the North East Link.

The Melbourne land market has now entered a more normal phase, following several years of strong growth, with price growth now moderating and sales volumes returning to trend. This is a natural phase of the property cycle and will require new strategies and approaches to ensure value is maximised.

South-East Queensland market continues to improve

The relatively affordable housing market and the increasingly positive economic outlook continues to attract new migrants to Queensland. Queensland is now the most popular location for people moving from other jurisdictions.

The South-East Queensland land market continues to improve with sales volumes and prices increasing. The Queensland apartment market continues to be the tale of two cities with the Brisbane and Gold Coast markets moving in different directions.

Our Property Funds division manage high quality property developments with strong return forecasts. By bringing investors together and pooling their capital, we can achieve a critical mass they can't always reach individually. Investors can then access large scale residential property developments.

If you have any questions about this report, email us at propertyfunds@oliverhume.com.au or call on +61 3 9684 8130.







VICTORIA

ECONOMIC CONDITIONS AND OUTLOOK



George Bougias

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Victoria's economy remains strong

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VICTORIA REMAINS ONE OF THE BEST PERFORMING ECONOMIES IN AUSTRALIA...

Victoria remains one of the best performing economies in Australia with several key indicators highlighting the breadth and depth of the state's continued economic expansion.

State final demand grew by 1.9% in the March quarter 2018 which was the highest of all mainland states since March 2013. This growth was driven by a range of drivers including household consumption, dwelling investment, business investment and public demand.

Over the year, Victoria's state final demand grew by a robust 4.9% - the highest of all states and above the national average (3.2%).

In addition to state-specific factors, such as exceptionally strong population growth, Victoria's growth is driven by a buoyant national economy. Australia's gross domestic product grew by 1% in the March quarter and 3.1% through the year.

The Reserve Bank of Australia forecasts national growth to exceed 3% in 2018 and 2019. A range of factors are in place to support growth including positive business conditions, growing non-mining business investment and public infrastructure investment.

Deloitte Access Economics forecasts that Victoria's economy should grow at its fastest rate since 2005 in the 2018-19 financial year (3.7%). Deloitte Access Economics forecasts the state's unemployment rate will fall to 5% in both 2018-19 and 2019-20.

Strong economic growth is translating to continued growth in employment and labour market participation.

Nationally, the participation rate also reached a record this year and has remained at records highs.



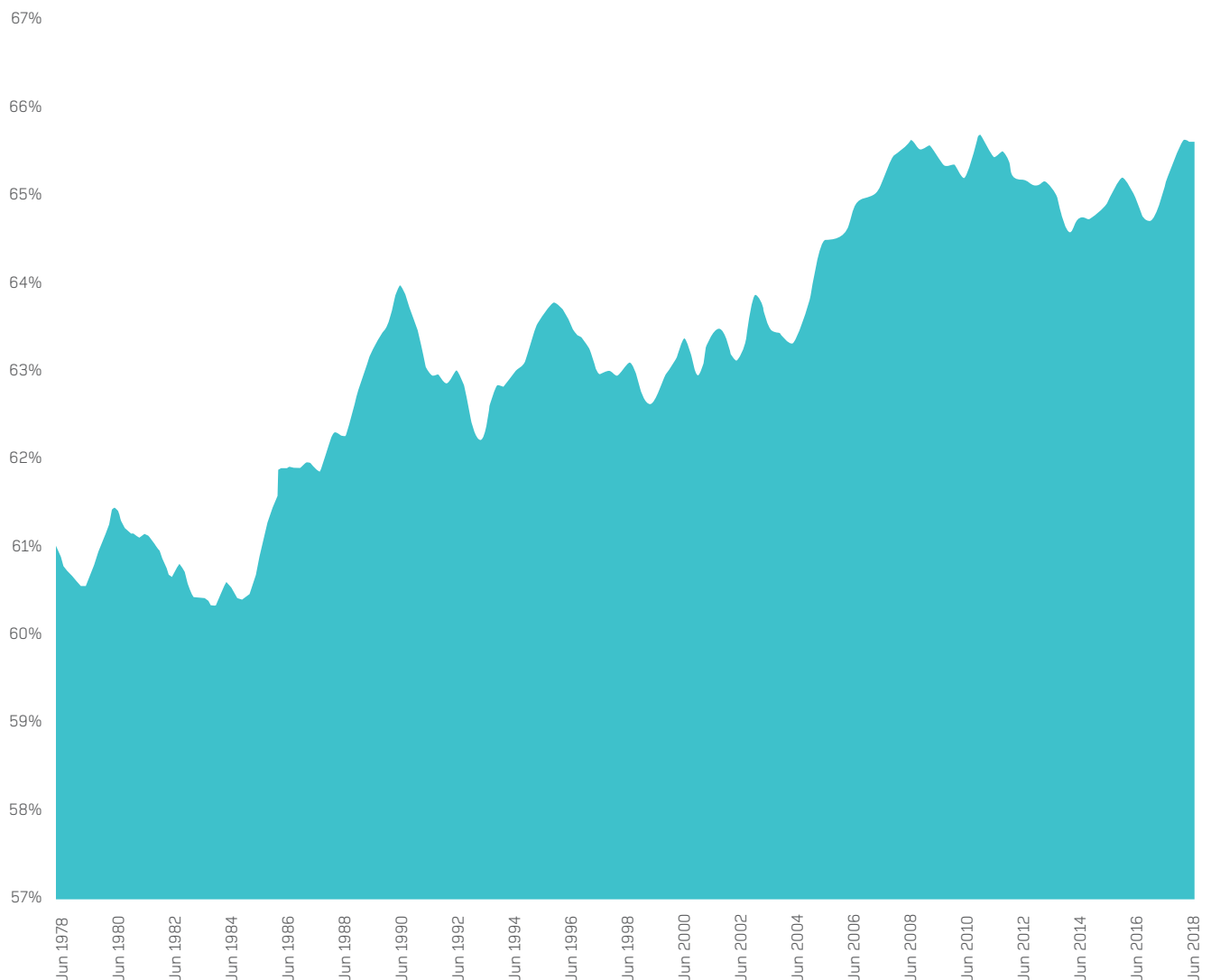
*VICTORIA'S STRONG
EMPLOYMENT
GROWTH CONTINUED
MOST RECENTLY...*

Victoria's strong employment growth continued most recently in June with trend employment increasing by 7,000 persons in the month. Over the past year trend employment was up by 64,000. As at June 2018, year-on-year growth in Victoria's trend employment was 2% which was slightly below the 20-year average of 2.2%.

The trend unemployment rate in Victoria for June was 5.3% which was slightly below the national average (5.4%).²

Victorian wages continue to recover consistent with stronger employment trends. Wages rose by 0.5% in the June quarter 2018 to be 2.5% higher over the year. Victorian wage growth was above the national average of 2.1%.

Participation Rate – Australia



Source: ABS, Oliver Hume Research. Trend.

²Australian Bureau of Statistics (ABS) 6202.0 - Labour Force, Australia, Jun 2018.

ECONOMIC CONDITIONS AND OUTLOOK

Population growth and infrastructure drives state economy

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OVER THE NEXT FOUR YEARS, THE STATE GOVERNMENT'S INFRASTRUCTURE INVESTMENT IS FORECAST TO AVERAGE WELL OVER \$10 BILLION A YEAR.

Record levels of infrastructure investment, driven by continued record population growth, is set to be an increasingly important driver of economic activity.

The total value of Victorian investment projects rose by \$7.6 billion to \$87.6 billion in the March quarter 2018, according to the Deloitte Access Economics Investment Monitor.

The Monitor identifies 81 projects worth \$42.9 billion currently under construction. These include the \$10.9 billion Melbourne Metro Rail Project and the \$6.7 billion West Gate Tunnel Project. Both projects were also the largest to commence in the March quarter 2018.

Future projects include the North East Link, Victoria's biggest ever transport project, at a cost of \$16.5 billion. The North East Link will connect Melbourne's freeway network linking an upgraded Eastern Freeway (from Springvale Road) to the M80 Ring Road.

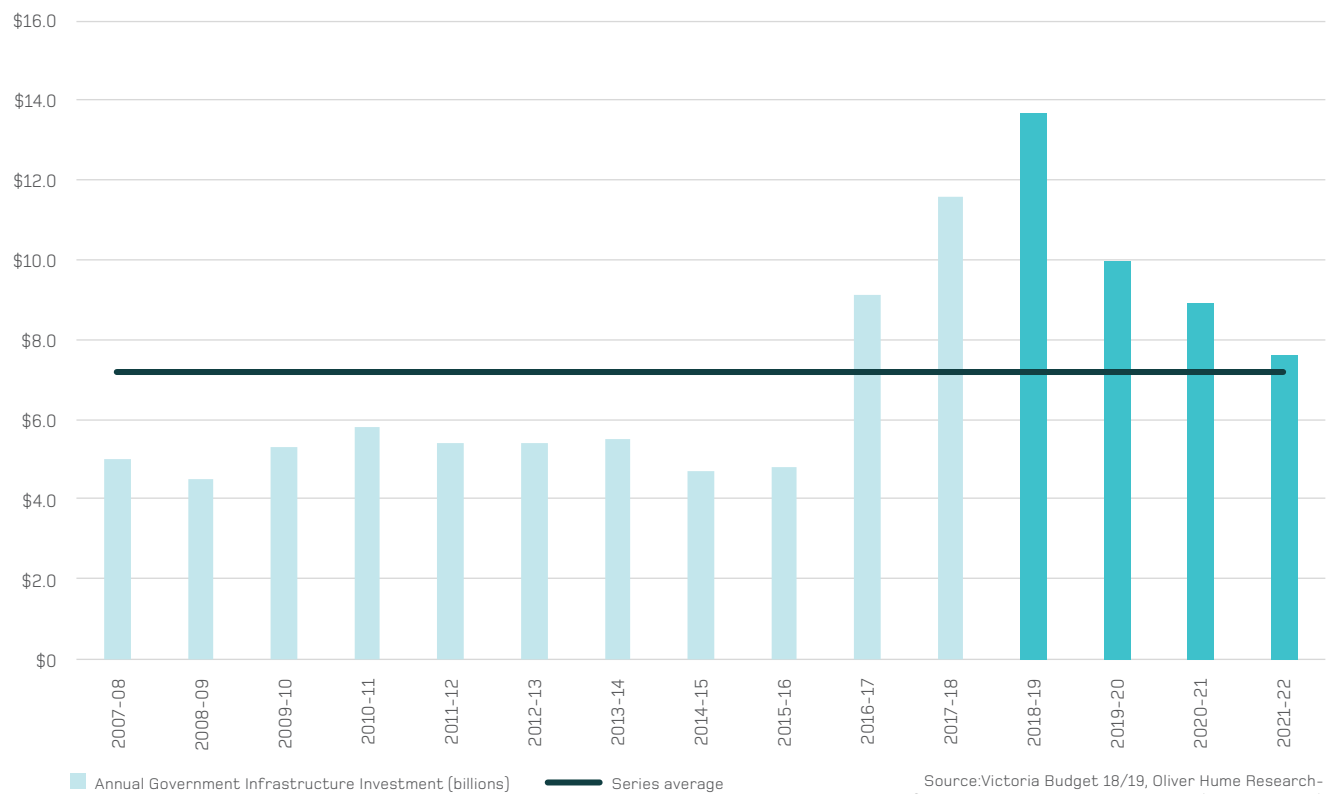
Over the next four years, the State Government's infrastructure investment is forecast to average well over \$10 billion a year. This investment will be a key driver of jobs and economic growth.

Record infrastructure spending is partly in response to Victoria's continued record population growth. In 2017 Victoria's population increased by around 143,400 people which represented a third of the national increase. Victoria's population growth (2.3%) was also the fastest in Australia and significantly above the national average (1.6%).

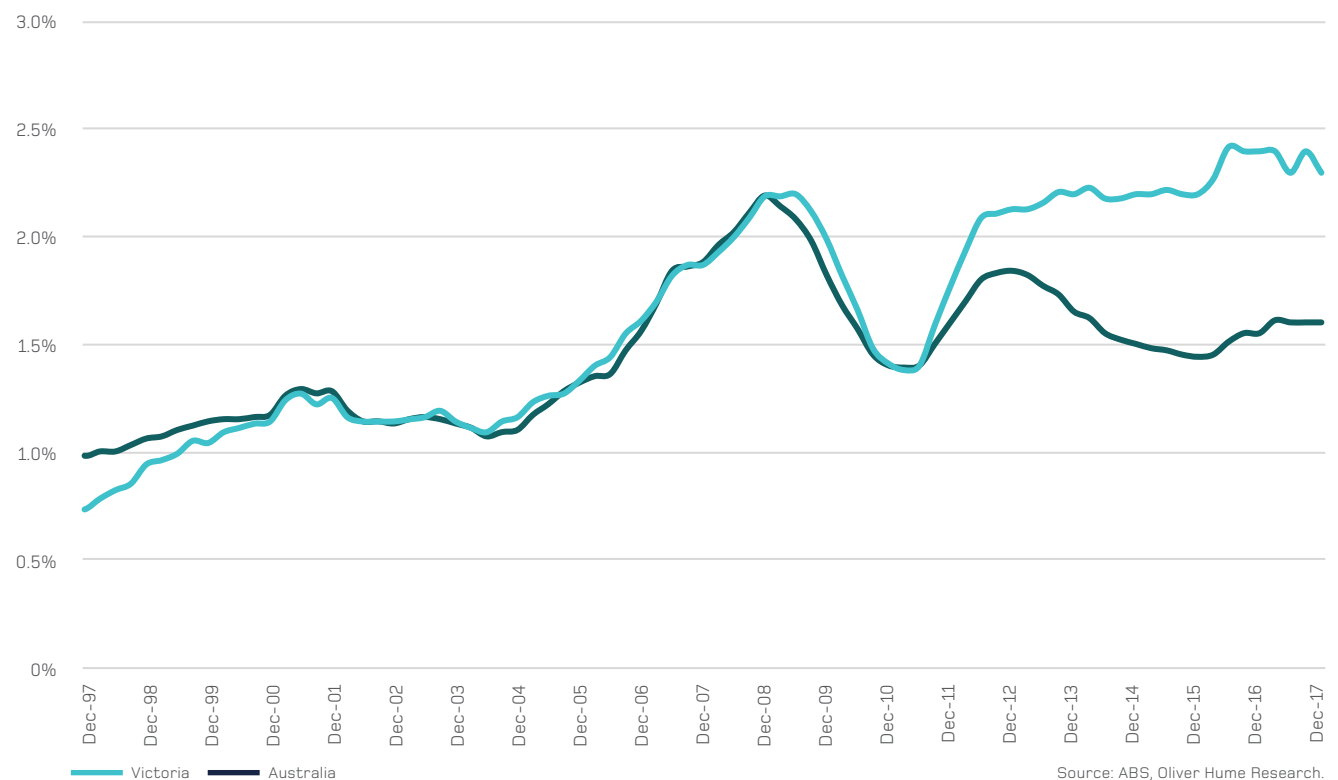


West Gate Tunnel Project

Victorian Government Infrastructure Investment (\$B)



Annual Population Growth – Victoria and Australia



RESIDENTIAL MARKET

Melbourne market cycle matures

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THE MELBOURNE LAND MARKET HAS NOW ENTERED A NEW PHASE...

