



Quarterly Market Insights

June Quarter 2019

●LIVER ■UME



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FOREWORD

The Australian property market continues to stabilise with tentative signs of recovery in several key markets especially Melbourne and Sydney.

Although lingering challenges and headwinds remain, including the legacy of tighter lending conditions and pre-election uncertainty, these are dissipating and markets appear to be experiencing a 'soft-landing' as they return to more normal conditions.

A range of factors support the tentative recovery including low (and declining) interest rates, more flexible lending conditions following the recent announcement by the Australian Prudential Regulatory Authority (APRA), continued robust population growth and expectations around future support for first home buyers and tax cuts.

In Victoria, although off a low base, land enquiries and sales are improving on a weekly basis, a trend mirrored in the broader residential property market where auction clearance rates are now trending higher.

The Queensland market remains relatively stable after experiencing a period of softened sales rates. However, the Queensland market remains fortunate as it has not been exposed to the extreme highs and lows witnessed in both the Sydney and Melbourne markets and the peak and trough cycles in Queensland are far less severe.

A clear challenge to the market now is a softer economy. Although two interest rate cuts in quick succession is a positive for the property market in the short to medium term there is no denying that the Reserve Bank of Australia (RBA) has acted to ensure growth returns to trend and that unemployment does not increase given the softening in leading indicators of labour demand.

Some commentators expect the cash rate to go lower, reaching all-time historic lows, with a further rate cut pencilled in this year and another one early in the new year.

Consumer confidence and consumer spending remain soft, partly, as a result of subdued wages and incomes growth and this remains a challenge given the importance of the consumer to the economy.

Population growth remains strong, with Australia's population growth remaining at near record levels and far above that of other advanced industrialised economies.

In Victoria, although population growth remains below recent peaks, the state continues to add around 140,000 people every year, consistent with both strong overseas and interstate immigration driving overall growth.

The Victorian Government also recently released its long-term population projections highlighting the opportunities and challenges we have in accommodating a burgeoning population.

Greater Melbourne is projected to grow by approximately 4.0 million people—up from 5.0 million in 2018 to 9.0 million in 2056. Regional Victoria is expected to grow by over 700,000 - from 1.5 million to 2.2 million people.

Queensland continues to see a rebound in population growth and remains Australia's second fastest-growing state after Victoria.

Oliver Hume is committed to providing our clients with the latest data and insights to better anticipate the future and make the right strategic decisions.

This latest quarterly report is an invaluable tool for understanding current and emerging trends in the property market and includes a range of data and indicators, including our own proprietary property intelligence, compiled and analysed by our specialist in-house research team.







The background of the entire page is a photograph of a wetland or park area. In the foreground, a wooden boardwalk with a metal railing curves along the edge of a body of water. The water is dark blue and reflects the sky. In the middle ground, there are patches of green grass and reeds. In the background, a residential area with houses and trees is visible under a clear blue sky. Two white rectangular overlays are positioned on the right side of the page, partially obscuring the background image.

1.0

NATIONAL HIGHLIGHTS

1.1

NATIONAL HIGHLIGHTS



CASH
RATE

1.0%



ECONOMIC
GROWTH

1.8%



INFLATION

1.6%



UNEMPLOYMENT
RATE

5.2%



EMPLOYMENT
GROWTH

2.4%



WAGE
GROWTH

2.3%



AVERAGE
WEEKLY EARNINGS

\$1,225



HOUSEHOLD
SAVING RATIO

2.8%



NET FOREIGN
LIABILITIES

51%
OF GDP



CONVERSION RATE

A\$1
= US\$0.68



POPULATION

25MIL
1.6% ANNUAL GROWTH



EMPLOYMENT
RATIO

63%



RESIDENTIAL
DWELLINGS

\$636K



HOUSEHOLD
WEALTH

737%

AS A SHARE OF INCOME



HOUSEHOLD
DEBT

190%

AS A SHARE OF INCOME



RISKIER
LENDING LOW

7%

>90% LOAN TO VALUATION



RISKIER
LENDING LOW

16%

INTEREST ONLY



NON-PERFORMING
LOANS

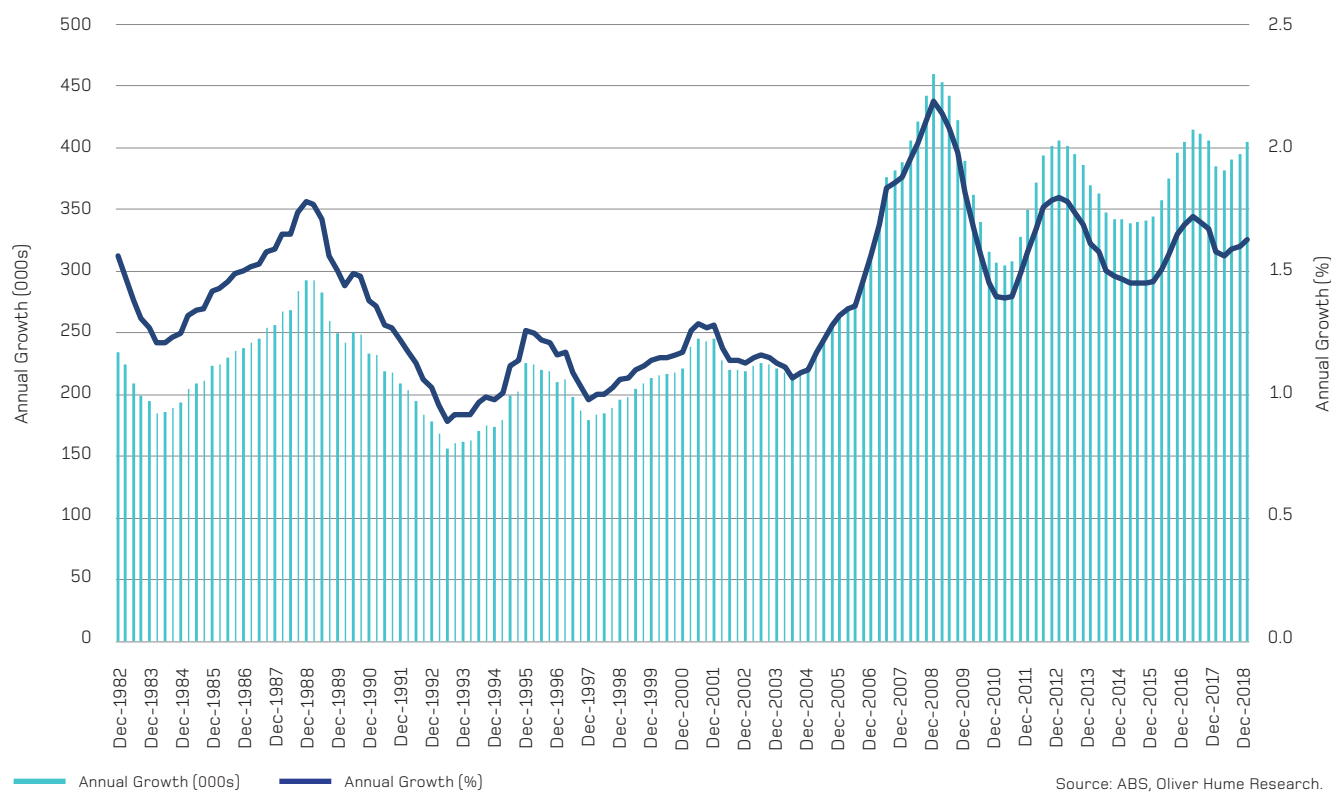
0.9%

RIISING BUT LOW

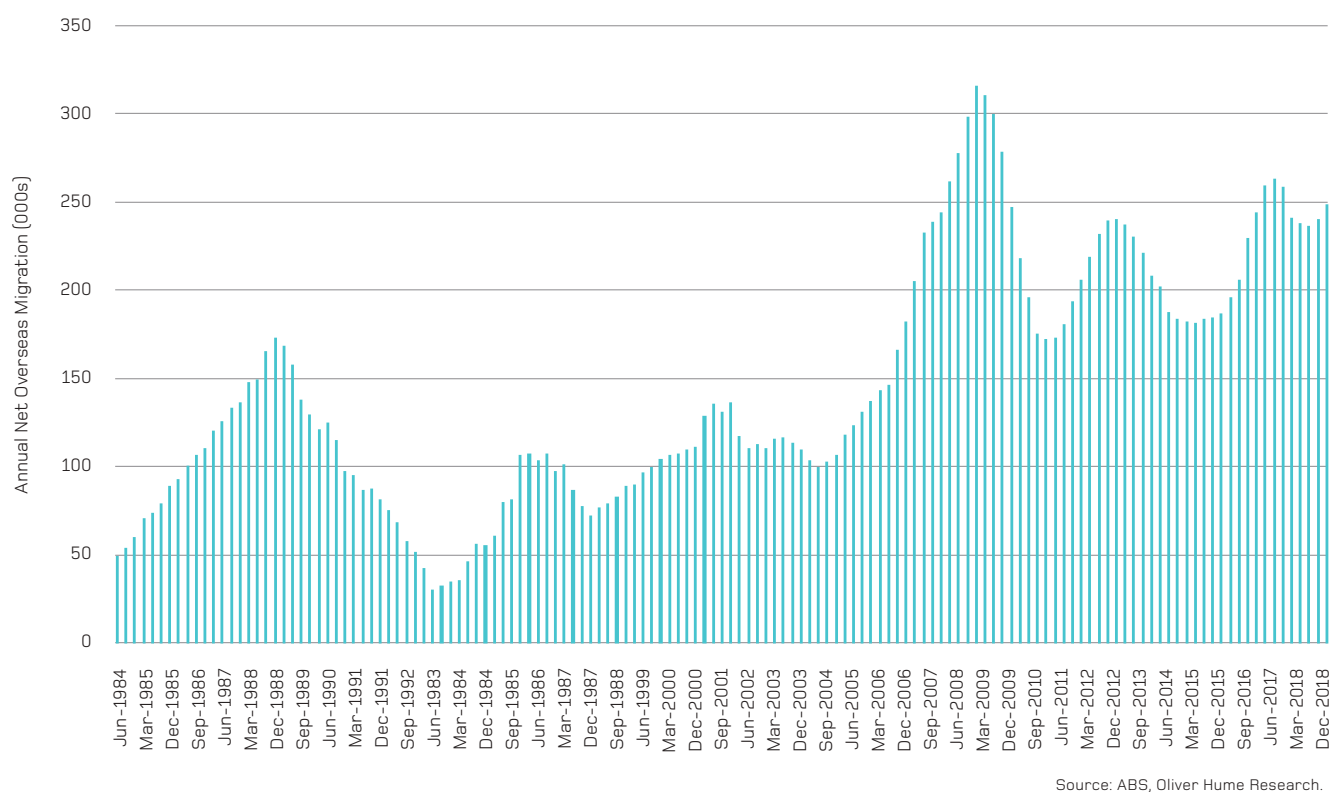
Sources: Reserve Bank of Australia (RBA), Australian Bureau of Statistics (ABS).