The Melbourne land market has now entered a new phase with price growth stabilising and volumes retreating from recent peaks.

The trends observed in the greenfields market are consistent with broader trends in the residential housing market which also appears to have peaked with activity and prices moderating.

Historically, established housing and residential land markets are correlated and highly interrelated.

Although prices may have peaked, the average time on market remains well below historical trends suggesting demand for land remains high. Throughout the June quarter 2018 it took on average 21 days to sell a vacant block of land (from the date of release).

Annual Price Change – Metropolitan Melbourne New Land

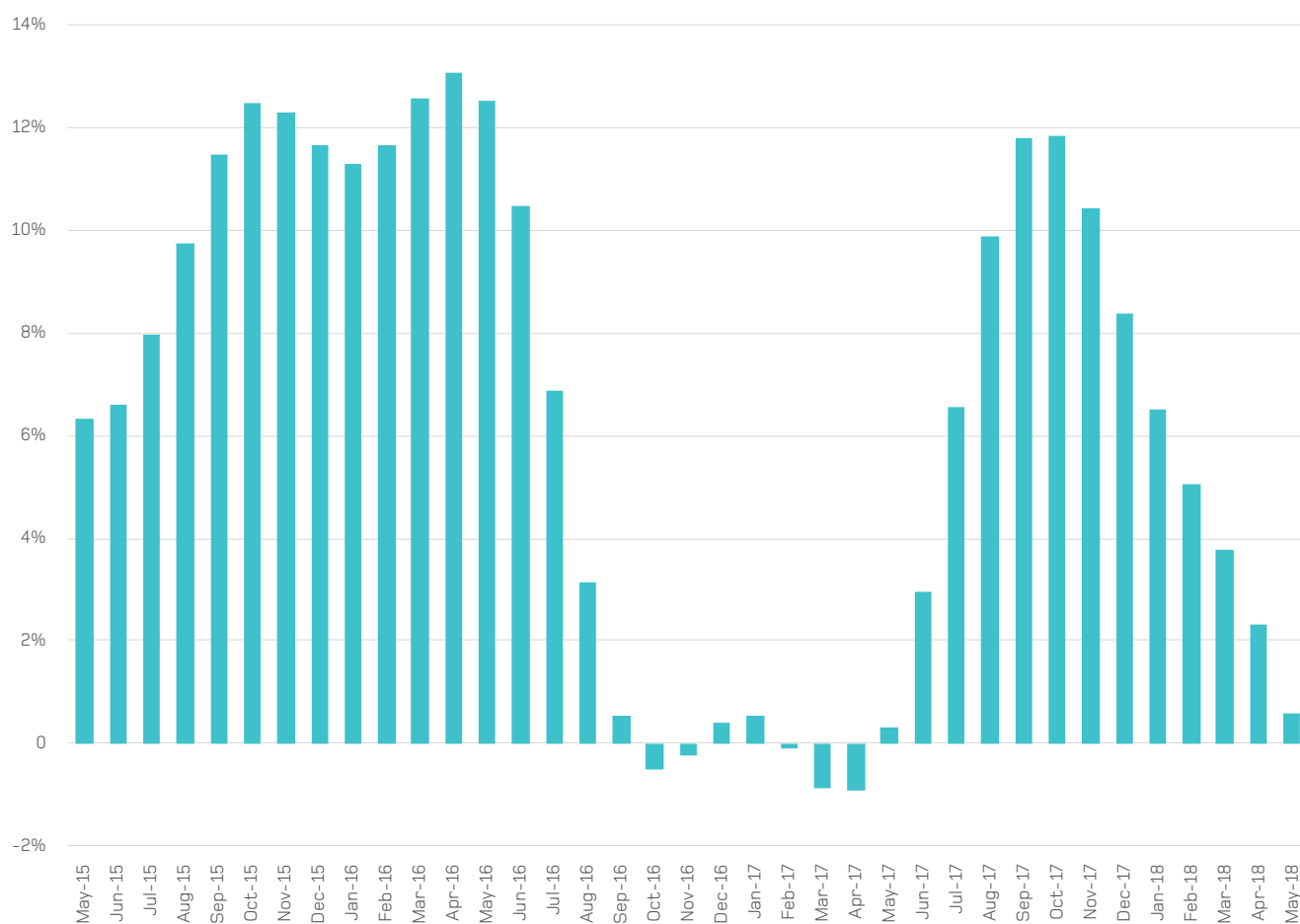


Housing finance slows

In addition to economic activity and population growth, a key determinant of residential market conditions is lending and, specifically, housing finance.

House finance growth has slowed most recently driven by a range of factors including increasingly tighter lending conditions and affordability pressures.

Victoria – Annual Growth in Owner-Occupier Housing Finance Commitments



Source: ABS, Oliver Hume Research.

PROJECT AND CORRIDOR DATA

Victoria residential land quarter snapshot

ACTIVE PROJECTS

The number of active land projects in Victoria was down for the June quarter with various estates selling out. Overall, the total number of projects decreased by 4.5%.

June Quarter 2018

169

↓ 4.5% from previous quarter

TOTAL LOTS RELEASED

As the market enters the busier period of the year, developers increased the number of lots released by 7.7% from the previous quarter.

June Quarter 2018

4,951

↑ 7.7% from previous quarter

TOTAL SALES

The total lots sold in the quarter increased slightly. Around 4,500 lots, increasing 0.4% over the quarter.

June Quarter 2018

4,487

↑ 0.4% from previous quarter

TOTAL UNSOLD

The number of unsold lots increased, with a total 'overhang' of over 2,000 (+16.6% quarter growth).

June Quarter 2018

2,070

↑ 16.6% from previous quarter

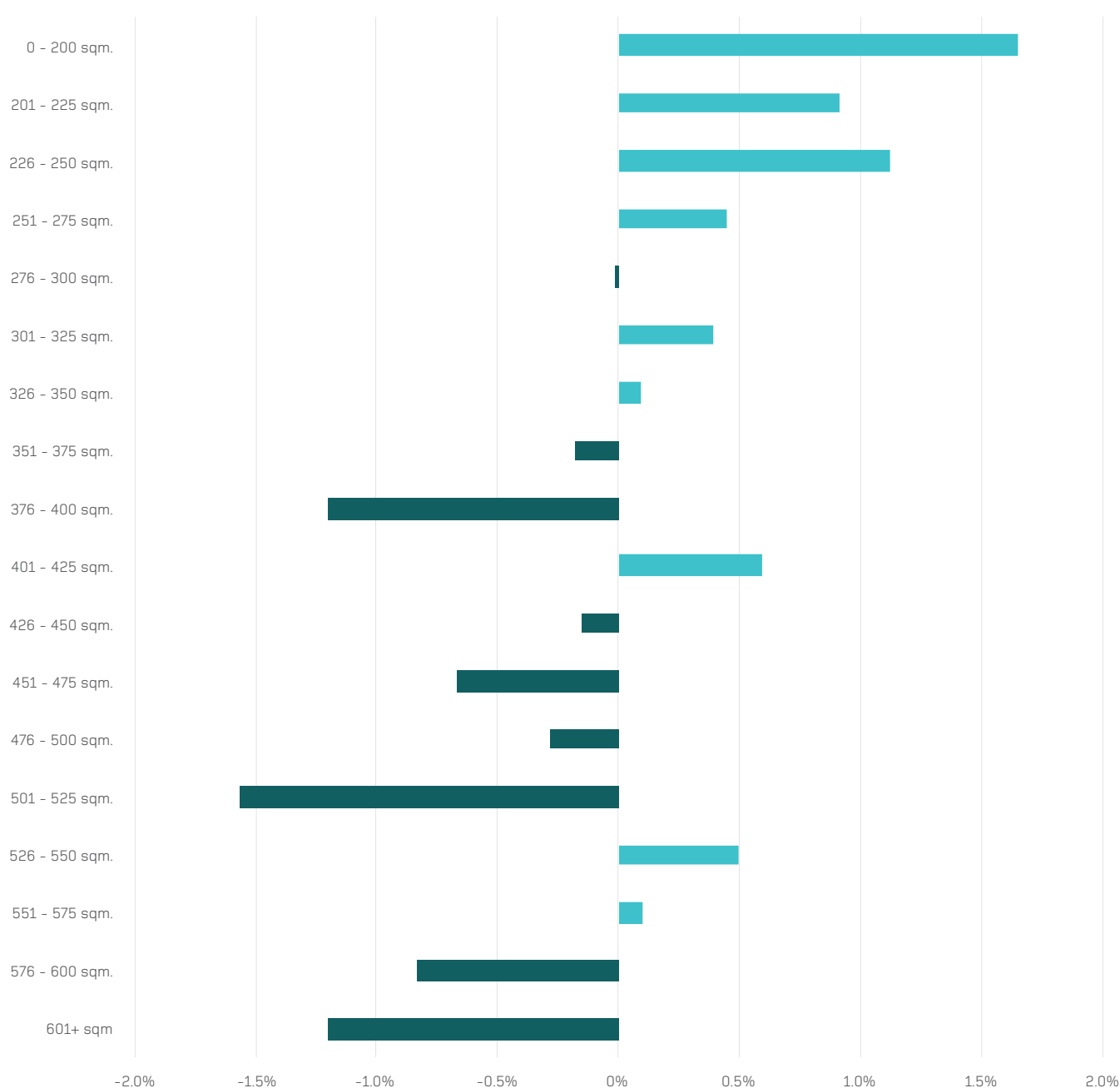
The move to smaller lots

LOT SIZES

Buyers are increasingly moving from larger lots (greater than 450 sqm) to smaller lots (less than 350 sqm).

Over the year to the June quarter 2018, the average size of lots purchased decreased by around 3.0% and is expected to continue decreasing.

Market Share by Lot Size – Change in Percentage Share (June Quarter 2017 to June Quarter 2018)



Source: Oliver Hume Research.

RESIDENTIAL MARKET

Price growth begins to moderate

Over the quarter, the median land price in metropolitan Melbourne increased by 3.8% to \$325,000. This represented annual price growth of over 20% from the same time last year.

All growth area municipalities achieved double-digit price growth rate over the year, with prices the highest in Casey local government area and most affordable in the Mitchell Shire. On a quarterly basis, Melton achieved the highest price growth at 6.5% while, on an annual basis, Cardinia experienced the fastest growth (29.5%).

An inspection of quarterly and monthly changes suggests price growth is beginning to moderate.

Three municipalities experienced negative median lot price growth over the quarter (Mitchell, Whittlesea, Casey) partly due to increased competition and to purchasers substituting towards smaller and more affordable lots.

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ON A QUARTERLY BASIS, MELTON ACHIEVED THE HIGHEST PRICE GROWTH AT 6.5%...

	Median Price	Quarterly Change	Annual Change
Metro. Melbourne	\$325,000	3.8%	20.1%
Cardinia	\$364,000	5.2%	29.5%
Casey	\$365,000	-1.4%	12.0%
Hume	\$350,000	6.1%	23.5%
Melton	\$294,900	6.5%	27.7%
Mitchell	\$272,000	-2.9%	11.5%
Whittlesea	\$327,000	-1.8%	20.2%
Wyndham	\$320,250	1.6%	19.9%

Source: Oliver Hume Research.

Average value rates

Average value rates continued to increase driven partly by continued decline in lot sizes.

The most expensive municipalities in terms of average value rates were Casey (\$890 per sqm) and Hume (\$829 per sqm) while the most affordable were Cardinia (\$722 per sqm) Melton (\$765 per sqm).

	Price per sqm	Quarterly Change	Annual Change
Metro. Melbourne	\$810	2.7%	22.7%
Cardinia	\$722	-1.4%	17.7%
Casey	\$890	4.3%	20.3%
Hume	\$829	2.9%	25.4%
Melton	\$765	3.1%	35.2%
Mitchell	\$559	-0.4%	24.0%
Whittlesea	\$825	-2.7%	19.6%
Wyndham	\$793	-0.3%	19.6%

Source: Oliver Hume Research.



Shape Homes Sienna North example

PURCHASER PROFILES

Migrants and overseas born buyers – a key market segment

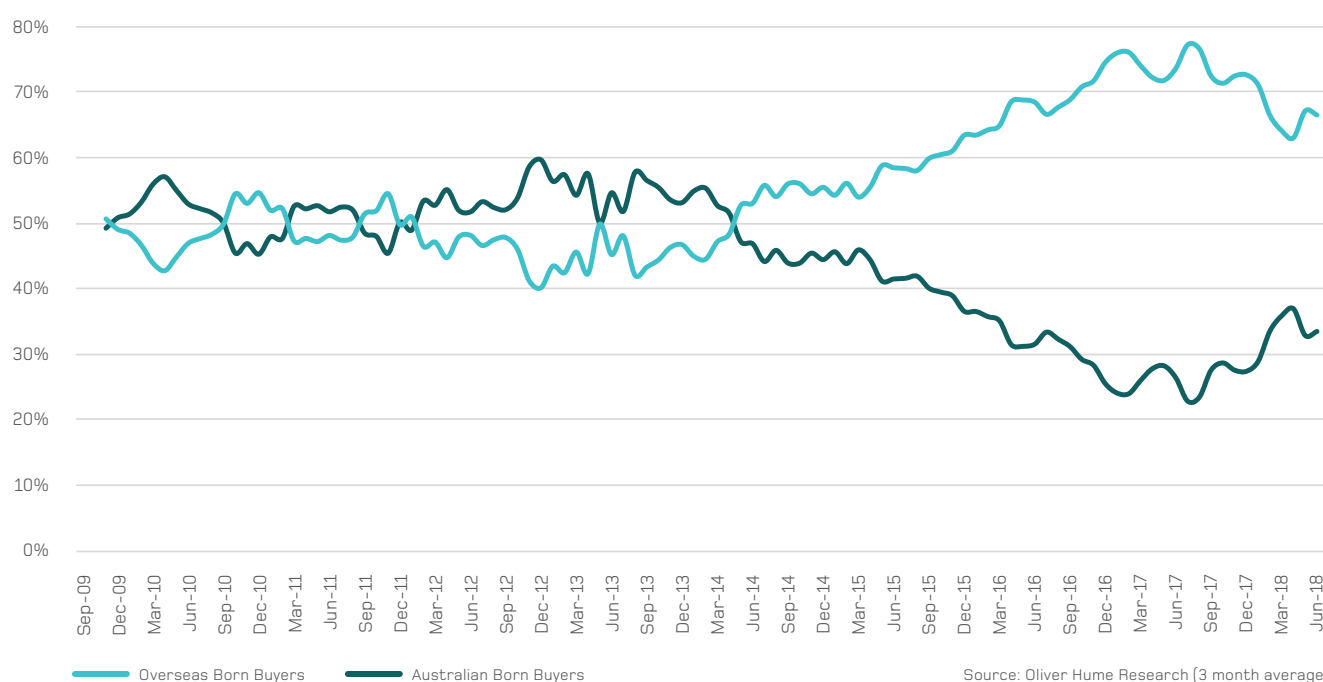
Migrants and overseas born buyers continue to remain the key buyer segment in the residential land market and accounted for over 60% of all sales in the June quarter 2018.

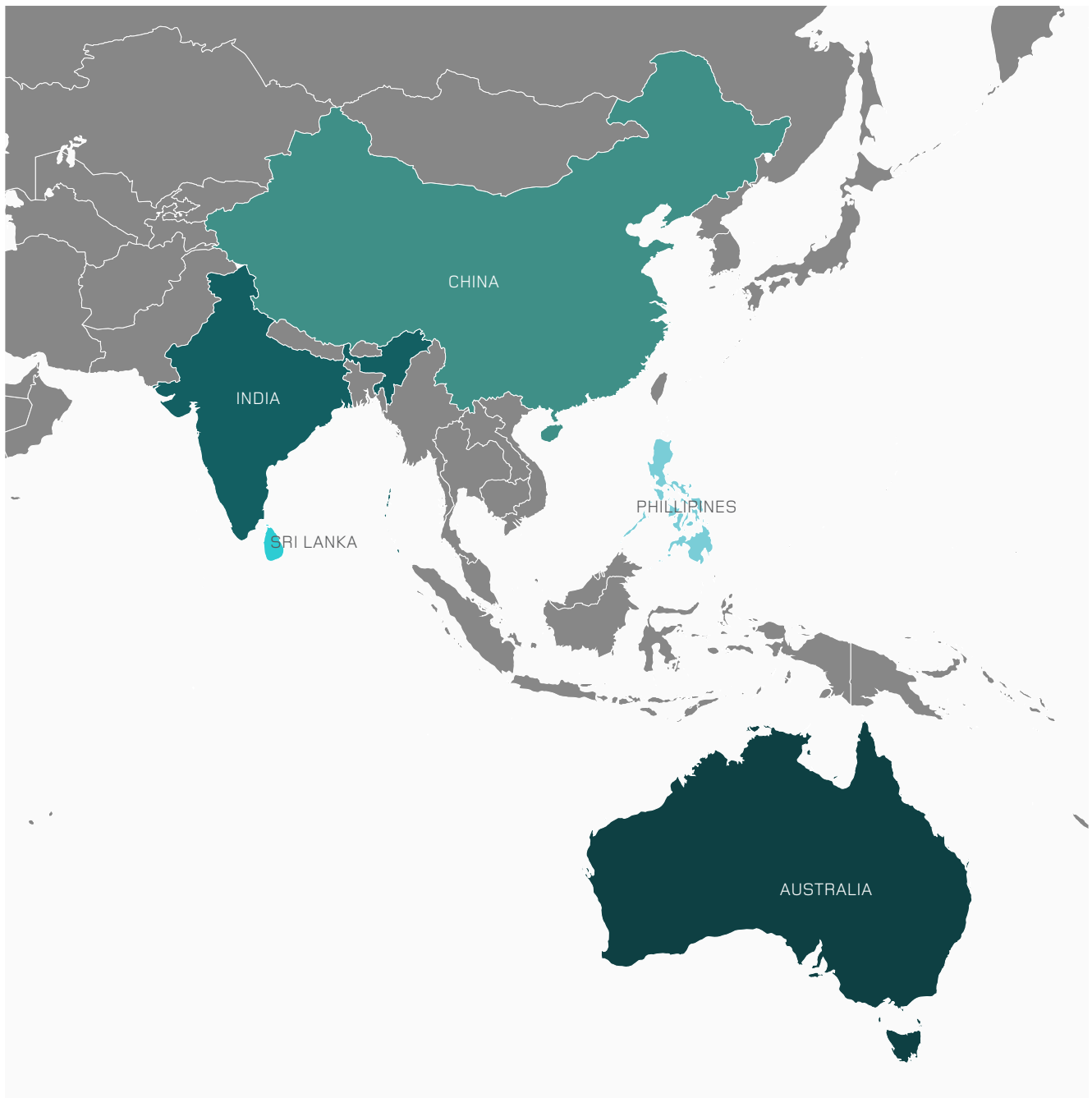
Australia's continuing strong population growth, driven by migration, is a key driver of the land market. Figures released by the Australian Bureau of Statistics (ABS) show that in 2017, net overseas migrants accounted for around two thirds (59%) of the total increase in population in Victoria.

Skilled migrants, a key purchaser segment, continues to represent the bulk of Australia's permanent migration program.

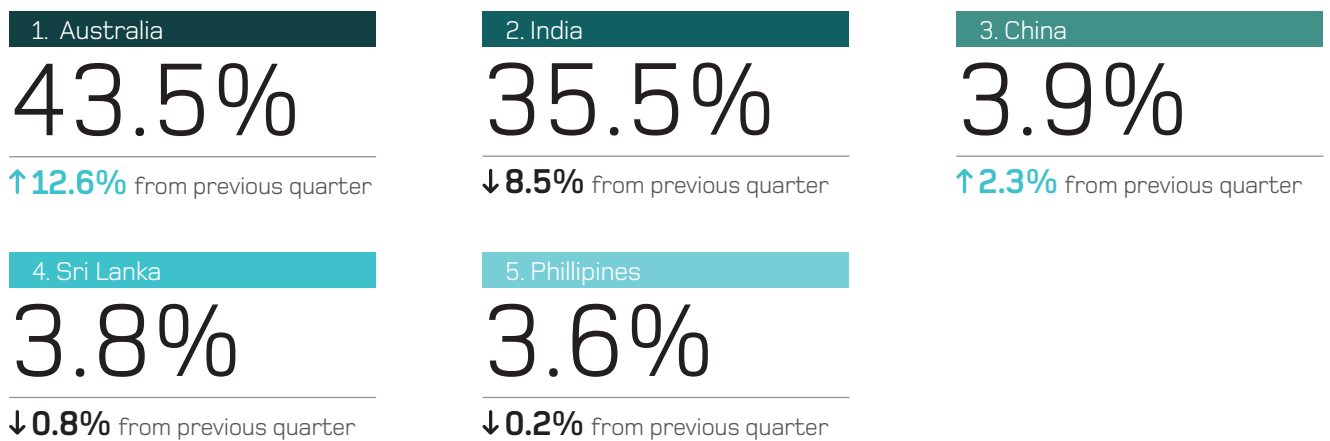
Although recent immigration policy changes, might dampen demand to some degree in the greenfield market, immigration is likely to remain a key driver of property demand especially in relatively more affordable markets such as the greenfield market.

Overseas Born vs Australia Born Buyers – Victorian Greenfield Markets





Market Share by Country of Birth



Source: Oliver Hume Research.

PURCHASER PROFILES

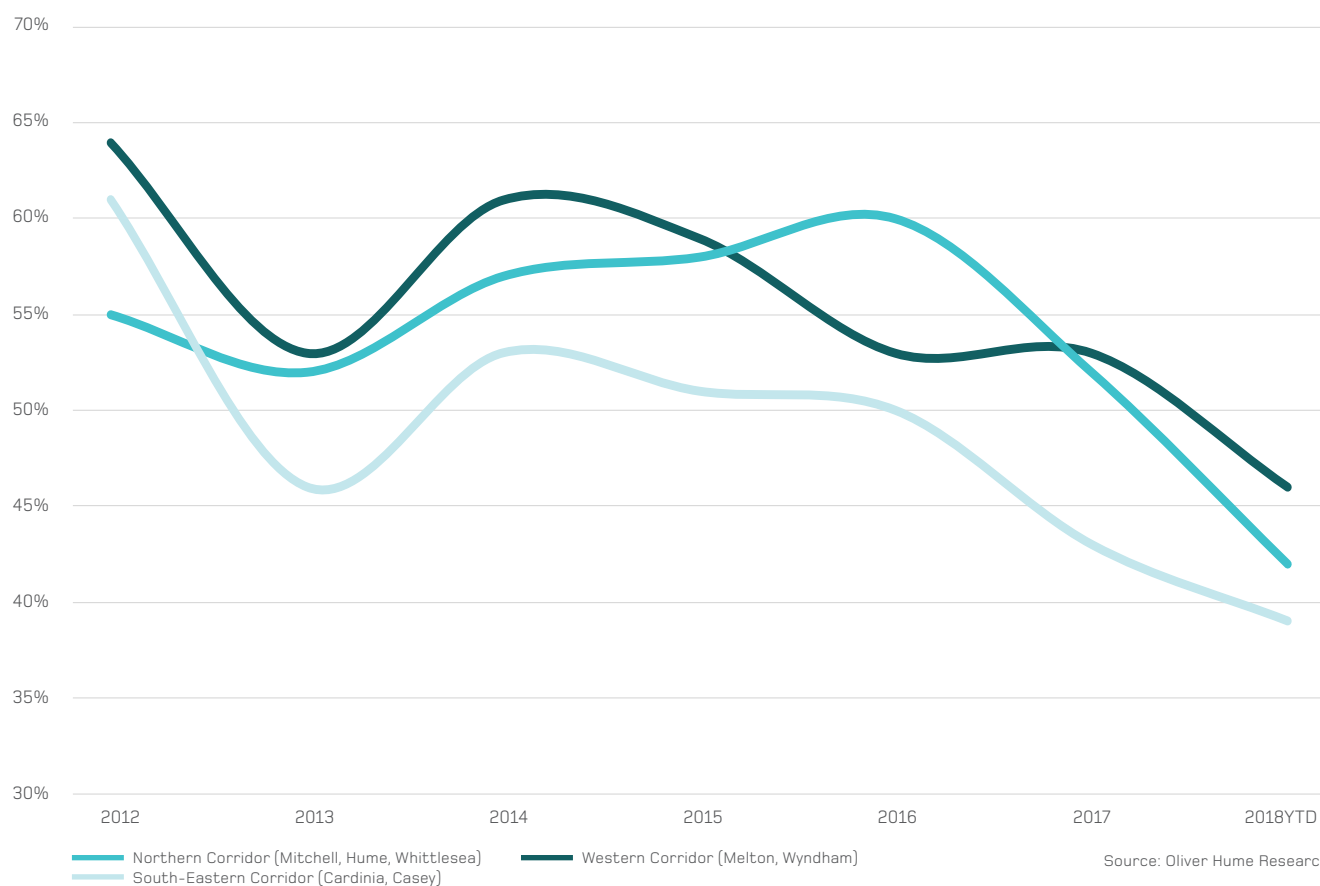
Affordability constraints continues to challenge first home buyers

First home buyers continue to be challenged by current market conditions.

The share of first home buyers in the June quarter 2018 across Victorian key greenfield markets dropped to 44%, down from the previous quarter (45%) and down from the same time last year (49%).

All metropolitan Melbourne growth area corridors are experiencing similar trends with the share of these buyers declining in the south-east especially.

Share of First Home Buyers – Greenfield Markets





Shape Homes Sienna North example

MARKET OVERVIEW

Townhouses and apartments – an increasingly popular choice



... DEMAND AND BUYER SEGMENTS WITHIN THE MARKET PRESENT NEW AND EXCITING OPPORTUNITIES...

Despite some lingering concerns about the apartment market, new data continues to support the view that Melbourne continues to weather any potential oversupply or other headwinds.

If anything, the apartment market (together with the rapidly emerging townhouse market) has helped ensure a relatively affordable dwelling option for many buyers and renters at a time when many have not been able to enter the market.

The ongoing shift in the lending and regulatory policy environment has also tilted the balance towards owner-occupiers (including First Home Buyers and younger purchasers more broadly) although the full impact of these changes remain to be seen.