Australia's population continues to grow at near-record levels. Australia's population grew by 1.6 per cent in 2018. Around 404,800 people were added to the population in 2018. Overseas migration remains the key driver of population growth and also remains a near-record high.

Australia – Annual Population Growth



Australia – Annual Net Overseas Migration





Darren Blair

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1.2

BUYER PROFILES

The dust has settled on the election jitters that the residential market faced from March to May this year. We are beginning to see a substantial stabilisation in purchaser behaviour.

From 2015 through to 2017, we noticed a pattern in buyer behaviour which was driven by simple economics – demand outstripped supply in the greenfield market. This led to quicker than normal price escalation as well as most lots being purchased on the day of release.

As the market slowed through 2018 and 2019, seller strategies changed, which provided more product to market than there were buyers. With this change in strategy, we analysed the behaviour of potential buyers began to change.

With an abundance of available options available to assess, coupled with commentary from the media, the time for buyers to decide on their purchase began to move out.

The median time to purchase for buyers from enquiry moved out with notable changes detected with individual purchasers taking up to two years to decide from the moment they first enquired on a project. The median time it took someone to sign a contract from the first enquiry is still under one month.

Although there is still careful consideration from those looking to enter the market, we are beginning to see confidence return through purchaser behaviour. More decisive choices from purchasers looking to not miss out on their ideal block.

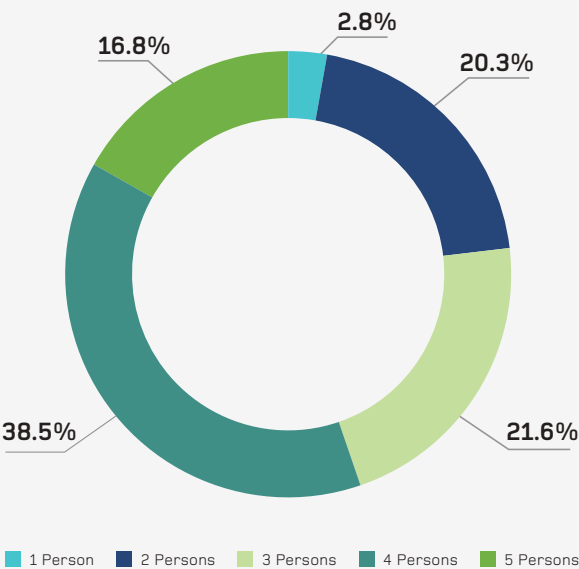
With APRA assistance in making lending slightly easier and the RBA reducing rates over the past few months coupled with stronger sentiment and clearance rates in the established market – the buoyant growth corridor market is not far away.



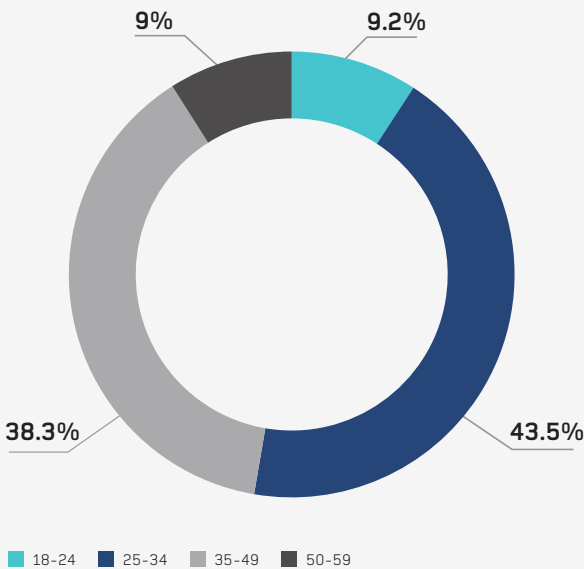
Product extends beyond just adjusting lot sizes, it talks to interesting placemaking, attractive open spaces and amenity which enhances the liveable nature of a new community.

PURCHASER PROFILE SNAPSHOT

Household Number of Persons

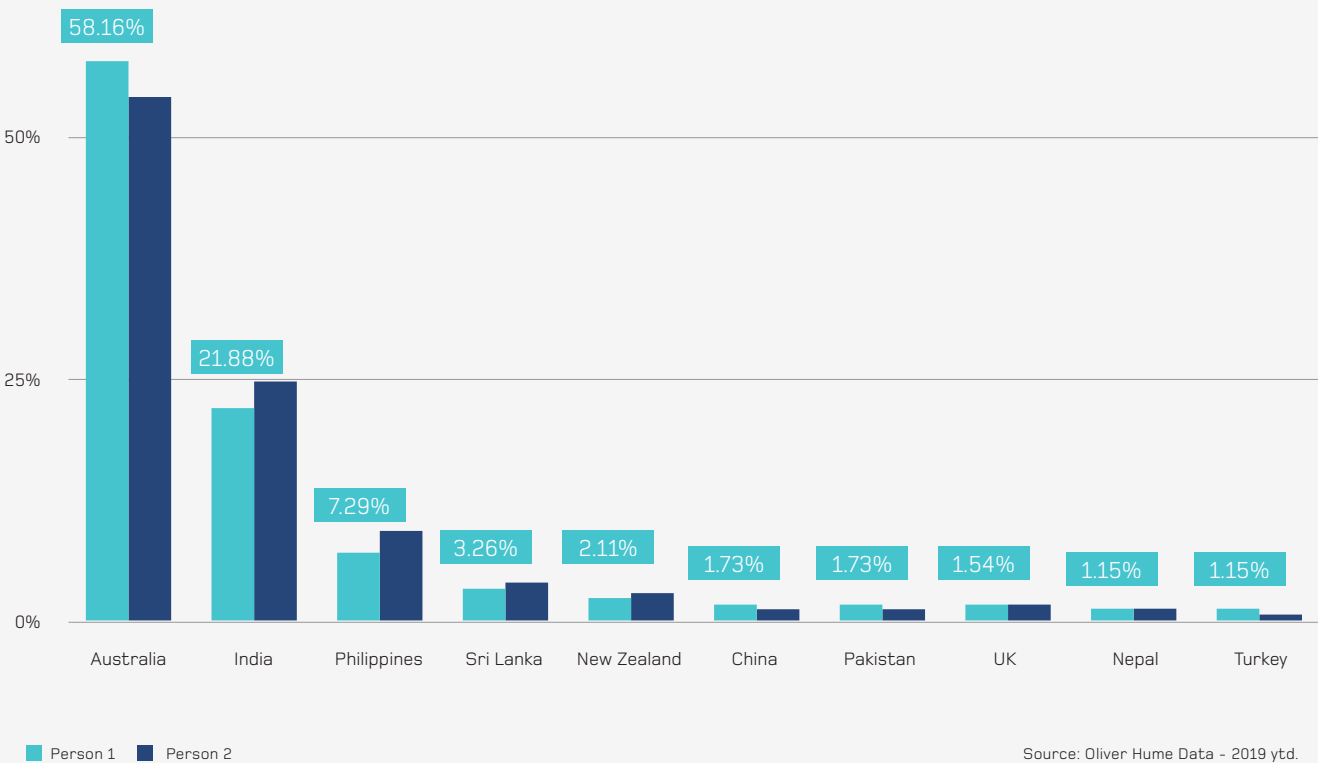


Age Distribution

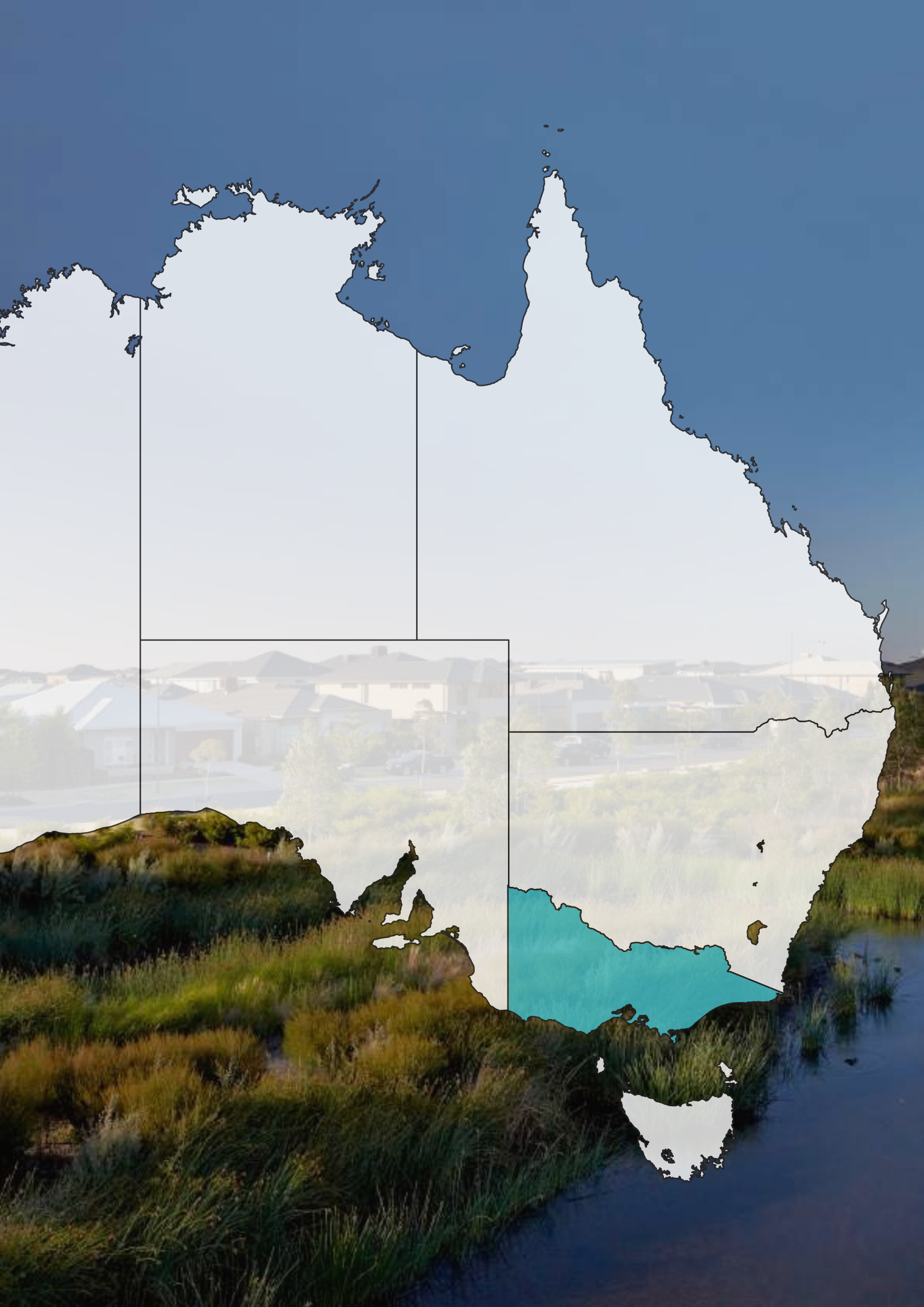


Source: Oliver Hume Research.