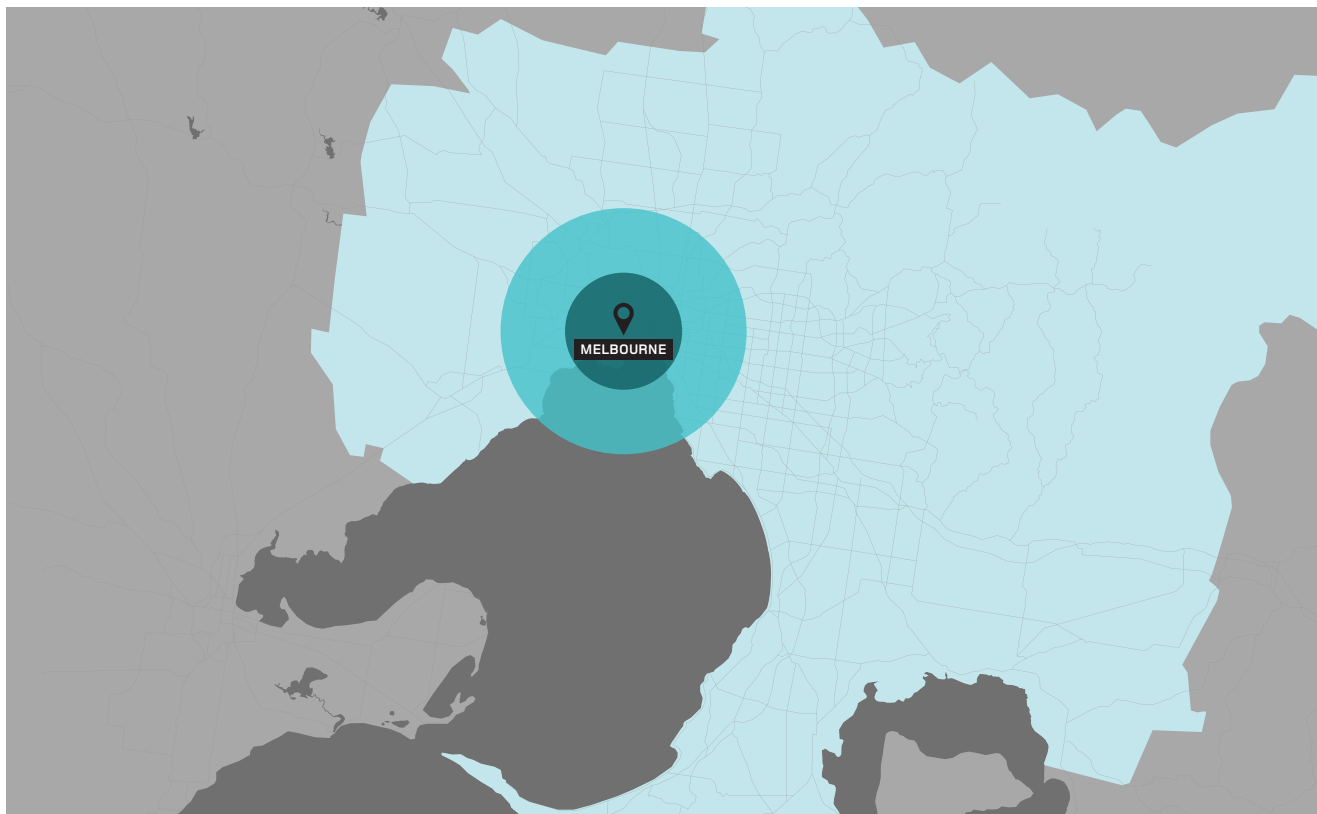
While conditions in some locations, such as the inner city apartment market, remain soft, we continue to see strong developer interest in both apartments and townhouses, especially in middle-ring locations with good amenity and transport options. Outer suburban locations are also now emerging as increasingly popular locations for medium density development.

A challenge for developers going forward will be, in the context of various affordability and other challenges, to provide the right type of dwellings at the right price that meets the current and emerging needs of the market.

This is especially the case given, the rapid population/demographic and economic changes underway including near record levels of immigration and growth in key sectors such as the health care / social assistance and education / training industries.

These and other trends will continue to shape buyer demand by creating new market segments or by decreasing others.

These shifts will necessitate a rebalancing of the type of products offered to the market. In some cases, this might mean disruptive innovation such as bold and innovative designs, new technologies etc. In many cases it will mean a continuation of recent trends, for example, smaller land lots for houses and townhouses and larger apartments to cater for families and children.

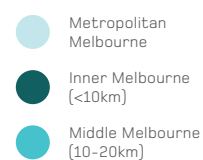


METROPOLITAN MELBOURNE

 House	\$840,000
Quarterly Growth	↓0.60%
 Unit & Apartment	\$604,000
Quarterly Growth	↑0.50%

INNER MELBOURNE

 House	\$1,459,000
Quarterly Growth	↓0.49%
 Unit & Apartment	\$605,000
Quarterly Growth	↑1.40%



MIDDLE MELBOURNE

 House	\$974,500
Quarterly Growth	↓5.40%
 Unit & Apartment	\$656,500
Quarterly Growth	↓1.80%

OUTER MELBOURNE

 House	\$681,000
Quarterly Growth	↑0.50%
 Unit & Apartment	\$523,500
Quarterly Growth	↑1.60%

Vacancy Rates	June 2018	May 2018
Inner Total	1.8	1.8
Inner (0-4Km)	1.7	1.7
Inner (4-10Km)	1.8	1.8
Middle (10-20Km)	2.4	2.8
Outer Total	1.6	1.7
Outer (20+Km Exc. Mornington Pen.)	1.5	1.5
Outer (Mornington Pen.)	3.3	3.4
Melbourne Total	1.9	2.0
Regional Victoria Total	1.6	1.6
Victoria Total	1.8	1.9

Source: REIV, Oliver Hume Research.

MARKET OVERVIEW

Townhouse development increasing



TOWNHOUSES ARE HELPING TO MEET THE GROWING DEMAND FOR AFFORDABLE RESIDENTIAL DWELLINGS THAT ARE NEAR JOBS, AMENITIES AND FAMILY.

Townhouses represent an important and emerging market segment that is expected to be an important dwelling type in Melbourne's overall dwelling mix going forward.

The townhouse market is now undergoing rapid innovation as developers and builders experiment with new designs, layouts etc.

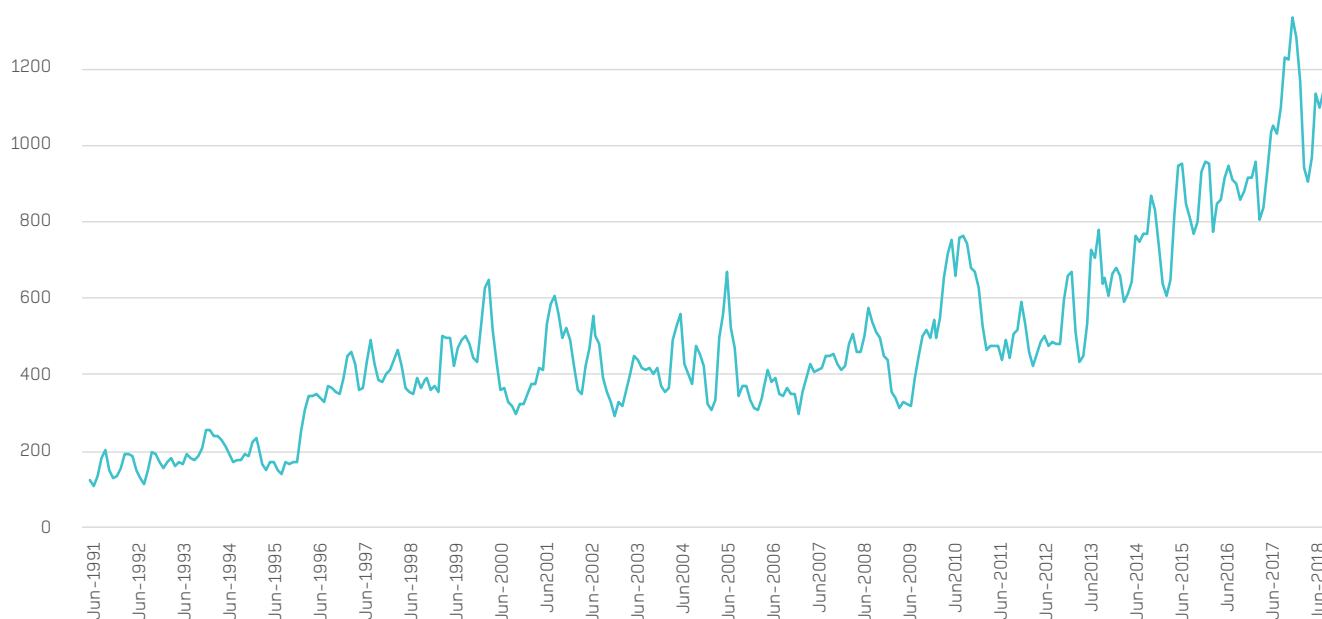
Neither a house and neither an apartment, townhouses occupy a unique space in the market and are a versatile product type offering flexibility in accommodating a range of buyer needs and market segments. These buyers and occupiers include families at different life stages, empty nesters / downsizers, couples and single person households.

Townhouses are increasingly being embraced by a range of owner occupier segments including, especially, younger buyers looking to enter the market at a relatively affordable price point while also looking for a low maintenance product which is close to jobs, amenities and family.

Townhouses also appeal to investors for many of the same reasons including especially those looking for a landed product.

New townhouse construction continues to increase in response to this demand and looks set to continue rising.

Victoria – New Residential Dwelling Approvals: Semi-detached, Row or Terrace Houses, Townhouses



Source: ABS, Oliver Hume Research (three month smoothed).



Parkville by Oliver Hume

SUBURB SPOTLIGHT

Essendon

VIC 3040



ESSENDON IS ATTRACTING INCREASED DEVELOPER ATTENTION FOR BOTH MEDIUM AND HIGH DENSITY PRODUCTS.

Essendon is attracting increased developer attention for both medium and high density products.

Population growth has been steady in recent years rising by around 1,700 people over the period 2011 to 2016 reaching over 20,600 usual residents in that year.

Essendon residents tend to be professionals with the top industries of employment including the health care and social assistance, professional, scientific and technical services and education and training sectors.

Nearly a third of residents work in the Melbourne local government area.

Current residents in Essendon are also generally more affluent with above average incomes.

In 2016 those aged 25 to 49 represented nearly 40% of the usual resident population and this group is expected to experience amongst the fastest growth over the next 25 to 30 years.

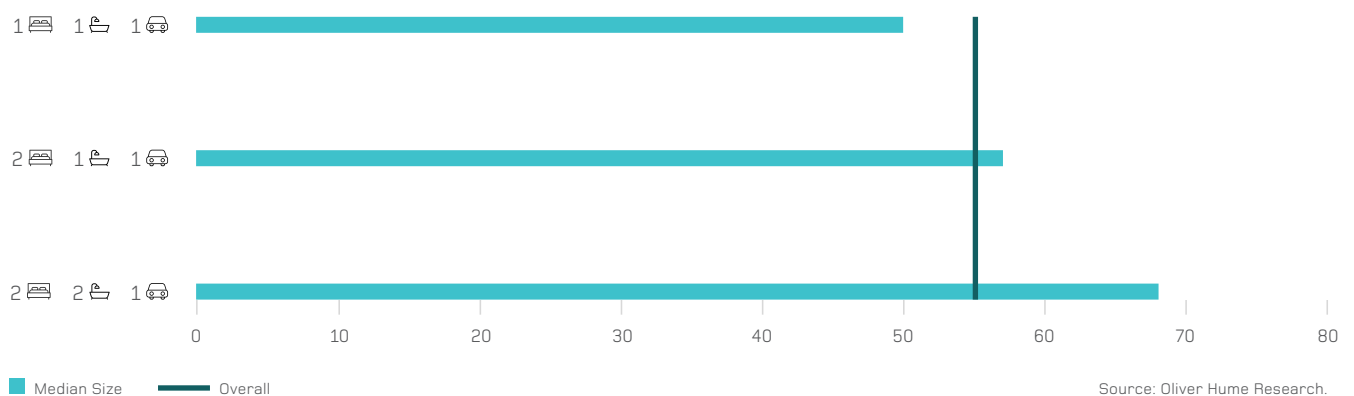
This market segment will require both medium and higher density dwellings given, especially, that smaller households (couples, singles, young/emerging families) will be a key buyer group.

Essendon Off-The-Plan Apartments Pricing



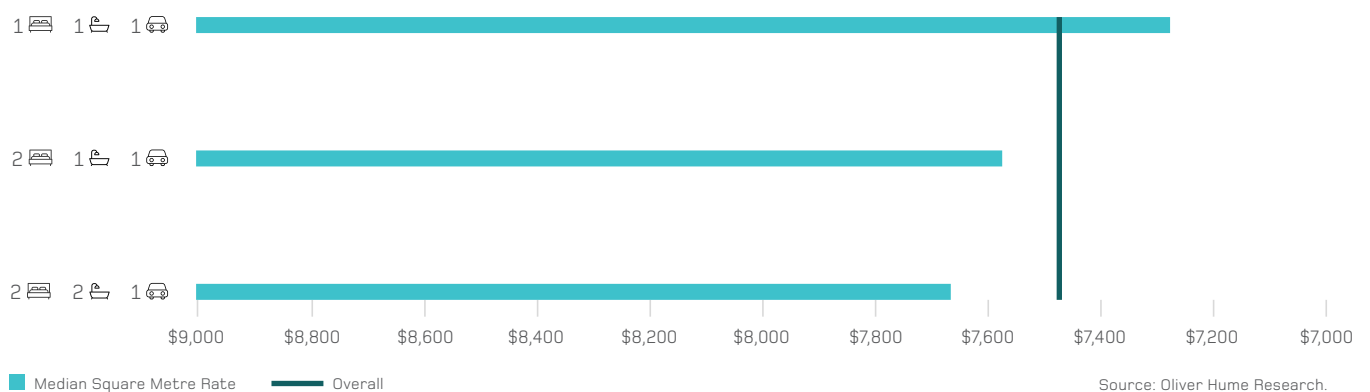
Source: Oliver Hume Research.

Essendon – Off-The-Plan Median Internal Size



Source: Oliver Hume Research.

Essendon – Off-The-Plan Price Per Square Metre



Source: Oliver Hume Research.

MARKET OVERVIEW

Foreign Investment into the Australian Housing Market

INTRODUCTION

Foreign investment plays a critical role in supporting the Australian property market and the broader economy. Employment, economic growth, a greater and more diverse number of dwellings, access to overseas expertise, knowledge and innovation and enhanced productivity are some of the benefits Australia obtains from foreign investment into residential real estate.