Country of Birth – Top 10 (%)



Source: Oliver Hume Data - 2019 ytd.





2.0

VICTORIA



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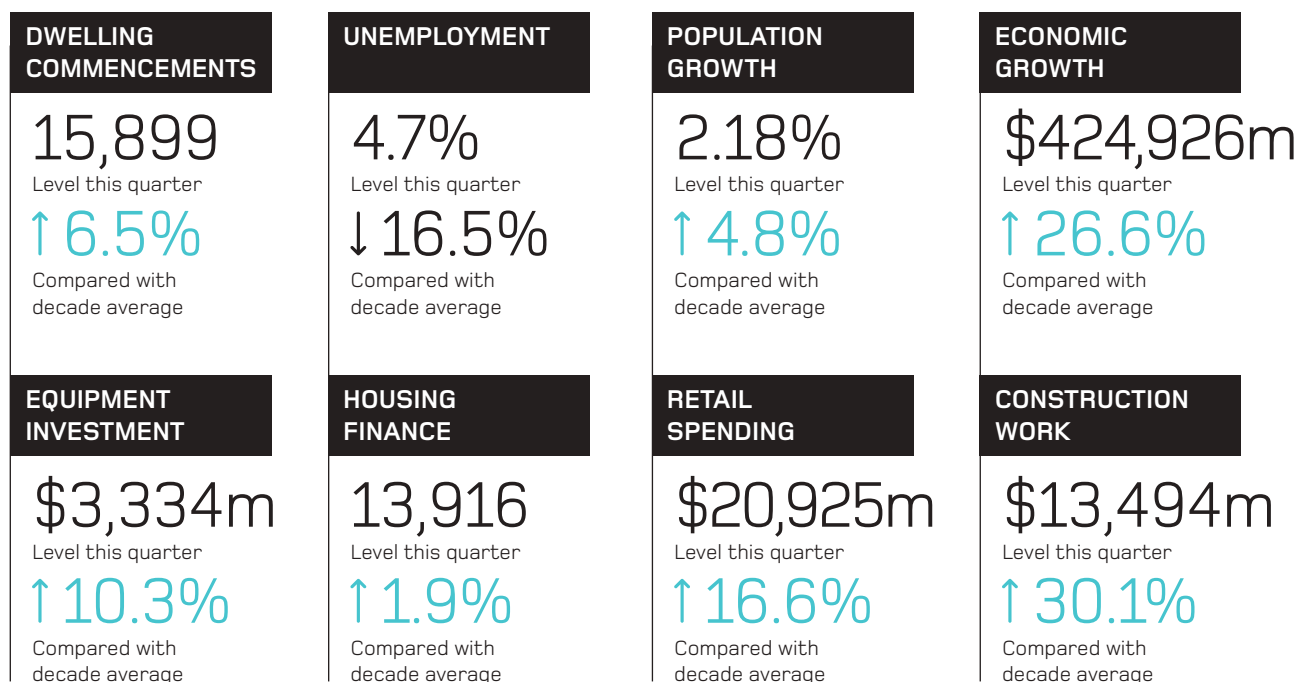
2.1

MARKET DRIVERS

Economy

Victoria remains one of Australia's best performing economies with employment remaining a key strength and the state benefitting from robust population growth. Other areas of economic strength include retail trade and construction work done.

Recently the following indicators were above (or below) the decade average:

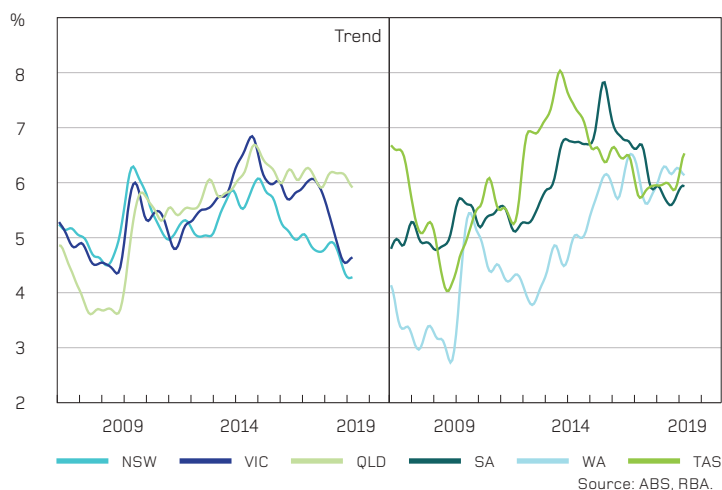
Source: <https://www.commsec.com.au/stateofstates>

Victoria's labour market remains stable and continue to be a national leader.

In July 2019 trend employment increased by 5,000 persons with the state recording amongst the highest annual employment growth rate.

Victoria's trend unemployment rate was 4.8% in July 2019, which was one of the lowest in Australia and well below the national average (5.3%).

State Unemployment Rates



Population

Victoria remains the national population growth leader with annual growth remaining high albeit below recent peaks.

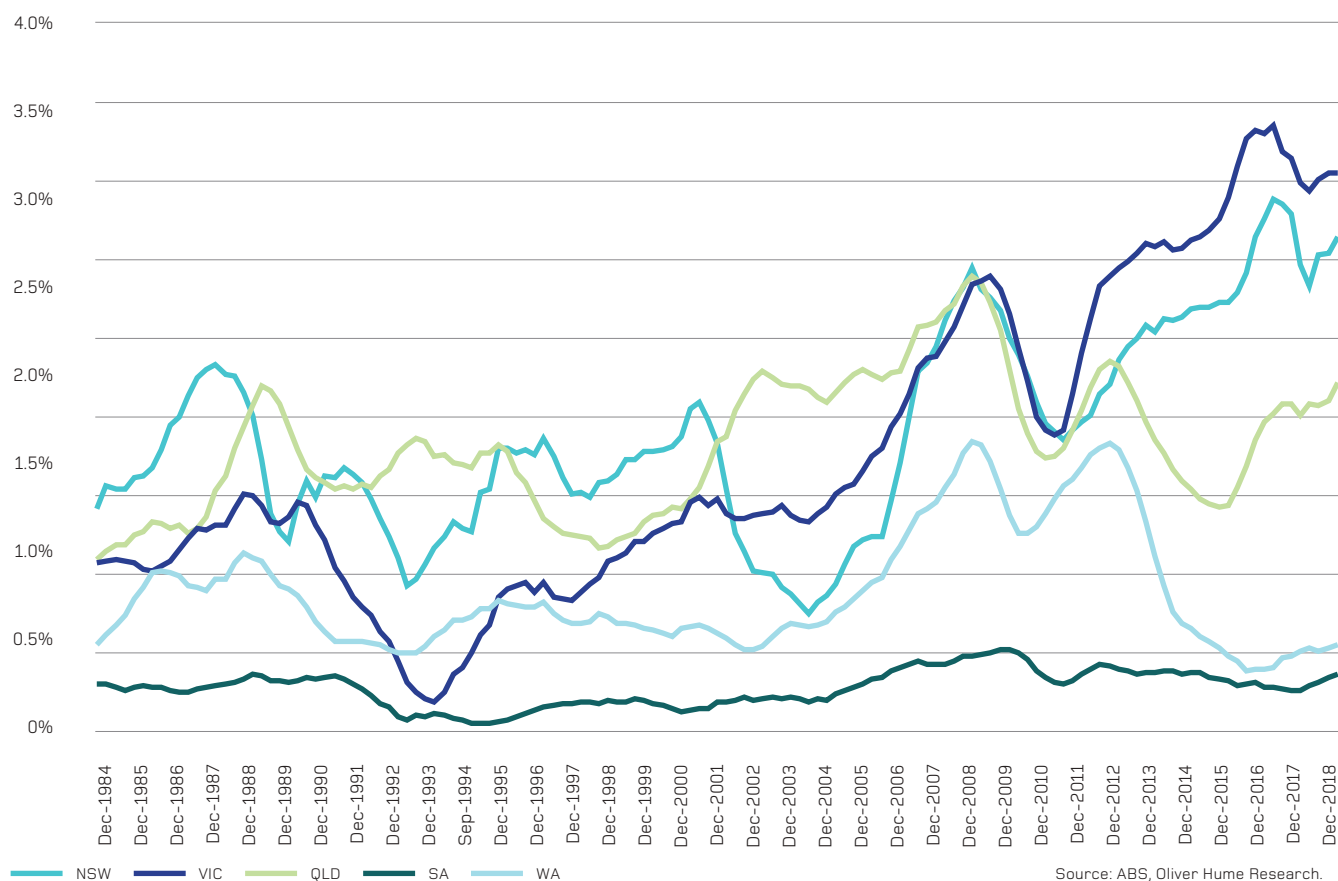
In 2018, Victoria recorded the highest population growth rate of all states and territories (2.2%.) The state's population now exceeds 6.52 million people, a new record, adding 139,400 people over the year.

December Quarter 2018 Key Figures

Preliminary Data	Population at end Dec Qtr 2018 ('000)	Change over previous year ('000)	Change over previous year (%)
New South Wales	8,046.1	123.8	1.6
Victoria	6,526.4	139.4	2.2
Queensland	5,052.8	89.9	1.8
South Australia	1,742.7	14.6	0.8
Western Australia	2,606.3	24.0	0.9
Tasmania	531.5	6.5	1.2
Northern Territory	245.9	-1.0	-0.4
Australian Capital Territory	423.8	7.6	1.8
Australia	25,180.2	404.8	1.6

(a) Includes Other Territories comprising Jervis Bay Territory, Christmas Island, the Cocos (Keeling) Islands and Norfolk Island.
Source: ABS, Oliver Hume Research.