The Foreign Investment Review Board (FIRB), a non-statutory body

established to advise the Treasurer and the Government on national foreign investment policy and administration, regularly reports on foreign investment trends including those arising from FIRB approvals data.

The FIRB 2016–17 Annual Report, released in May 2018, is a rich source of foreign investment related data and insights. This article examines key residential real estate highlights of the 2016–17 FIRB Annual Report.

FOREIGN INVESTMENT TRENDS

Australia remains an attractive foreign investment destination overall. \$168 billion of business related approvals were approved in 2016–17 which was 4% below the previous year.

Consistent with long-term trends, China and the United States were the main sources of approved investment in 2016–17 although an increasingly important source of investment is Canada.

RESIDENTIAL REAL ESTATE AND FOREIGN INVESTMENT

2016–17 was an important year for foreign investment into residential real estate and reflected a range of changes in policy, the global and national economies, taxation, lending and other areas.

The level of residential real estate approvals declined from around 40,140 approvals to nearly 13,200 over the period 2015–16 to 2016–17.

A key driver of the decline was the introduction of FIRB application fees in late 2015.

A range of other factors also played a contributing role including stricter Chinese capital controls, moderating market conditions, a shift in the lending environment which restricted capital to foreigner borrowers and an increase in the level of State-based taxation on foreign investor purchases.

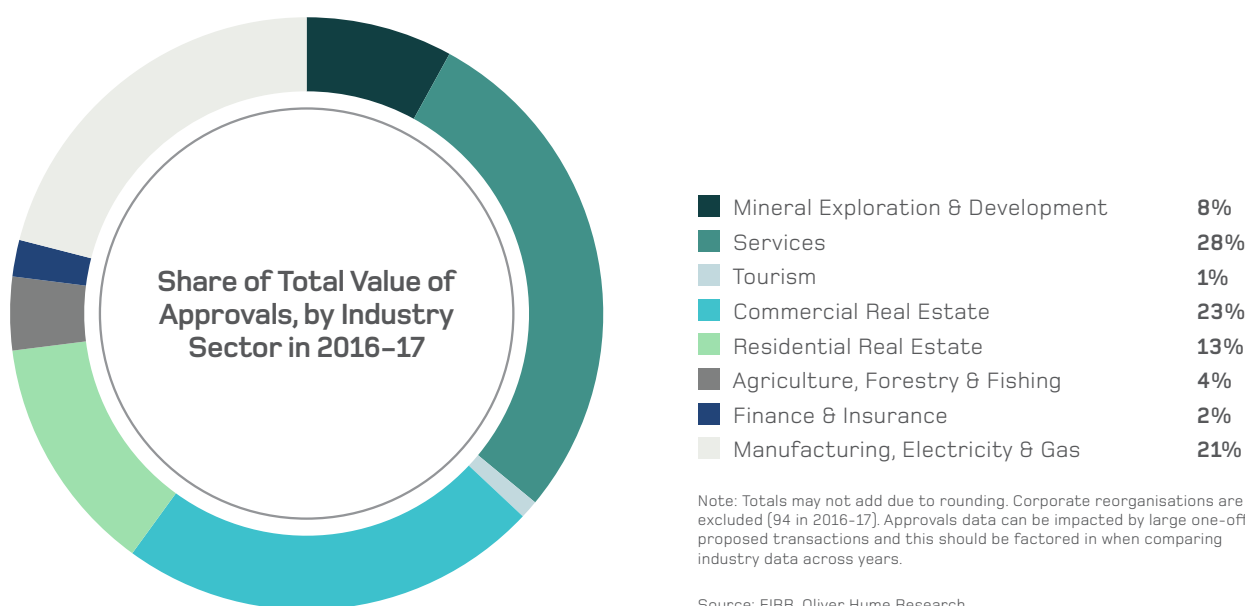
Approvals were also affected by the range of measures announced in the Federal Government's 2017–18 Budget. These included stricter foreign investment rules affecting residential real estate and limiting foreign investment in new residential developments, in particular:

- An annual vacancy charge, to be paid by foreigners, if a property is not occupied or available to rent for at least six months (in a 12 month period)
- A 50% cap on foreign ownership pre-approvals in new residential developments
- Developers must market dwellings locally; and
- Developers must report on all purchases made by foreign persons.

In 2016–17 most of China's approvals were for residential real estate and it is this category which has experienced amongst the greatest overall decline in the value of residential real estate approvals.

From 2015–16 to 2016–17 the greatest decline in approvals was for residential real estate where investment exceeded \$25 billion (a decrease of over \$47 billion from the previous year).

In contrast, the sector with the next greatest decline was manufacturing, electricity and gas where investment approvals reached almost \$41 billion declining only by around \$15.7 billion from the previous year.



MARKET OVERVIEW

RESIDENTIAL REAL ESTATE AND FOREIGN INVESTMENT *(CONT.)*

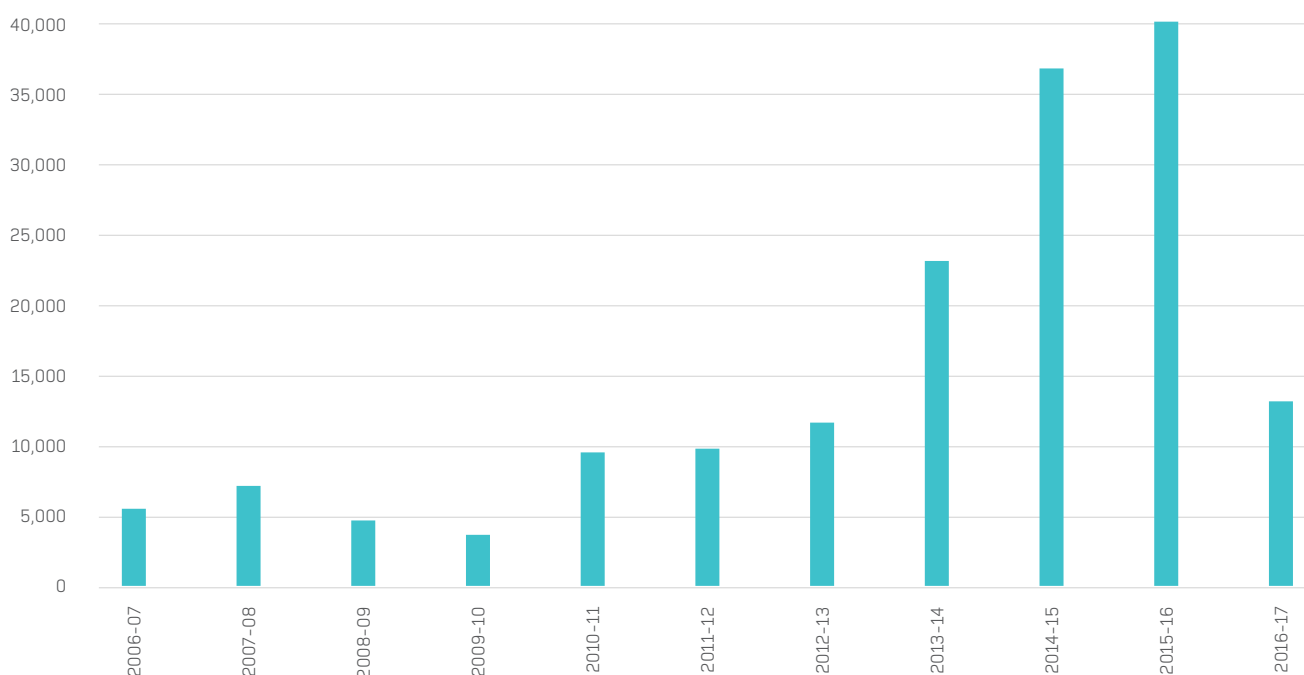
In terms of the number of approvals, nearly 13,200 residential real estate applications were approved in 2016-17, down by almost 27,000 from the previous year.

It should be noted the reduction was influenced significantly by the imposition of FIRB application fees. In the past, potential buyers often made multiple applications (across multiple properties) while undertaking due diligence. The introduction of fees changed investors' behavior with a greater share of FIRB applications now only occurring when applicants are more serious about purchasing.

Development continued to represent the bulk of the residential real estate approvals (around 88%) in 2016-17. This share has been relatively stable and includes new dwelling approvals, the acquisition of vacant land and the redevelopment of established residential property.

Also consistent with long term trends is the dominance of Victoria (41%) over NSW (32%) in accounting for most residential real estate approvals.

Foreign Residential Real Estate Approvals by Year



Source: FIRB, Oliver Hume Research.

OUTLOOK AND CONSIDERATIONS

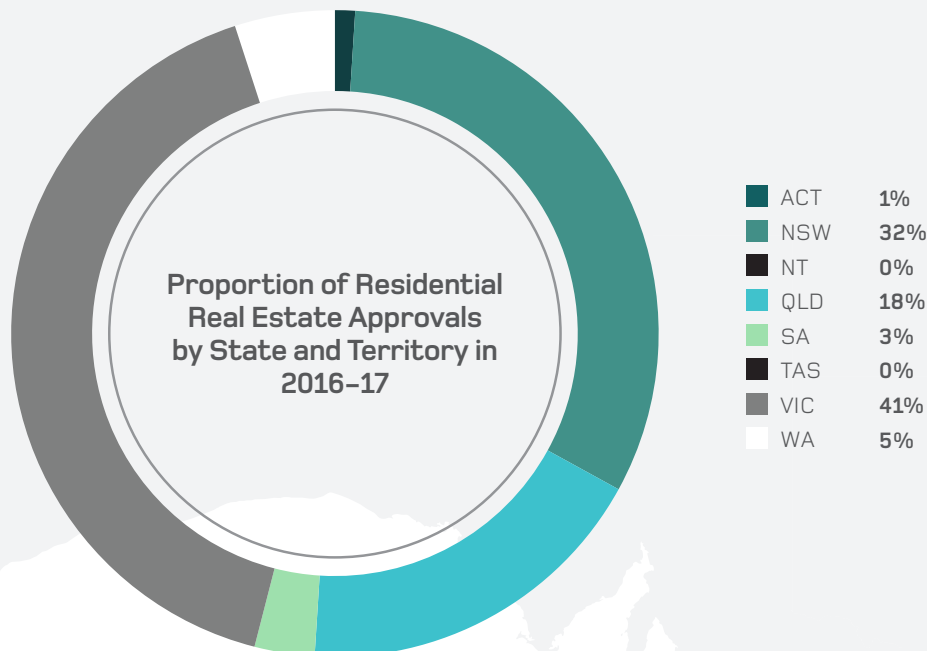
The 2016-17 FIRB report highlights the dynamic nature of Australia's foreign investment landscape especially as it applies to the residential real estate sector and other areas.

As with strong population growth and immigration, foreign investment has been a longstanding aspect of our housing market and economy.

Going forward, with population growth and overseas migration levels expected to remain high, it will be important to ensure that Australia remains open to foreign investment and global capital flows.

This is especially relevant in helping to boost construction activity, employment, economic growth, housing supply and affordability.

The innovation and knowledge benefits obtained via foreign investment should also not be discounted especially as Australia, across both metropolitan and regional/rural areas, must be competitive globally.



Source: FIRB, Oliver Hume Research.



QUEENSLAND

ECONOMIC CONDITIONS AND OUTLOOK



Amanda Bittenbinder

Senior Research Analyst

Population and economic growth strengthens in Queensland



THE COMPARATIVELY AFFORDABLE HOUSING MARKET AND INCREASINGLY POSITIVE ECONOMIC PROGRESS HAS DRAWN 22,510 INTERSTATE RESIDENTS TO QUEENSLAND OVER 2017.

A strengthening economy and relative affordability continue to be major drivers for population growth across Queensland.

Population growth is expected to remain strong as economic conditions continue to improve and interstate migration remains high.

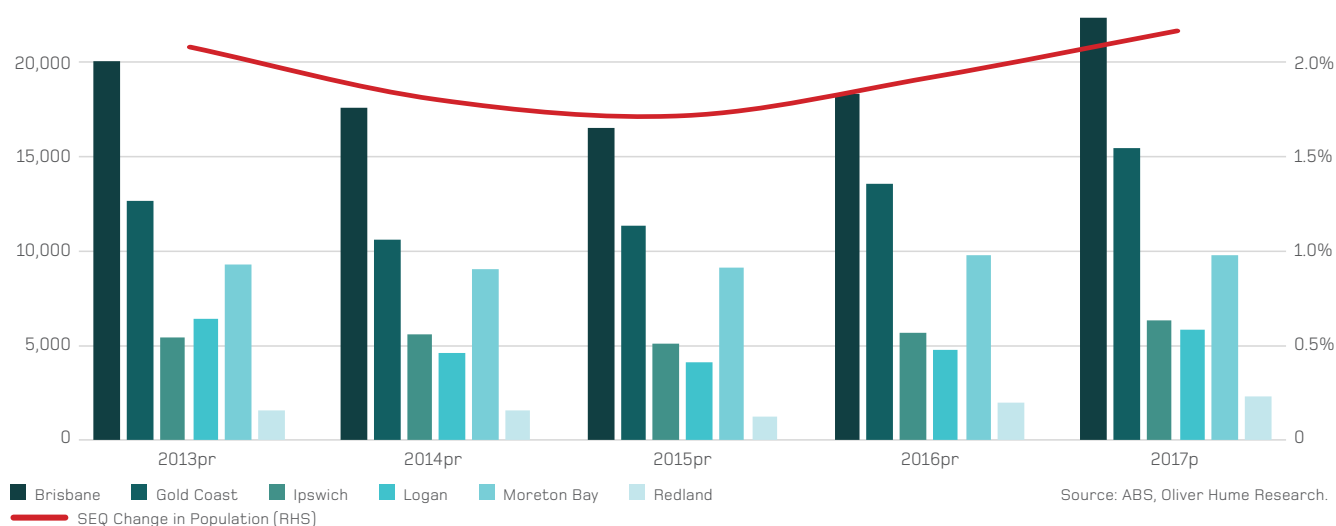
In 2017 Queensland had the highest net interstate migration gain with 22,500 people.

Queensland's population increased by 1.7% (+81,500) in the year ending 31 December 2017 with the population reaching nearly 5 million.