Population Growth – Selected States and Australia (%)



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LAND MARKET

Prices

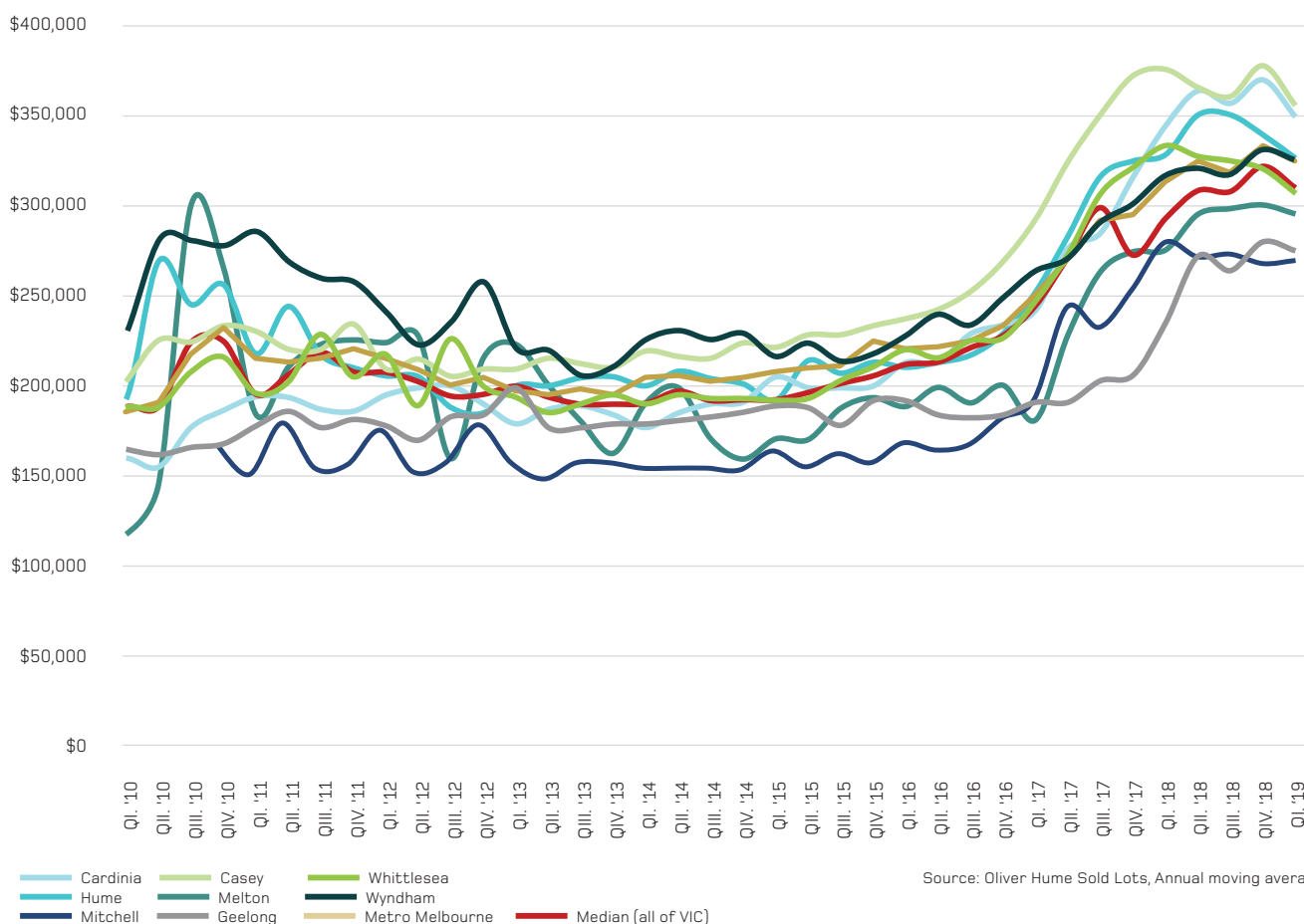
Although gross lot prices continue to moderate and incentives / rebates remain high, conditions and the outlook for the Victorian land market have improved in recent months.

The improvement is for a range of reasons including more flexible lending conditions, interest rate reductions (and the expectations of future interest rate cuts), robust population growth, greater certainty following the Federal election and a general improvement in the broader property market.

Although on average a high level of incentives and rebates are expected to persist for some time - ensuring net prices remain well below gross lot prices - gross lot prices are expected to level out over the next 12-18 months as demand rebounds.

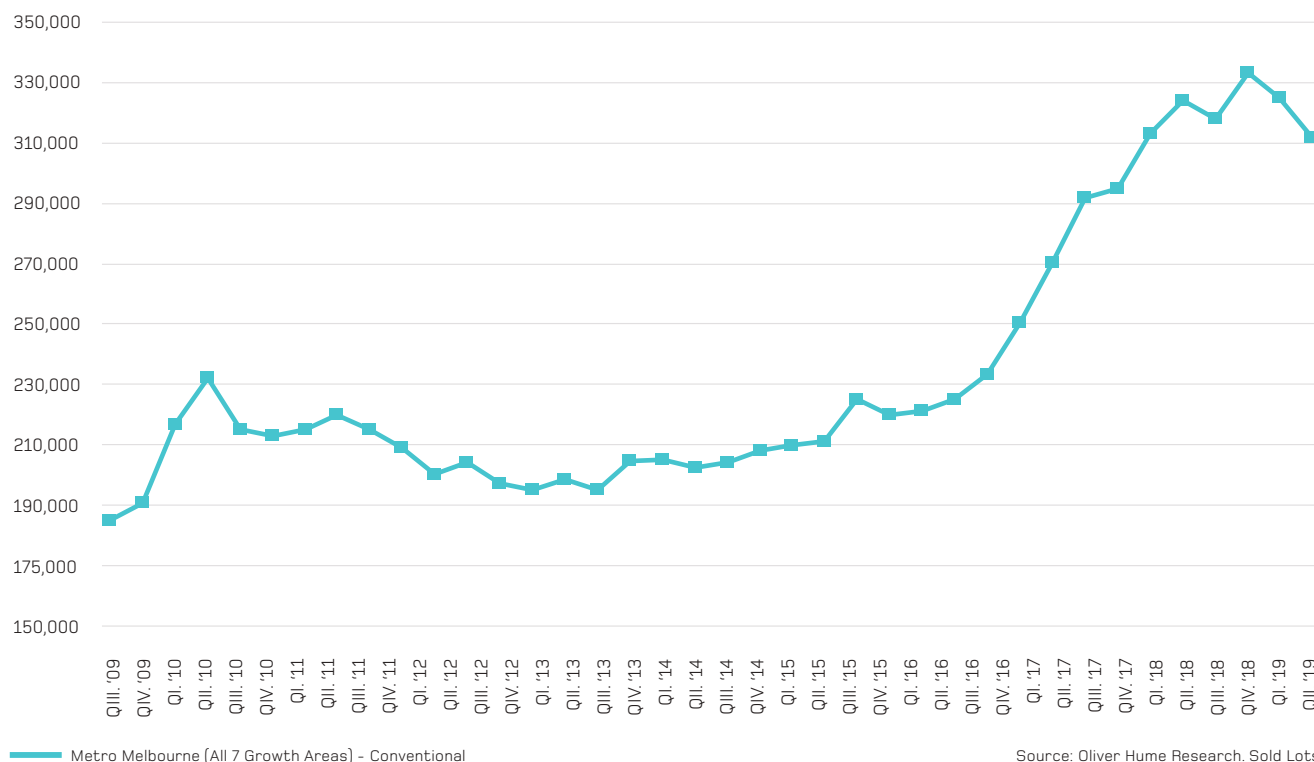
Although gross lot prices continue to moderate... the outlook has improved...

Growth Area Median Land Price (Sold)



The median lot price for metropolitan Melbourne (gross prices, conventional lots) was \$312,000 in the June quarter 2019. On average incentives remain around \$15,000 to \$30,000 per lot although higher incentives are on offer in some estates.

Metro. Melbourne Growth Area Municipalities Median Land Price (Sold)



On an annual basis, lot price declines (on a gross price basis) were the largest in the more expensive Casey and Cardinia local government areas. Prices rose in the relatively more affordable markets of Geelong and Mitchell.

Metropolitan Melbourne Median Lot Prices

Municipality	QII, '18	QI, '19	QII, '19	QoQ	YoY
Mitchell	\$269,000	\$260,000	\$272,500	4.8%	1.3%
Cardinia (S)	\$355,000	\$348,000	\$333,000	-4.3%	-6.2%
Casey (S)	\$365,000	\$350,000	\$335,000	-4.3%	-8.2%
Hume (N)	\$346,000	\$312,000	\$326,000	4.5%	-5.8%
Melton (W)	\$285,000	\$286,000	\$280,500	-1.9%	-1.6%
Whittlesea (N)	\$327,000	\$298,000	\$300,000	0.7%	-8.3%
Wyndham (W)	\$317,000	\$322,500	\$306,000	-5.1%	-3.5%
Geelong (W)	\$270,000	\$276,900	\$279,000	0.8%	3.3%
Surf Coast (W)	\$455,000	\$392,500	\$430,000	9.6%	-5.5%
Metro Melbourne (All 7 Growth Areas) - Conventional	\$323,000	\$315,000	\$312,000	-1.0%	-3.4%
Metro Melbourne (All 7 Growth Areas) - All Lots	\$325,000	\$318,000	\$313,000	-1.6%	-3.7%
Median (All of Vic)	\$314,400	\$305,500	\$305,000	-0.2%	-3.0%

Source: Oliver Hume Research.