Most of the population growth has been concentrated in South-East Queensland and, especially, the growth corridors.

Ipswich continues to record the highest growth with an annual increase of 3.2% followed by Gold Coast (2.7%) while South-East Queensland's population overall increased by 2.2% in 2017.

No. Increase of population across LGA & Overall increase to South-East Queensland



Queensland's market rises

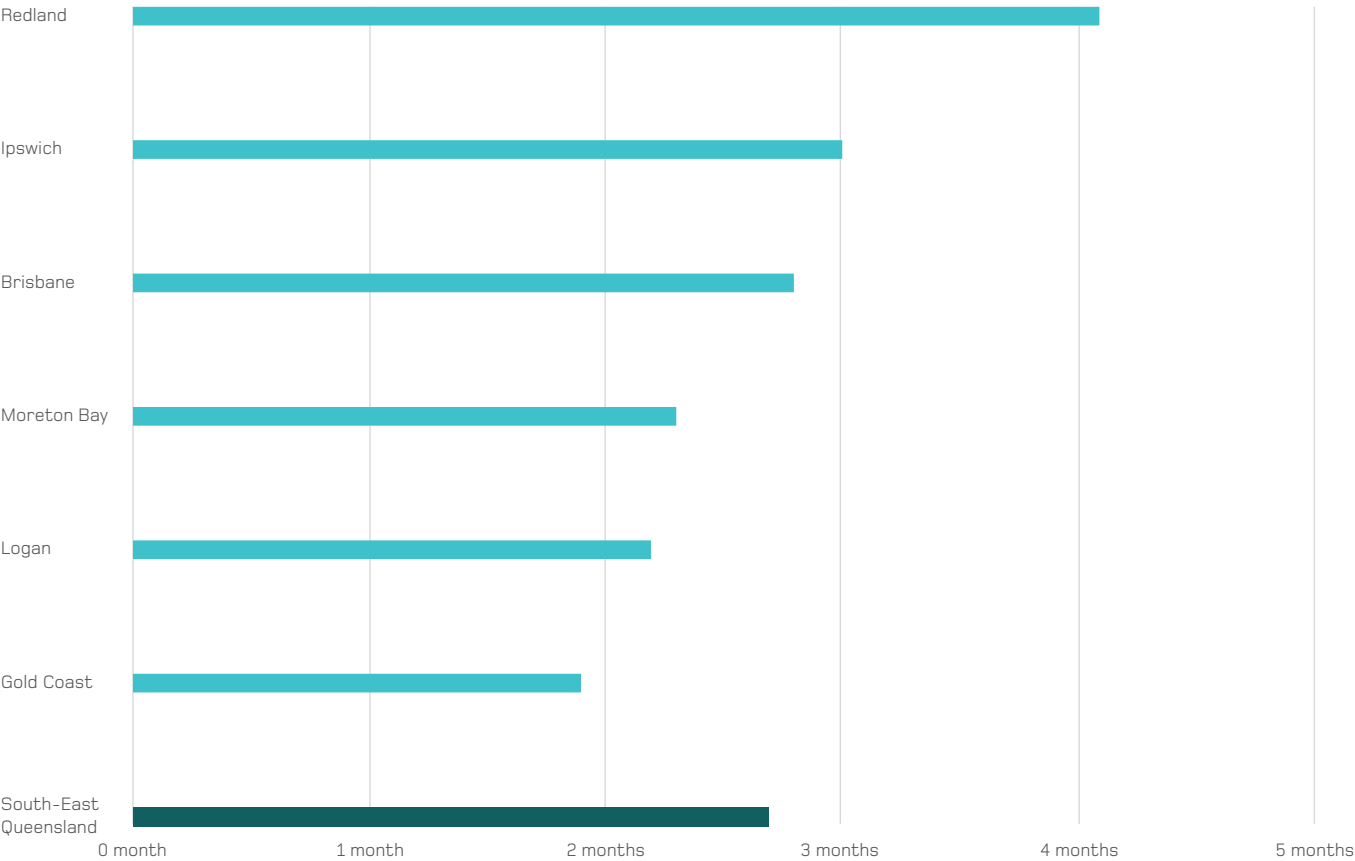
As finance continues to challenge many buyers, developers are keen to hold off stage releases in order to compress land registration periods and, in turn, avoid high levels of finance related cancellations.

By the end of the June quarter 2018 the average registration period for lots currently available for purchase across South-East Queensland was 2.7 months.

Redland estates had the highest registration period of 4.1 months which was directly linked to the amount of stock available within this catchment.

This was accompanied by a significant increase in the number of lots released in the June quarter 2018 which can be attributed, in part, to developers wishing to bring the 2017-18 financial year to a strong close.

Average Registration Dates



Source: Oliver Hume Research.

PROJECT AND CORRIDOR DATA

ACTIVE PROJECTS

The number of active projects in all South-East Queensland municipalities in the June quarter dropped to 129, representing a slight decrease of 1% compared with the previous quarter. Despite multiple launches, there were several projects that came to completion over the quarter, thus bringing the overall total of active land estates down.

June Quarter 2018

129

↓1% from previous quarter

TOTAL LOTS RELEASED

The number of lots released over the quarter increased significantly by 48%.

June Quarter 2018

1,718

↑48% from previous quarter

TOTAL SALES

The June quarter 2018 saw increased sales. Lot sales within the quarter represented an increase of 24% from the previous quarter. This is largely attributed to an increase of lots supply within the market.

June Quarter 2018

1,624

↑24% from previous quarter

TOTAL UNSOLD

The total number of lots remaining unsold at the end of the June quarter 2018 was almost 11% higher than the previous quarter.

June Quarter 2018

2,139

↑10.6% from previous quarter

Project Land Sales

Ipswich	24%
Logan	22%
Brisbane	20%
Moreton Bay	20%
Gold Coast	9%
Redland	4%

Source: Oliver Hume Research
(Land sales between 0 - 1,000 Sqm.)



Key Corridors – Number of Active Projects

<div>Brisbane</div> <div>22</div> <div>↑15.8% from previous quarter</div>	<div>Gold Coast</div> <div>21</div> <div>↓8.7% from previous quarter</div>	<div>Logan</div> <div>27</div> <div>Unchanged from previous quarter</div>
<div>Moreton Bay</div> <div>27</div> <div>↓3.6% from previous quarter</div>	<div>Ipswich</div> <div>27</div> <div>↓3.6% from previous quarter</div>	<div>Redland</div> <div>5</div> <div>Unchanged from previous quarter</div>

Source: Oliver Hume Research.

PROJECT AND CORRIDOR DATA

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THE SOUTH-EAST QUEENSLAND LAND MARKET CONTINUES TO IMPROVE...

LOT PRICES

The South-East Queensland land market continues to improve.

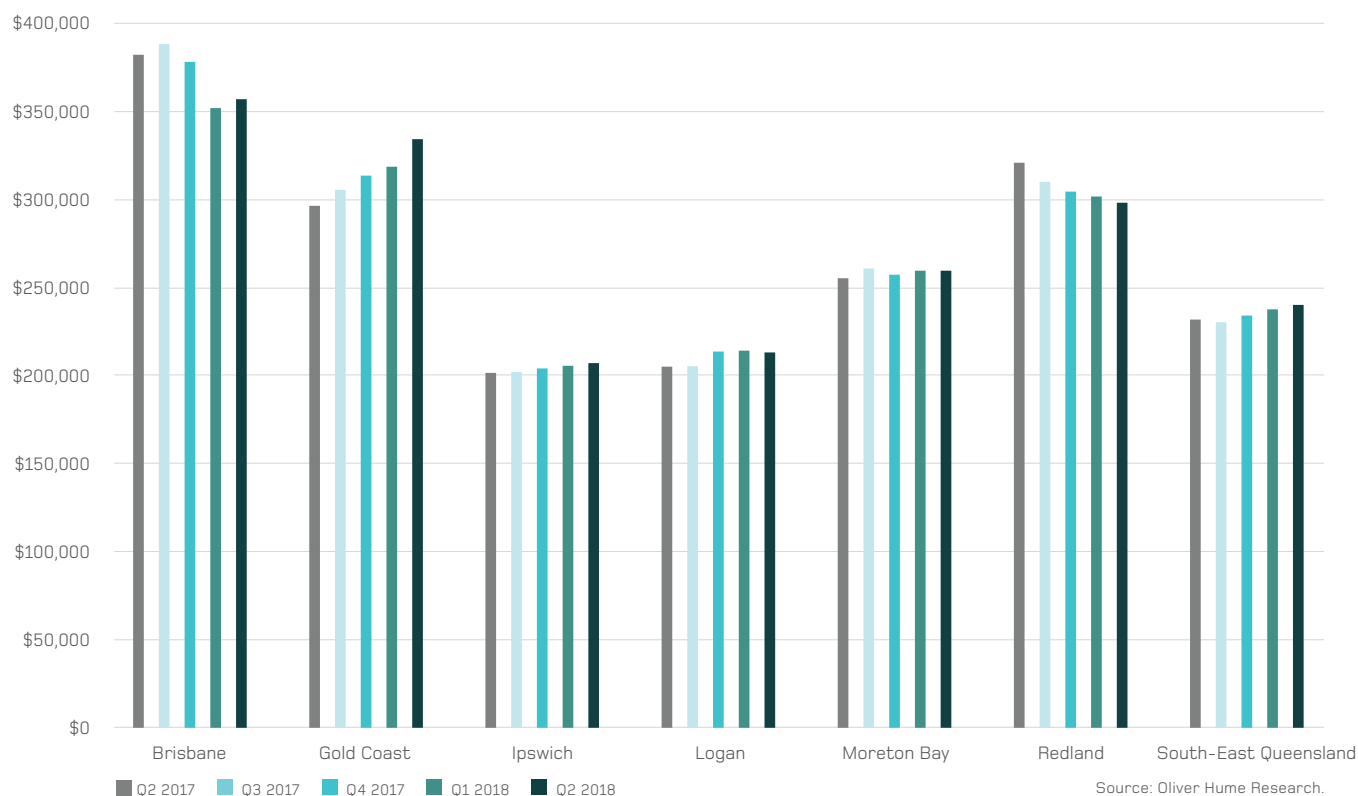
Sales numbers increased by 24% from the previous quarter while stock availability rose 10%.

The median lot price in South East Queensland increased by 3% to around \$240,000 over the 12 months to June 2018 and is now around \$7,000 higher than the same period last year.

With this growth in median prices and the continuous shrinking of lot sizes, the overall value rate in South-East Queensland rose 7% when compared to the same period in 2017 and is now over \$562 per square metre.

Land remains relatively affordable in the South-East Queensland corridors of Ipswich and Logan while the Brisbane and Gold Coast markets remain the most expensive.

South-East Queensland Project Land Sales Median Land Price (Rolling Annual Average)

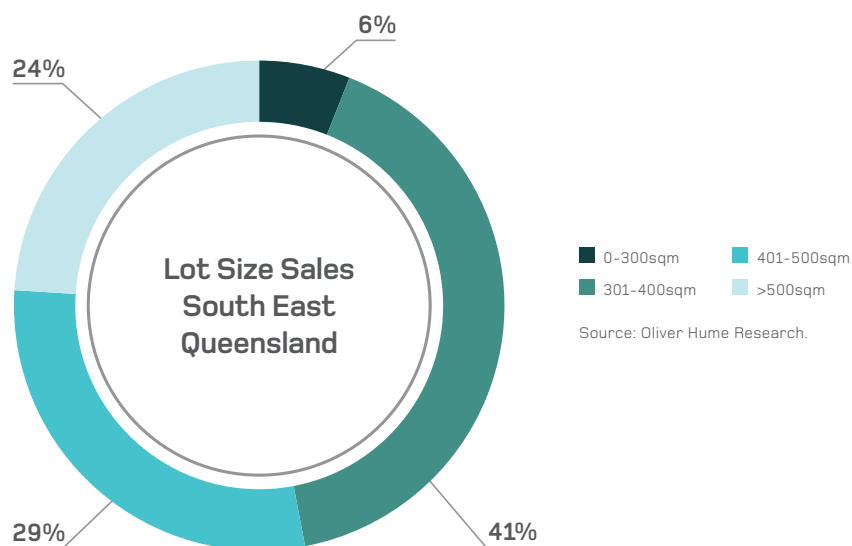


LOT SIZES

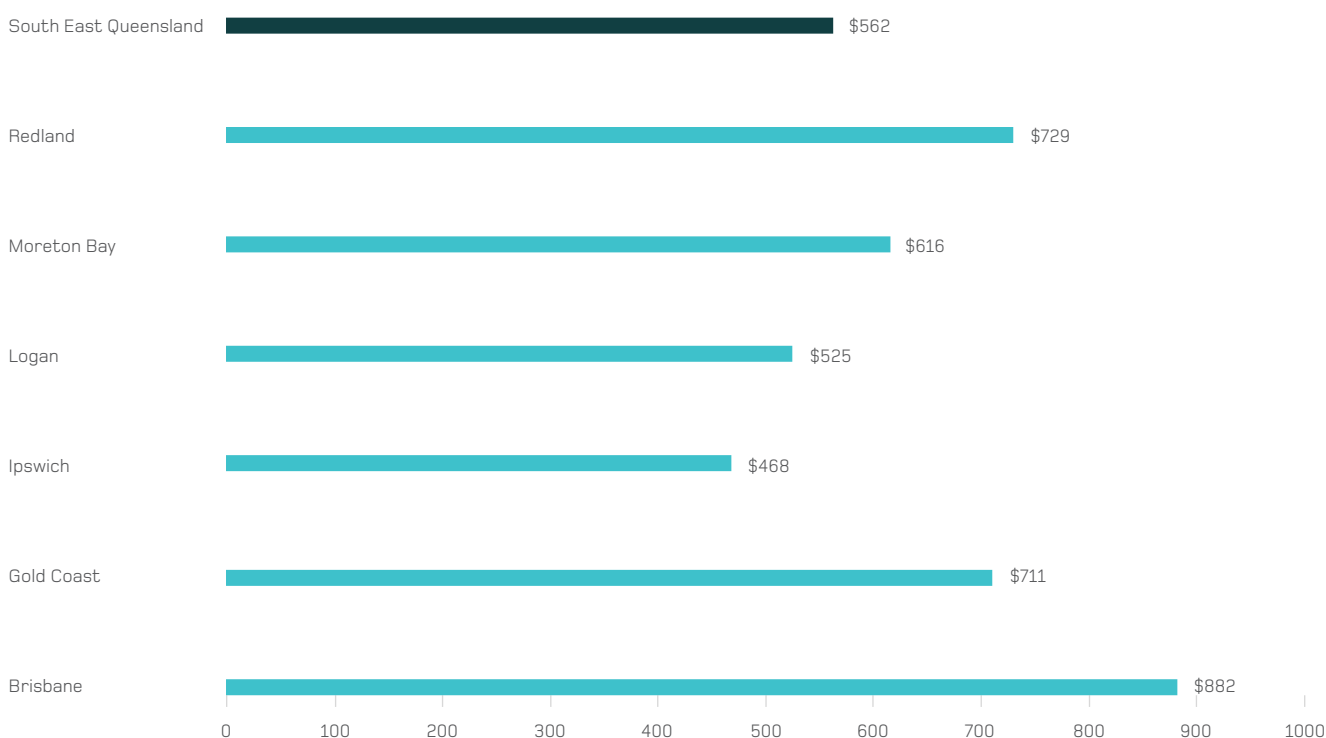
The South-East Queensland market offers a diverse range of lot sizes suiting a range of market segments.