2.2

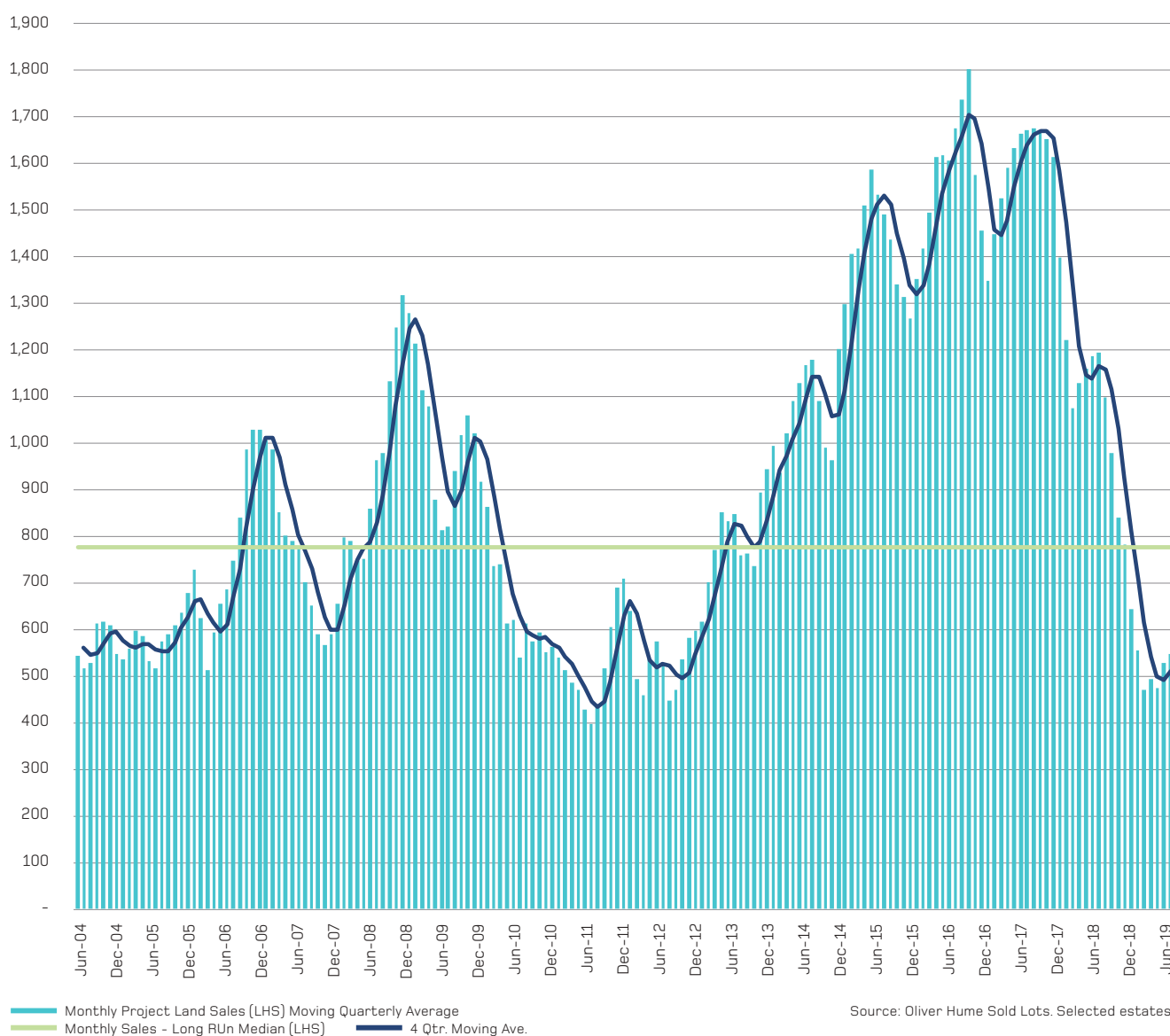
LAND MARKET (CONT.)

Sales Volumes

Land sales are rebounding and rising from recent lows. Land sales are projected to continue rising over the next 12-18 months. The volume of land sales remains well below underlying requirements, given Melbourne's strong population growth, and is currently consistent with previous record lows which were relatively short-lived.

Land sales are rebounding... (and) are projected to continue rising...

Monthly Melbourne Growth Area Project Land Sales (2005 - 2019)



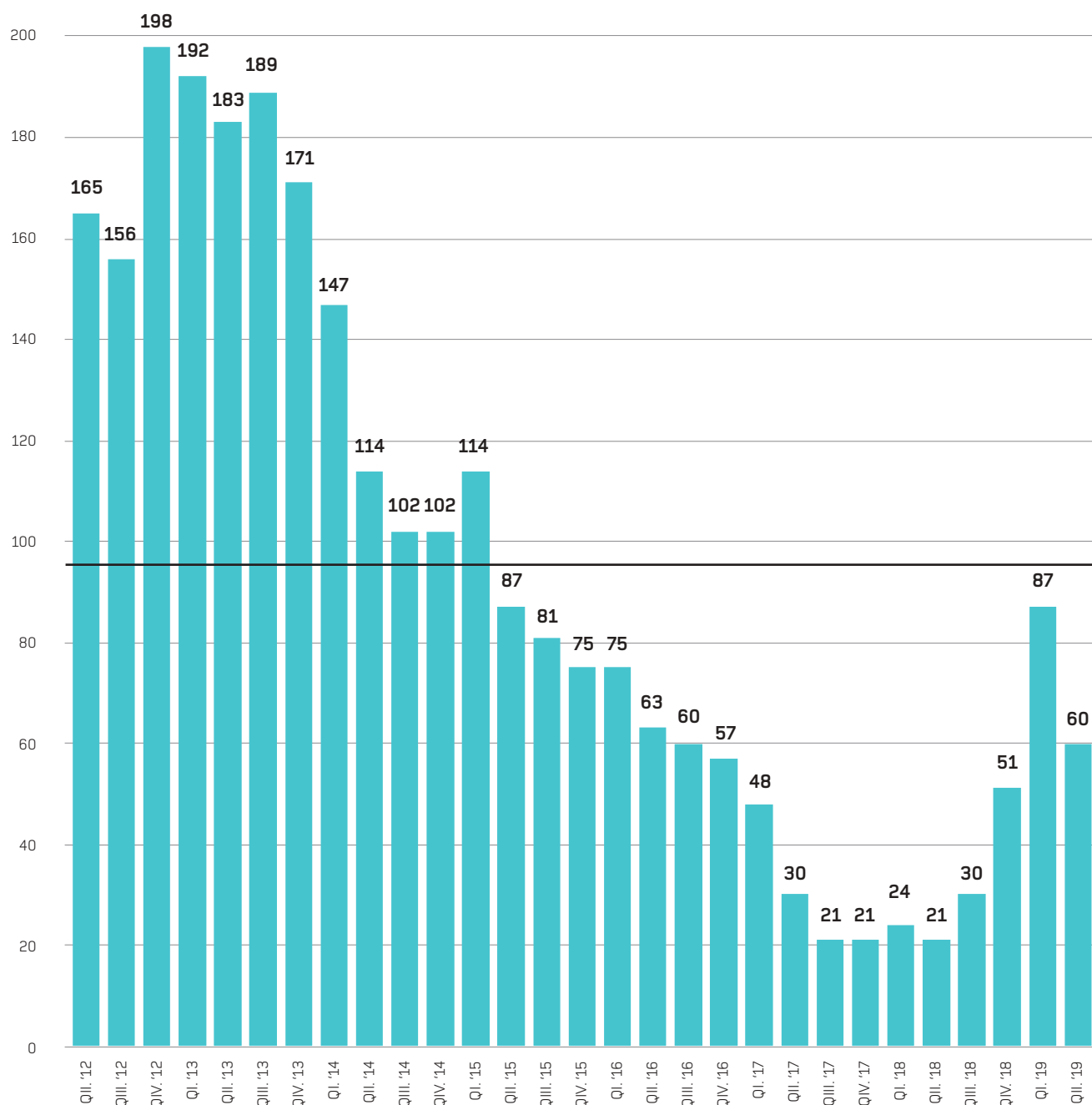
Time on Market

Time on market, a key market indicator, declined in the June quarter 2019 for the first time after having risen for several quarters, a further sign that the market is returning to more normal conditions.



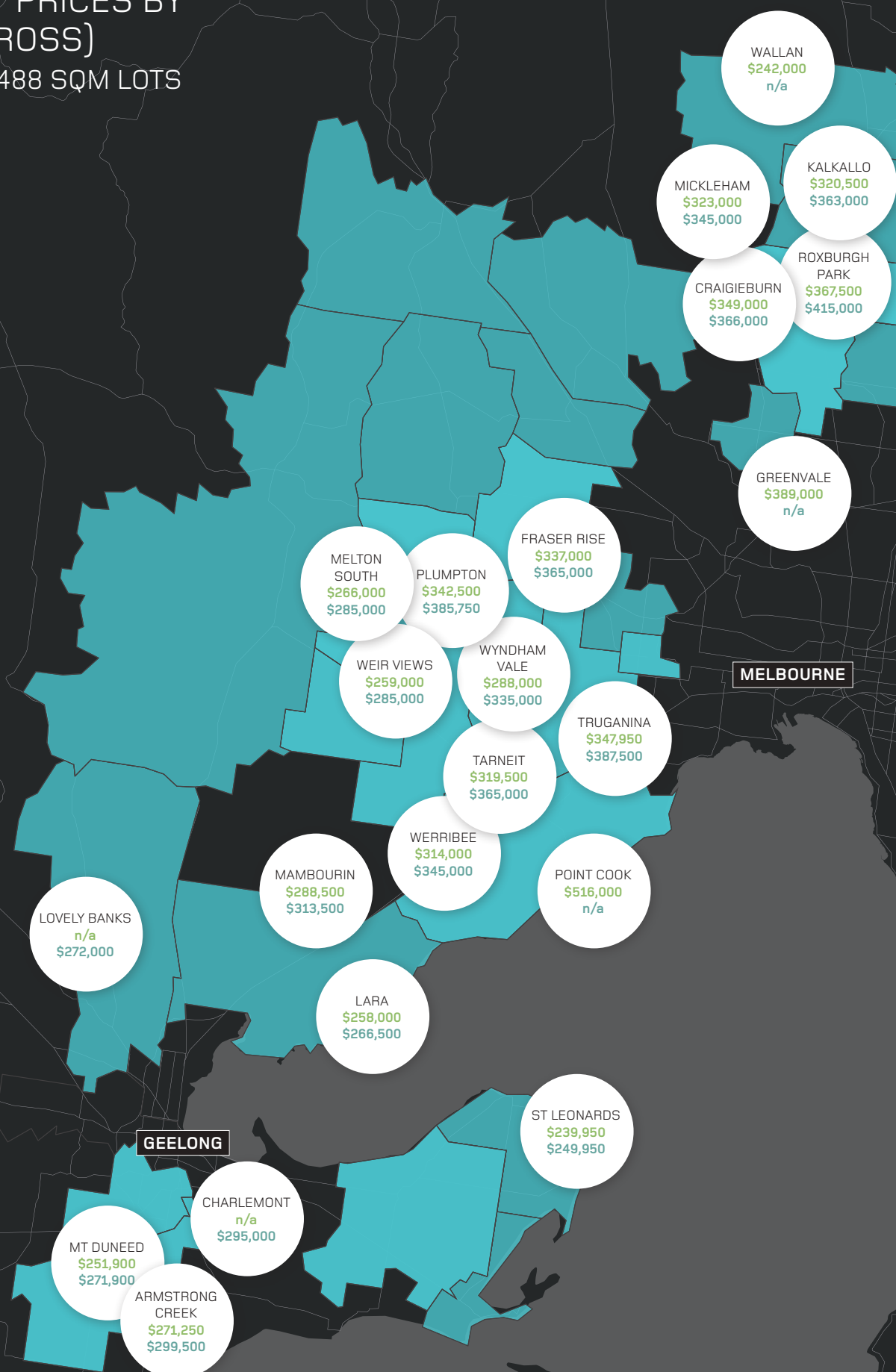
Time on market, a key market indicator, declined in the June quarter 2019 for the first time after having risen for several quarters

Metro. Melbourne, All Growth Area LGAs | Average Time on Market (Days)



Source: Oliver Hume.