Over the quarter nearly half of all lots were below 400 square metres.

Lot Sizes	Market Share	Median Price
0 – 300 sqm	6%	\$172,000
301 – 400 sqm	41%	\$225,000
401 – 500 sqm	29%	\$235,000
> 500 sqm	24%	\$260,000



South-East Queensland Project Land Sales | Median Value Rate (June Quarter 2018) Price per square metre



MARKET SNAPSHOT



South-East Queensland Growth Corridors

BRISBANE <p>Most Popular Selling Lot Type</p> <p>301-400sqm 51%</p> <p>Median \$ (Rolling Annual Average)</p> <p>\$356,750 ↓ 7% same quarter 2017</p> <p>Median Value Rate</p> <p>\$882/sqm ↓ 6% same quarter 2017</p>	GOLD COAST <p>Most Popular Selling Lot Type</p> <p>401-500sqm 36%</p> <p>Median \$ (Rolling Annual Average)</p> <p>\$334,300 ↑ 13% same quarter 2017</p> <p>Median Value Rate</p> <p>\$711/sqm ↑ 23% same quarter 2017</p>	REDLAND <p>Most Popular Selling Lot Type</p> <p>301-400sqm 57%</p> <p>Median \$ (Rolling Annual Average)</p> <p>\$298,750 ↓ 7% same quarter 2017</p> <p>Median Value Rate</p> <p>\$729/sqm ↑ 4% same quarter 2017</p>
IPSWICH <p>Most Popular Selling Lot Type</p> <p>301-400sqm 34%</p> <p>Median \$ (Rolling Annual Average)</p> <p>\$207,550 ↑ 3% same quarter 2017</p> <p>Median Value Rate</p> <p>\$468/sqm ↑ 4% same quarter 2017</p>	LOGAN <p>Most Popular Selling Lot Type</p> <p>301-400sqm 41%</p> <p>Median \$ (Rolling Annual Average)</p> <p>\$213,200 ↑ 4% same quarter 2017</p> <p>Median Value Rate</p> <p>\$525/sqm ↑ 5% same quarter 2017</p>	MORETON BAY <p>Most Popular Selling Lot Type</p> <p>301-400sqm 44%</p> <p>Median \$ (Rolling Annual Average)</p> <p>\$259,988 ↑ 2% same quarter 2017</p> <p>Median Value Rate</p> <p>\$616/sqm ↑ 4% same quarter 2017</p>



Gold Coast, Queensland

PURCHASER PROFILES

Buyer demographics drive lot purchase decisions

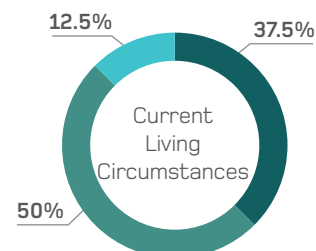
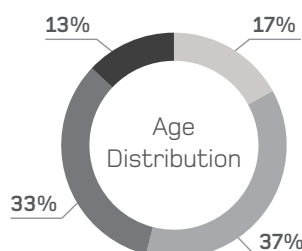
The most popular selling lots within Oliver Hume projects in 2018 were in the range 300-450 sqm and accounted for 62% of total sales.

The largest portion of the market sits within 351-400 sqm (27%) due to affordability. Most purchasers in this market are under the age of 34 and are purchasing as owner occupiers.

BUYER PROFILES: MOST POPULAR SELLING LOTS 2018

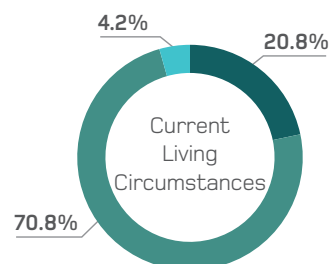
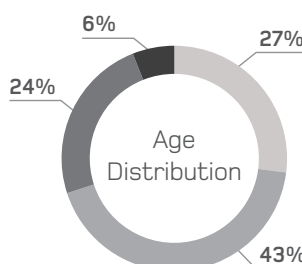
300-350 Sqm Lots

Total SEQ Sales 15%
Owner-Occupiers 75%
First Home Buyers 75%



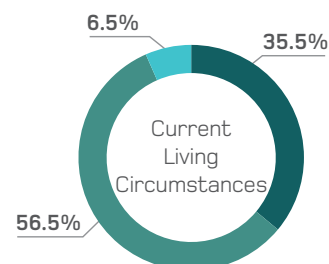
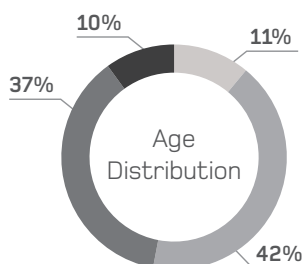
351-400 Sqm Lots

Total SEQ Sales 27%
Owner-Occupiers 87%
First Home Buyers 75%



401-450 Sqm Lots

Total SEQ Sales 20%
Owner-Occupiers 94%
First Home Buyers 67%



Age Distribution
 18-24 25-34 35-49 50-59

Current Living Circumstances
 Owner-Occupiers Renting Living with Parents

MARKET OVERVIEW

Divergence in Queensland's apartment markets

The Queensland apartment market continues to be the tale of two cities with the Brisbane and Gold Coast markets moving in different directions.

Brisbane continues to be a difficult market although optimism is starting to increase.

The oversupply debate continues to take place although little attention is paid to the intricacies of various markets.

For example, higher end and boutique developments have had

success over the quarter with good sales rates.

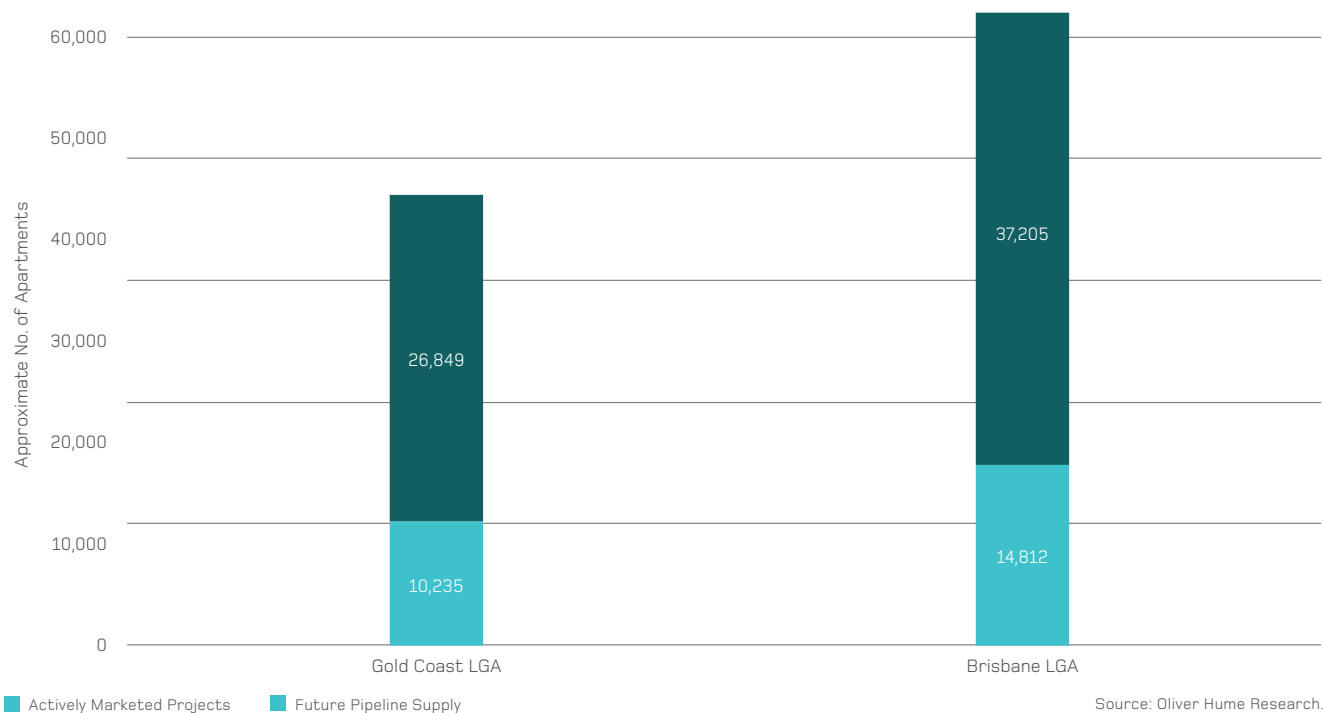
In contrast, the Gold Coast market continues to record strong sales rates following the success of the recent Commonwealth Games and improving economy draws new residents and investors to the market.

Gold Coast off-the-plan apartments continue to be absorbed at a consistent rate with over 1,000 new units added to the market over 2018 while maintaining solid sales and pricing.



BRISBANE CONTINUES TO BE A DIFFICULT MARKET ALTHOUGH OPTIMISM IS STARTING TO INCREASE.

Brisbane & Gold Coast Apartment Market – Current and Future Stock Supply



PROJECT AND CORRIDOR DATA

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CURRENTLY, ACROSS THE COMBINED BRISBANE AND GOLD COAST LOCAL GOVERNMENT AREAS THERE ARE 207 PROJECTS EITHER AT PRE-CONSTRUCTION, UNDER CONSTRUCTION OR COMPLETED (WITH RESIDUAL PRODUCT).

ACTIVE PROJECTS

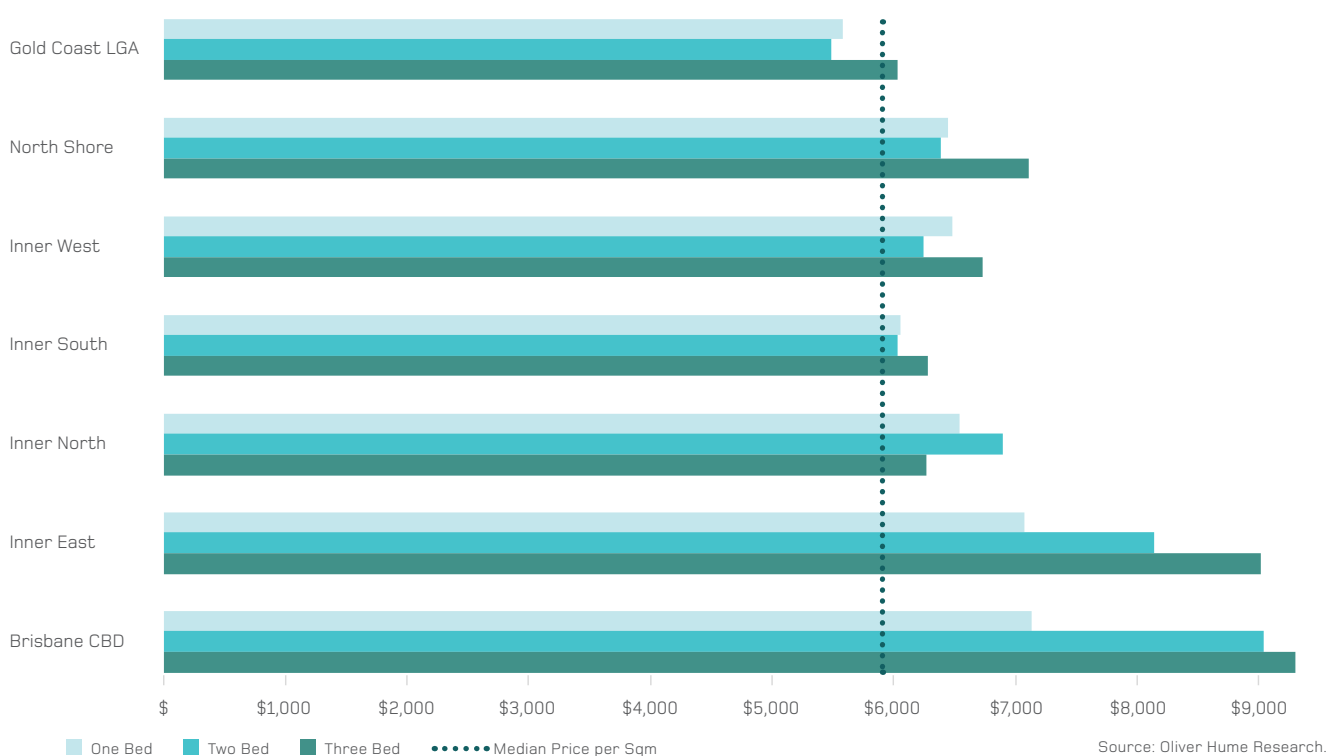
Currently, across the combined Brisbane and Gold Coast local government areas there are 207 projects either at pre-construction, under construction or completed (with residual product).

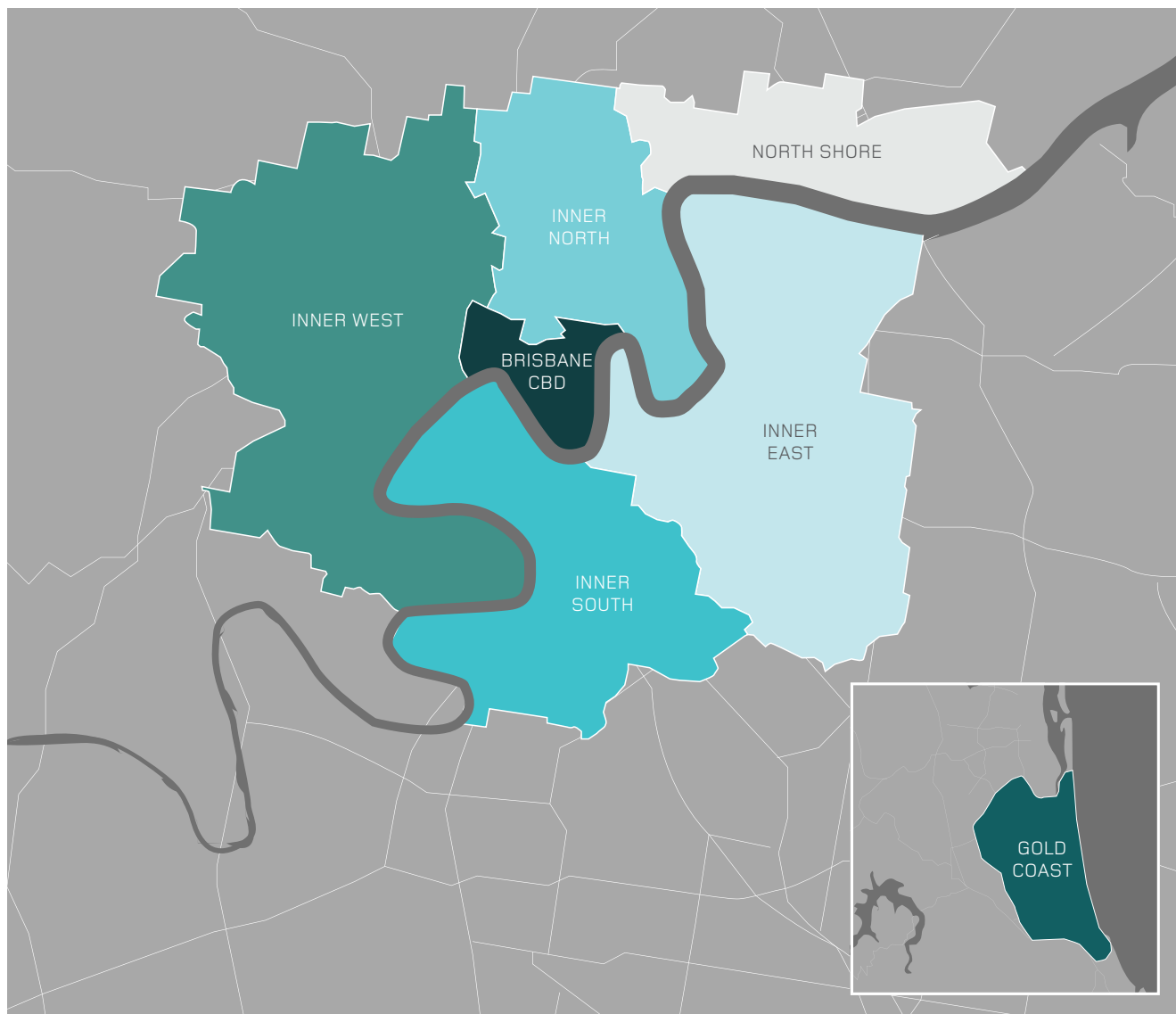
This represents a 30% decrease in the number of active projects monitored compared to the June quarter 2017. Across all projects, it is estimated there will be around 25,000 units upon completion.

In addition to the 207 active apartment projects, it is estimated there are around 409 identified projects in the pipeline that are yet to go to market across the Brisbane and Gold Coast local government areas.

These projects are either at the application, approval or approval deferred stages. In total, these projects could deliver a yield of over 64,000 units to the market.

Brisbane Inner City and Gold Coast LGA Bedroom Breakdown (\$/Sqm)





Off-The-Plan Median Price and Value Rates

Brisbane CBD		Gold Coast		Inner West	
Apartment Price	\$600,000	Apartment Price	\$549,900	Apartment Price	\$585,000
Price per Sqm	\$7,595	Price per Sqm	\$5,499	Price per Sqm	\$6,158
Active Projects	3	Active Projects	69	Active Projects	15
Inner South		Inner North		Inner East	
Apartment Price	\$485,500	Apartment Price	\$534,250	Apartment Price	\$635,000
Price per Sqm	\$6,185	Price per Sqm	\$6,278	Price per Sqm	\$8,089
Active Projects	33	Active Projects	16	Active Projects	12
North Shore					
Apartment Price	\$540,000				
Price per Sqm	\$6,279				
Active Projects	11				

Source: Oliver Hume Research.

MARKET OVERVIEW

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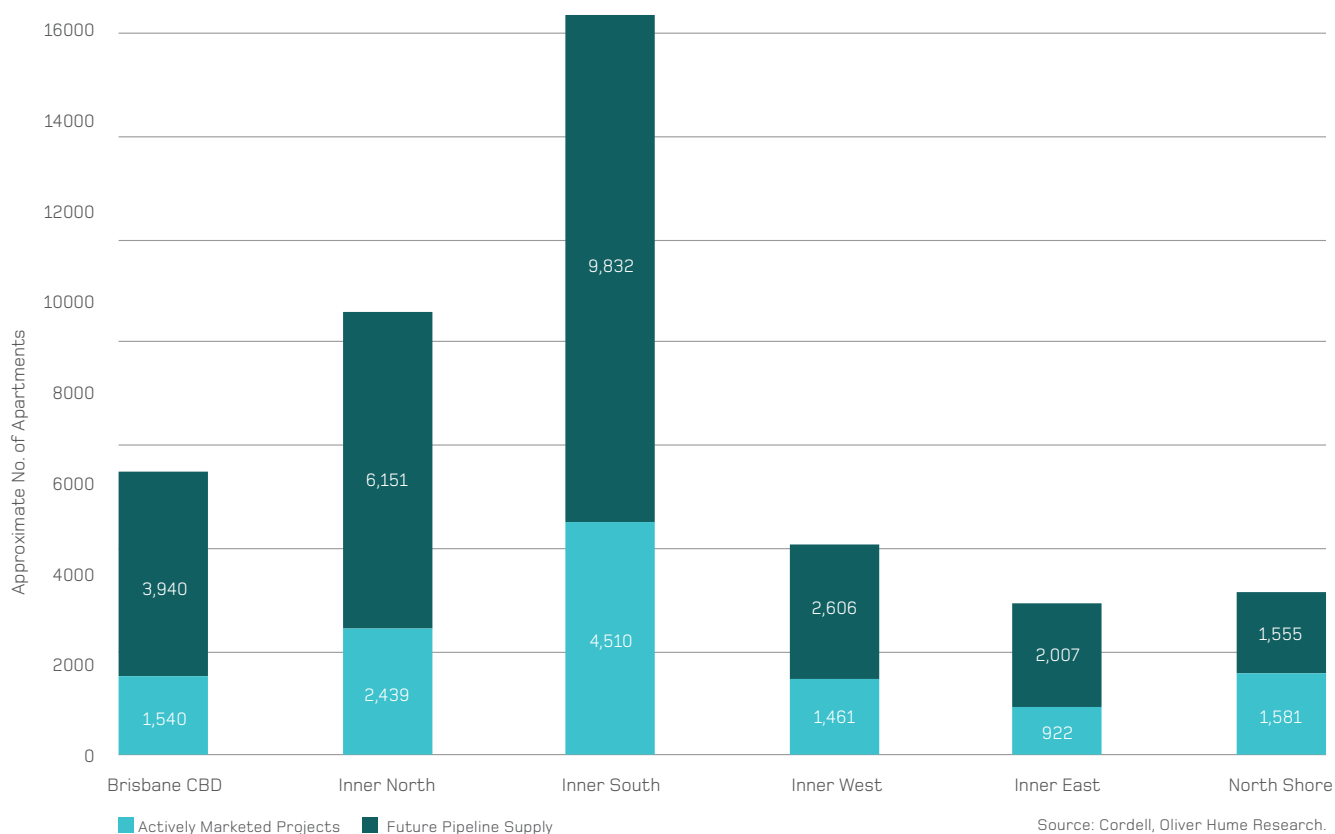
INNER SOUTH & INNER NORTH SET TO TAKE THE LEAD AS THE MOST POPULOUS PRECINCTS.

BRISBANE

The six inner precincts of Brisbane (Brisbane CBD, Northshore, Inner North, Inner South, Inner East and Inner West) are estimated to account for around 70% of the future supply within Brisbane with the Inner South and Inner North set to take the lead as the most populous precincts.

Overall, the June quarter 2018 saw the number of pipeline projects within the outer Brisbane precincts increase to approximately 30% of future supply (over 11,000 units), further highlighting the shifting emphasis to the higher end boutique market.

Brisbane Inner City Apartment Market – Current and Future Stock Supply by Precincts

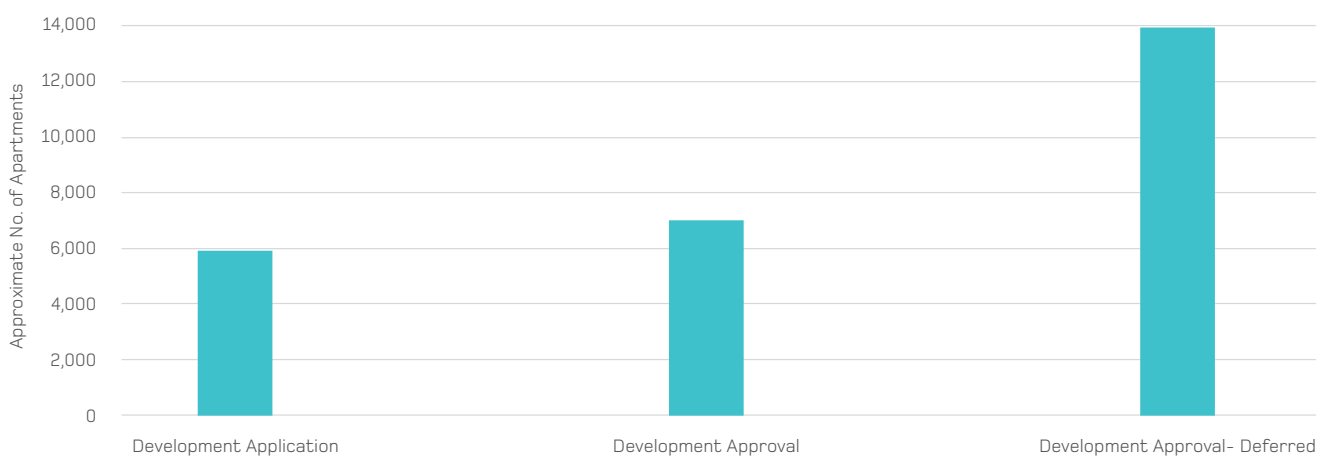


GOLD COAST

The Gold Coast continues to record solid sales with the market buoyed by an improving economy and population growth. This momentum has allowed the Gold Coast market to absorb available units at a sustainable rate while a large number of new projects launched over 2018 bringing over 1,000 units to the market.

In addition to the 69 active projects, the stock of apartments in projects with 10+ apartments in Gold Coast is projected to add over 26,800 new apartments across 160 projects by the end of 2025.

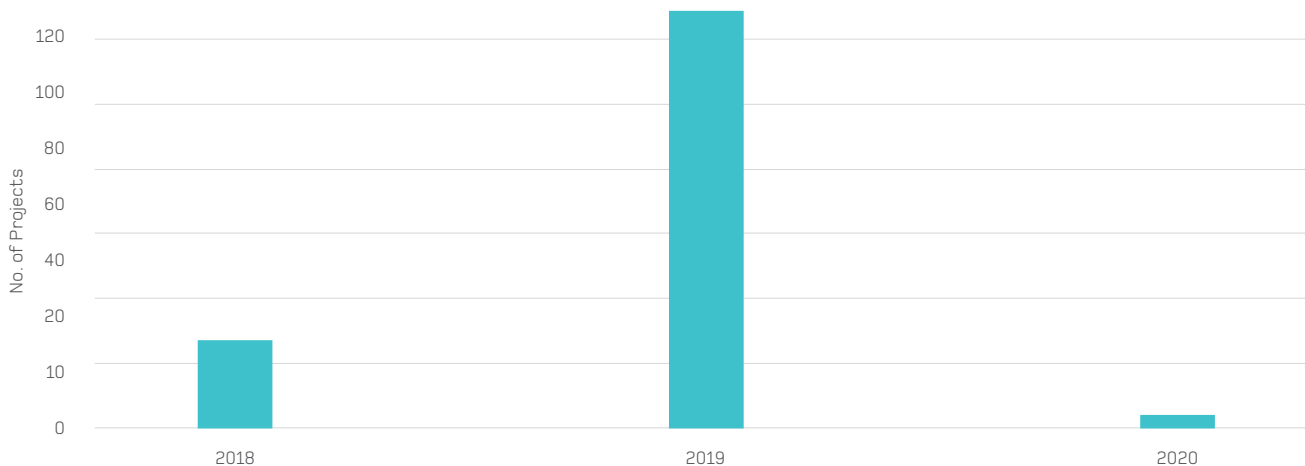
Gold Coast LGA Off-The-Plan Apartment Market – Future Pipeline Supply (No. Apartments)



Source: Cordell, Oliver Hume Research.

Of these projects in the pipeline, 27 have been earmarked to commence construction / launch by the end of 2018, with most pending until 2019-20.

Gold Coast LGA Off-The-Plan Apartment Market – Future Pipeline Supply (No. Projects)



Source: Cordell, Oliver Hume Research.





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