JUNE QUARTER 2019 MEDIAN LOT PRICES BY SUBURB (GROSS) 400 SQM AND 488 SQM LOTS





BEVERIDGE
\$285,000
\$300,000

WOLLERT
\$332,000
\$427,000

BERWICK
\$428,000
\$465,000

OFFICER
\$340,000
\$350,000

CRANBOURNE
EAST
\$345,000
n/a

CLYDE
\$350,000
\$357,000

CRANBOURNE
\$355,000
\$375,000

CLYDE NORTH
\$314,500
\$383,500

BOTANIC
RIDGE
\$335,000
\$355,000

● 400 sqm Median Price

● 448 sqm Median Price

Source: Oliver Hume Research. Sold.

2.3

APARTMENTS
AND TOWNHOUSES

Economy

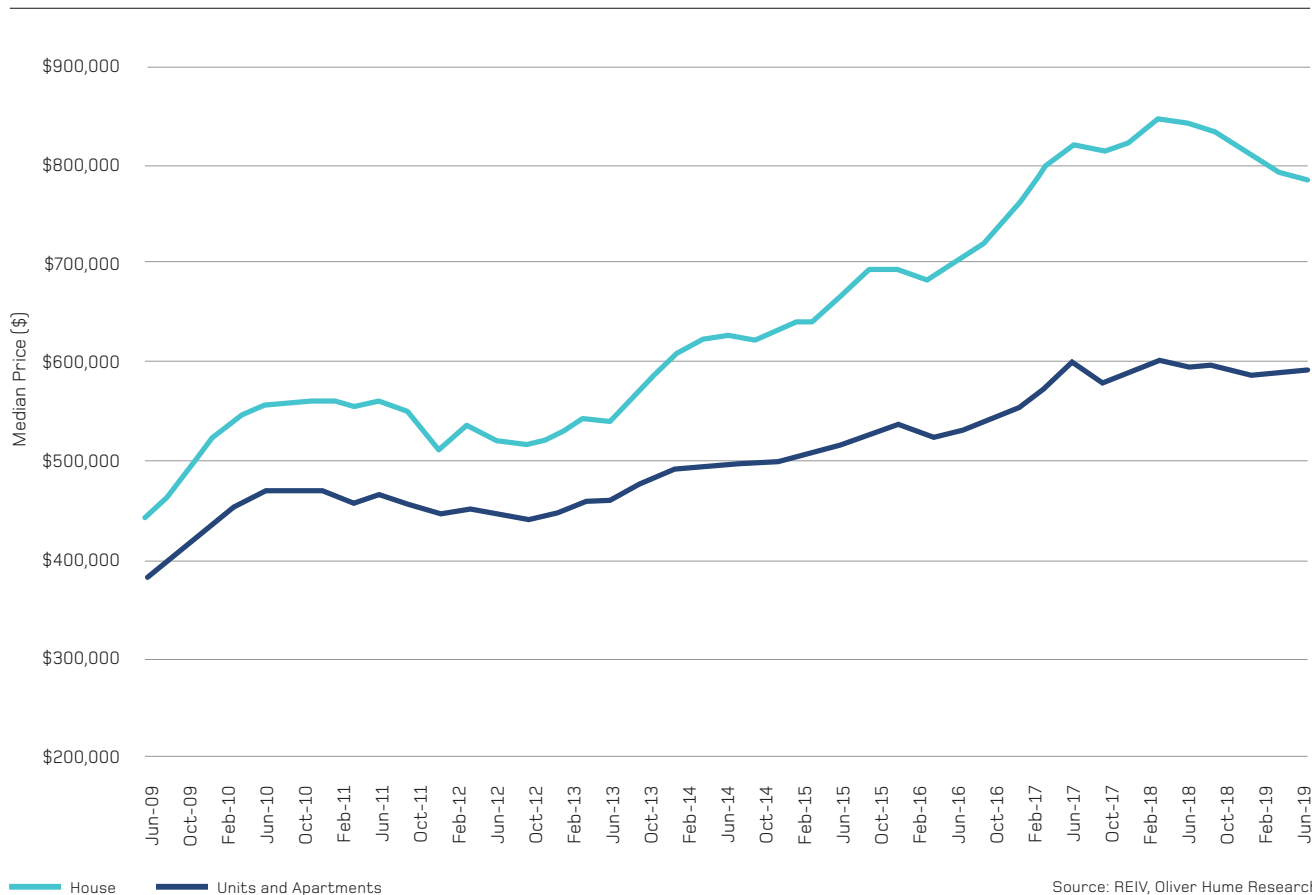
While the moderation in Melbourne house prices continued in the June quarter (the median house price declined by 1.1% over the quarter to be 2.4% down over the year), the median price of units and townhouses remained broadly stable (up by 0.6% over the quarter and approximately level over the year).

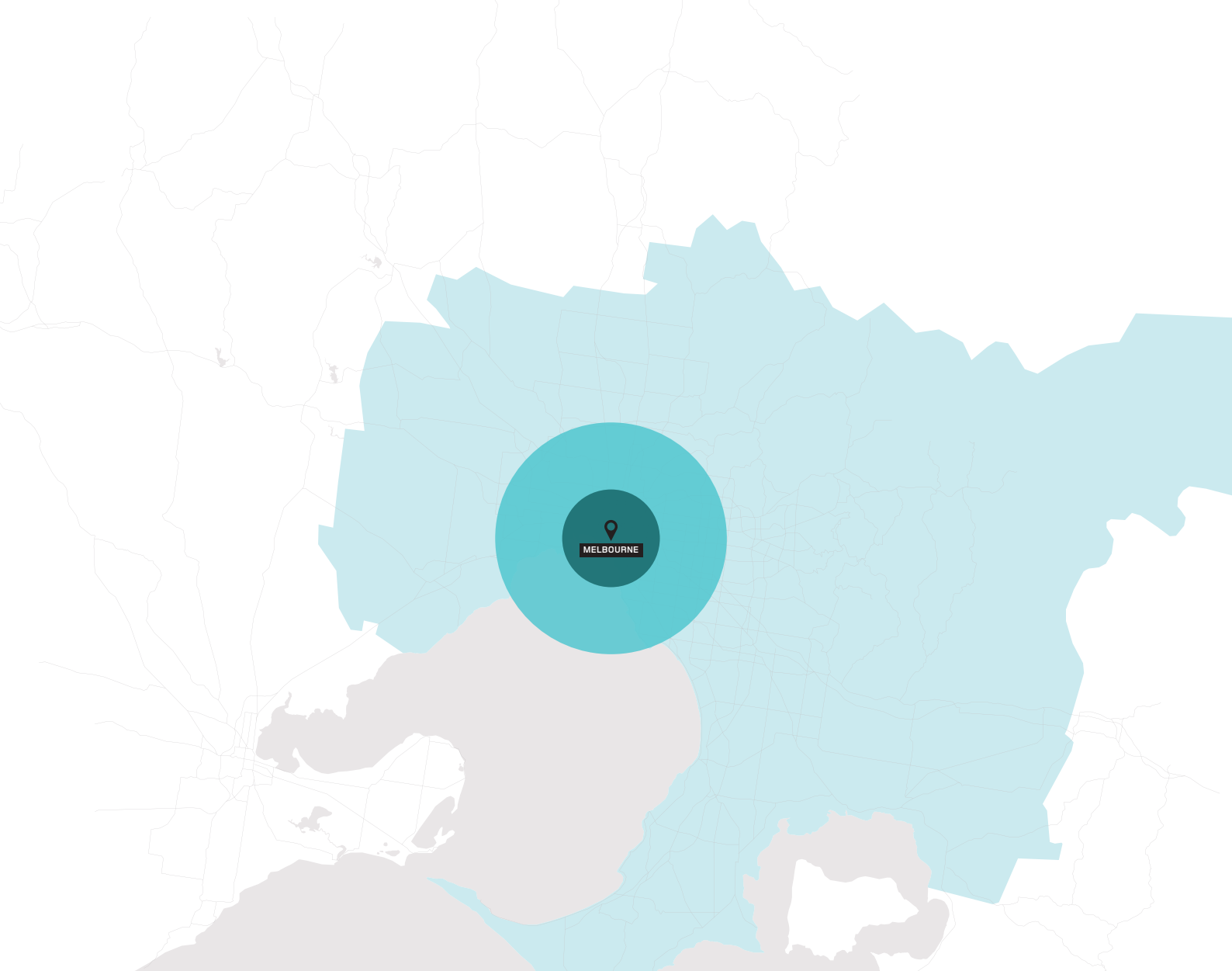
While compositional factors explain some of the recent pricing trends, with medium density products such as townhouses and larger apartments emerging as increasingly popular in the most recent phase of the property cycle, the various headwinds affecting the general property market have also affected the traditional housing segment more so.

In particular, tighter lending conditions and serviceability requirements had made the purchase of more expensive property, including standard family homes, relatively more difficult to transact.

As the same time many first home buyers have capitalised on recent market challenges and the withdrawal of investors and, supported by government incentives, have re-entered the market. Although traditional homes remain a key product of interest, first home buyers are increasingly opting for relatively affordable products such as townhouses.

Median House and Unit Prices, Melbourne





METROPOLITAN MELBOURNE

HOUSE	\$785,000
Quarterly growth	↓ 1.1%
Annual change	↓ 2.4%
UNIT & APARTMENT	\$590,000
Quarterly growth	↑ 0.6%
Annual change	0.0%

MIDDLE MELBOURNE

HOUSE	\$894,000
Quarterly growth	↓ 1.8%
Annual change	↓ 9.0%
UNIT & APARTMENT	\$650,000
Quarterly growth	↑ 1.3%
Annual change	↓ 0.5%

INNER MELBOURNE

HOUSE	\$1,304,000
Quarterly growth	↓ 4.3%
Annual change	↓ 9.8%
UNIT & APARTMENT	\$589,000
Quarterly growth	↑ 1.6%
Annual change	↓ 0.8%

OUTER MELBOURNE

HOUSE	\$622,000
Quarterly growth	↓ 3.1%
Annual change	↓ 3.0%
UNIT & APARTMENT	\$495,500
Quarterly growth	↓ 0.3%
Annual change	↑ 1.1%

- Outer Melbourne (>20km)
- Inner Melbourne (<10km)
- Middle Melbourne (10-20km)

The REIV 'house' classification includes:

- Detached houses
- Terraced houses
- Semi-detached houses
- Holiday houses
- Duplexes
- House and granny flat.

'Units & apartments' include:

- Flats
- Units
- Apartments
- Townhouses
- Penthouses
- Villas
- Residential warehouse conversions
- Bed-sits

Source: Real Estate Institute of Victoria.

2.3

APARTMENTS
AND TOWNHOUSES (CONT.)**Supply**

Building approvals data continues to highlight the residential construction slowdown current underway and across key markets especially.

Trends in Victoria are not dissimilar to what is occurring across the eastern seaboard with residential construction activity in NSW and Queensland also forecast to undergo decline over the medium-term.

While housing approvals have experienced some weakness in recent months, overall levels remain reasonably high. It is, however, in the medium and high-density markets that the extent of the looming residential construction slowdown can be seen.

The greatest declines are in the high-density sector (flats, units and apartments) where over the last year there were only around 12,000 building approvals – the lowest level since 2012.

Despite the moderation in the building approval pipeline, which measures potential supply at the early phase of the cycle and provides an indication of medium-term supply levels, Melbourne arguably has the greatest potential to experience an increase in residential construction in the short-term.

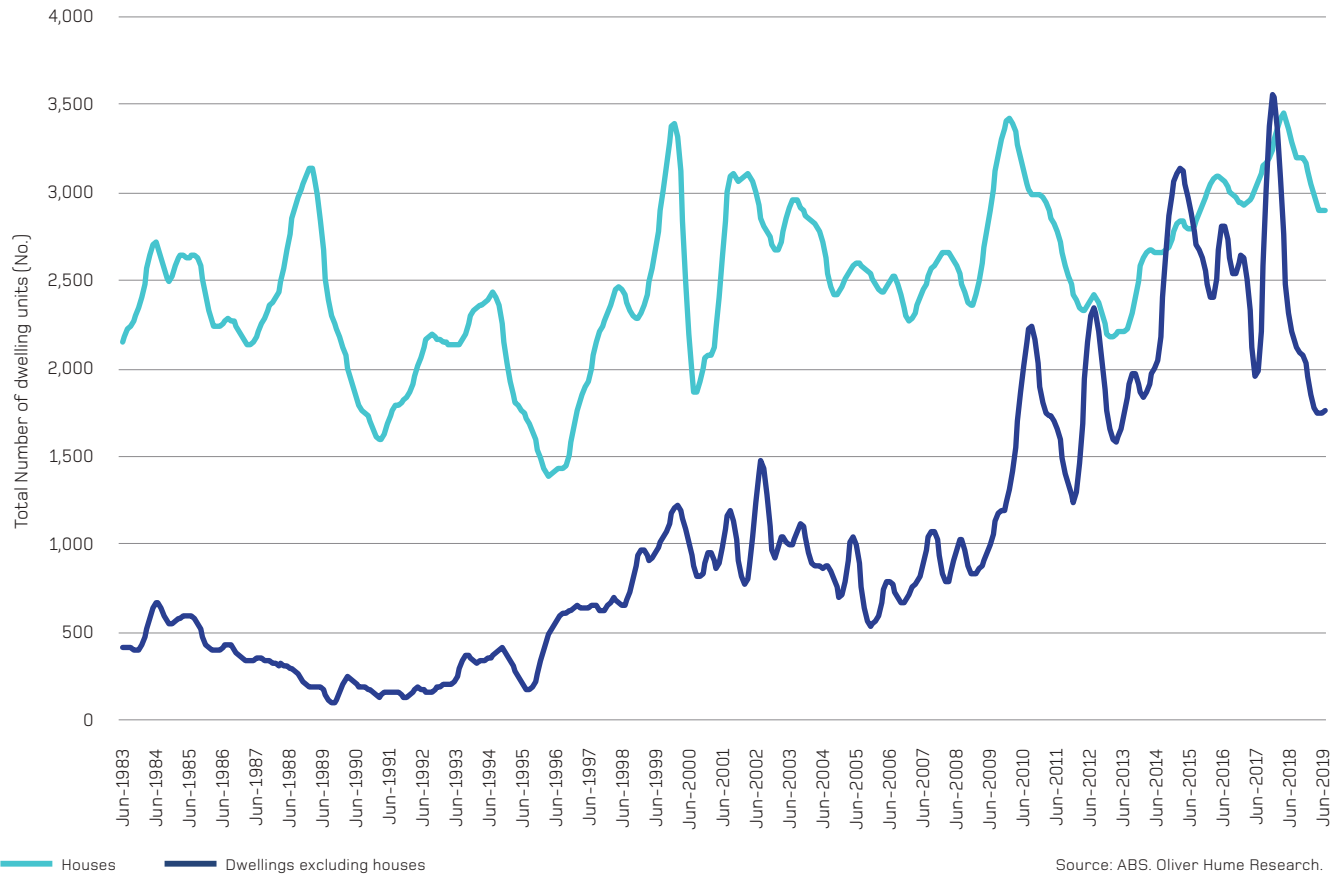
This is due to the high number of apartment projects currently being 'marketed' but would require the vast majority of the projects currently being 'marketed' progress to construction. At the other extreme, where no marketed projects advance to construction, Melbourne's new apartment construction levels would decline to levels more akin to that of Sydney and Brisbane where more steeper declines in construction are forecast.

Nevertheless, despite any short-term boost to residential apartment construction that may occur through the transition of projects currently being marketed moving to under construction, the steady decline of building approvals continues to point to emerging supply pressures.

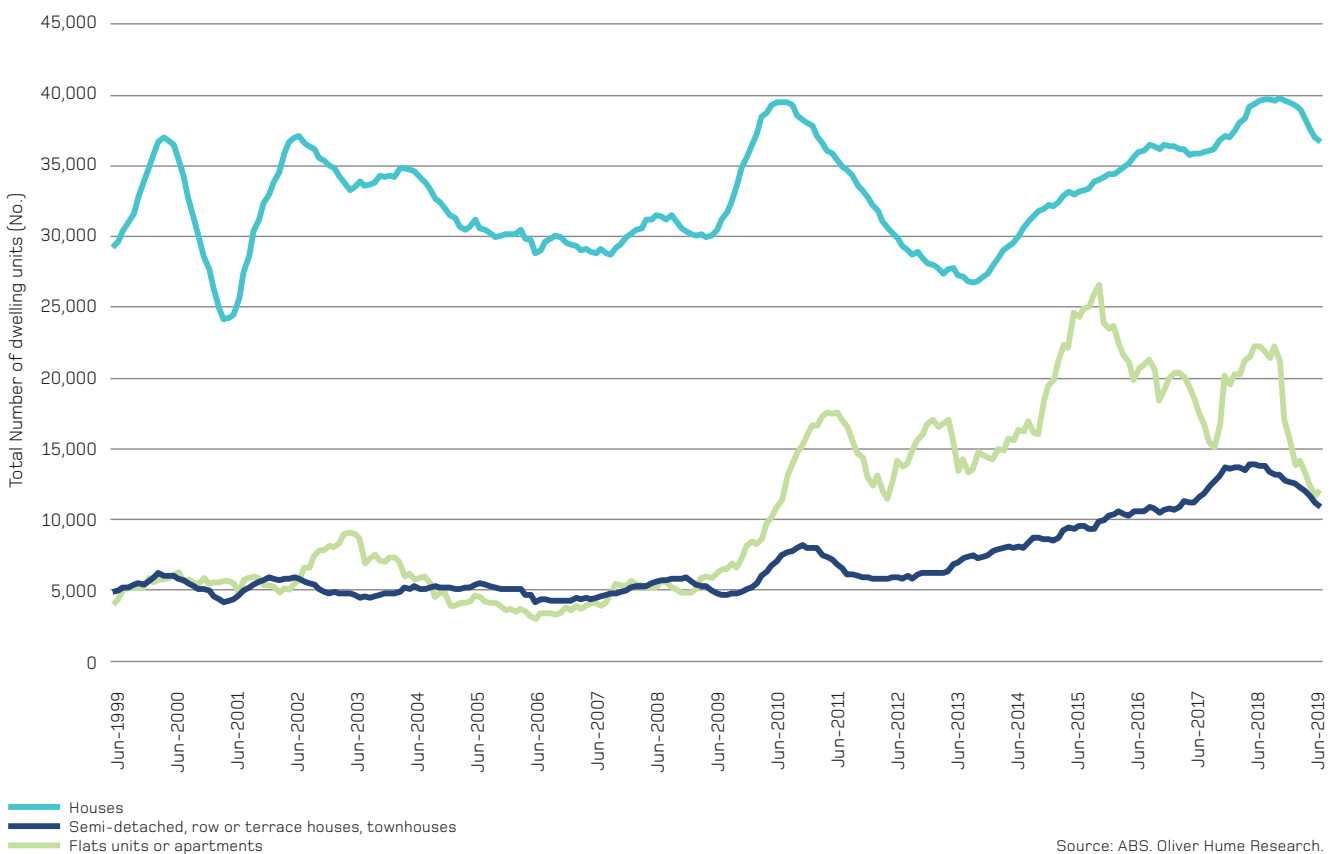
This is especially the case with population growth remaining at near-record levels and in the context of the myriad of challenges the apartment market has faced in recent years.

These challenges include more restrictive planning, the removal of stamp duty exemptions for investors, an increase in government taxes including higher stamp duty surcharges on foreign investors and the vacancy tax and other restrictions on the sale of new apartments to foreign purchasers.

Monthly Building Approvals By Type – Victoria



Annual Building Approvals By Type – Victoria



DEVELOPMENT SITES

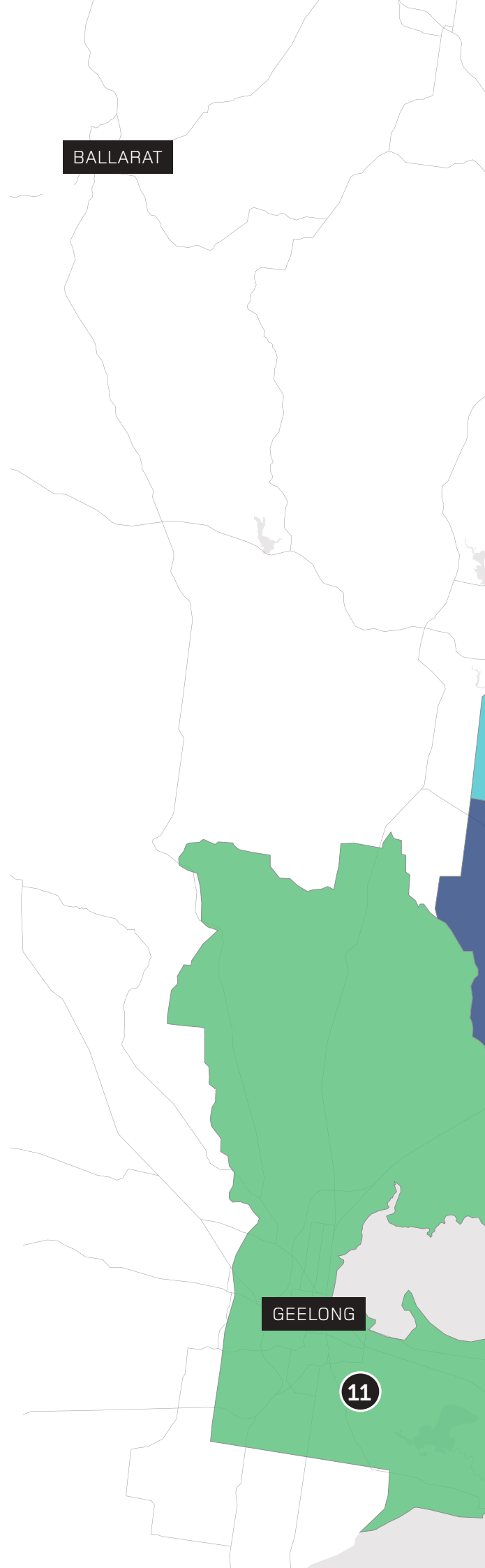
Activity in the development site market is beginning to rebound, consistent with broader trends in the property market, with greater certainty about current and future market conditions seeing some players transacting or looking to transact.

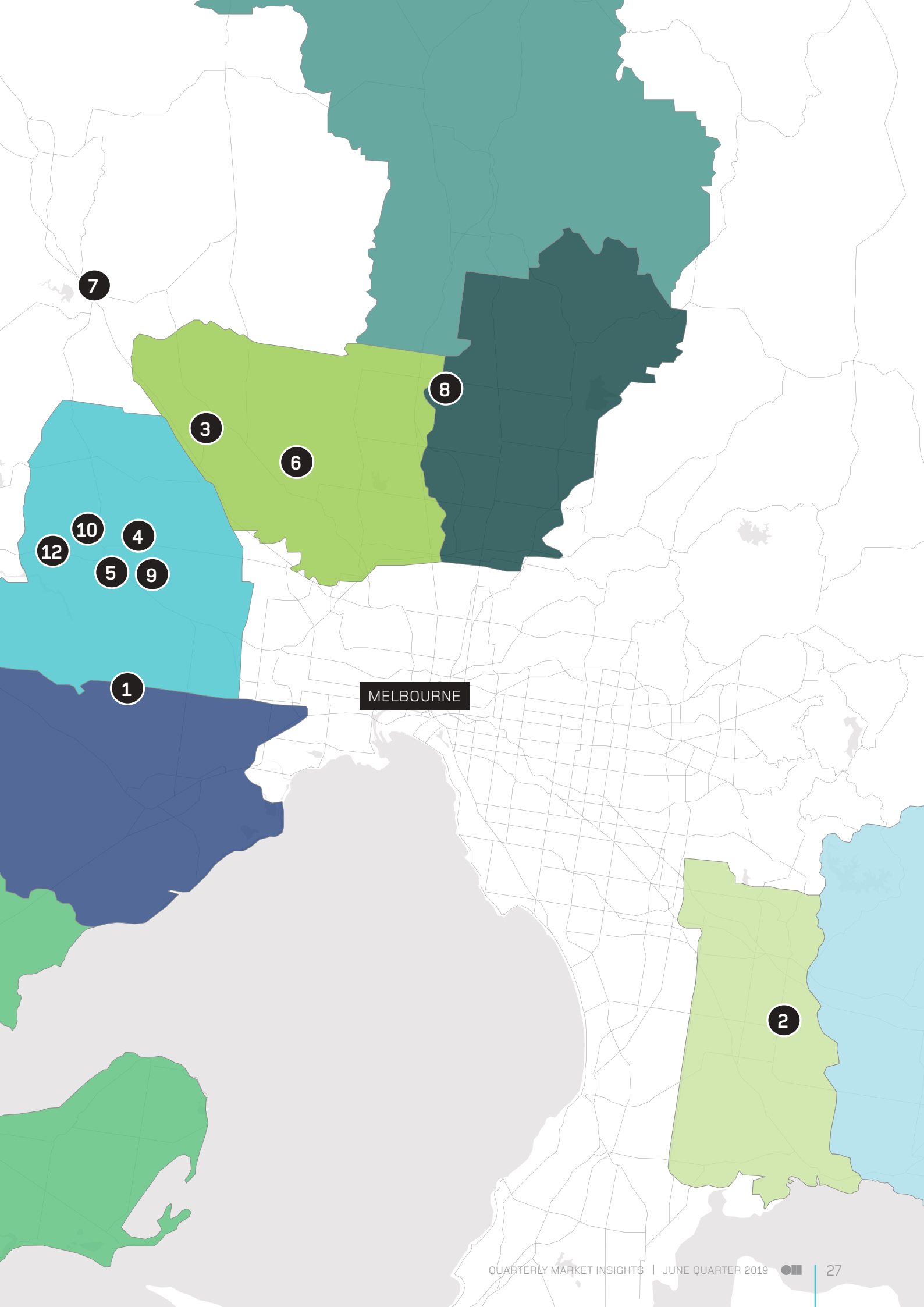
However, transaction levels remain below long-run average levels as buyers and sellers continue to test the level of key indicators (such as price per hectare and retail lot prices) especially in markets which experienced significant price and volume growth but which are now facing a more moderate outlook in the short-medium term.

The figures on the right present indicative values based on recent transactions.*

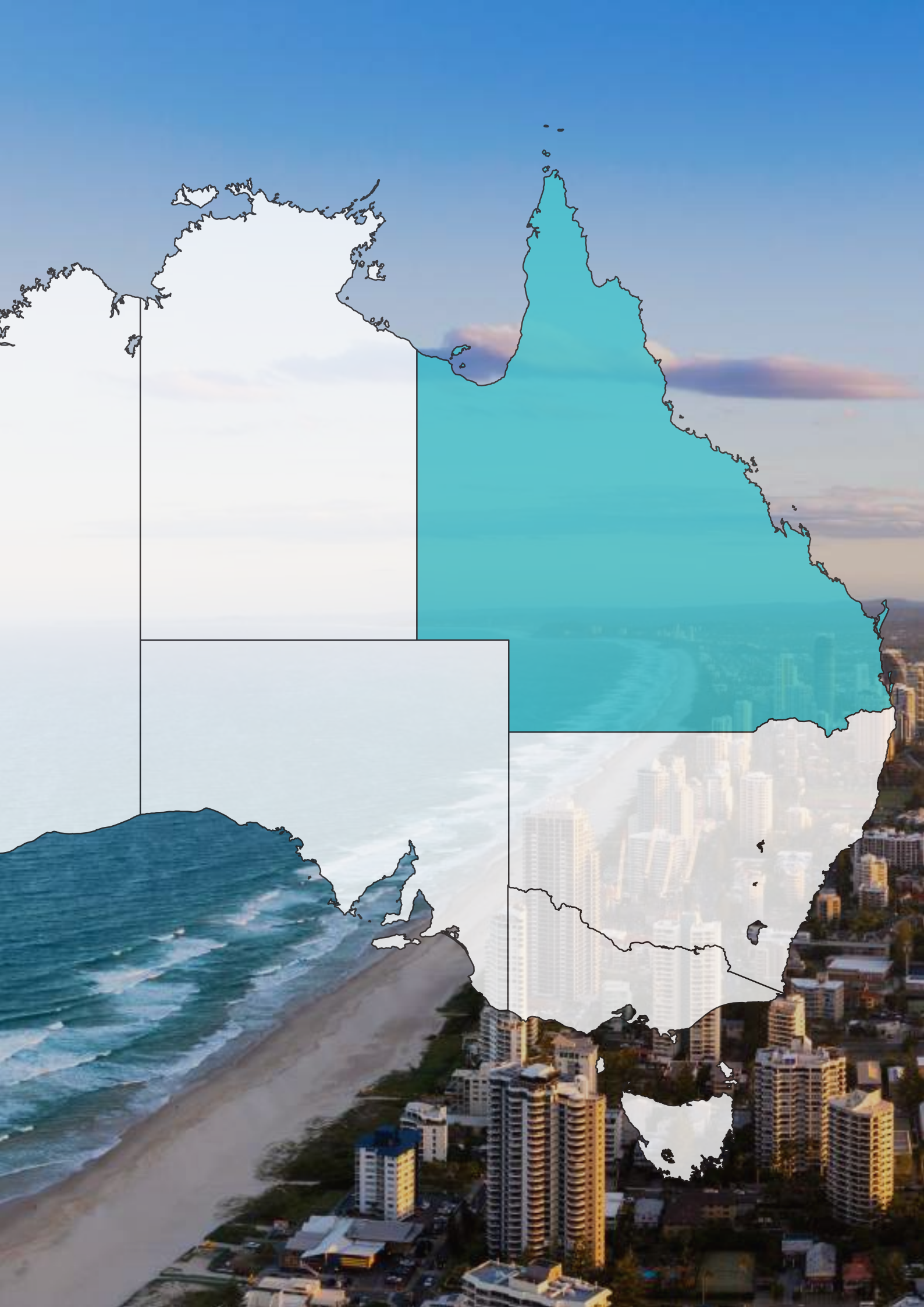
SUBURBS	DEVELOPMENT SITE INDICATIVE VALUE (PER HA)
1 Tarneit	1,650,000
2 Clyde North	1,500,000
3 Sunbury	1,200,000
4 Plumpton	1,700,000
5 Melton	800,000
6 Greenvale	1,750,000
7 Gisborne	900,000
8 Donnybrook	1,350,000
9 Deanside	1,600,000
10 Bonnie Brook	1,400,000
11 Armstrong Creek	1,100,000
12 Aintree	1,200,000

*Based on 2-5 year terms. These are indicative only as values can vary widely depending on factors such as PSP status, development sequencing and servicing etc.





MELBOURNE



An aerial photograph of a city, likely Brisbane, Australia, featuring a wide river (Brisbane River) flowing through the urban landscape. The city is densely packed with buildings, including several high-rise apartment complexes. In the background, a range of mountains is visible under a clear blue sky. A large white circle is overlaid on the left side of the image, containing the text '3.0 QUEENSLAND'. Two vertical white rectangular bars are positioned on the right side of the image.

3.0 QUEENSLAND



Amanda Bittenbinder

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3.1

MARKET DRIVERS

Economy

Queensland's economic growth remains steady with areas of strength including the labour market, population growth, equipment investment and retail spending.

Recently the following indicators were above (or below) the decade average:



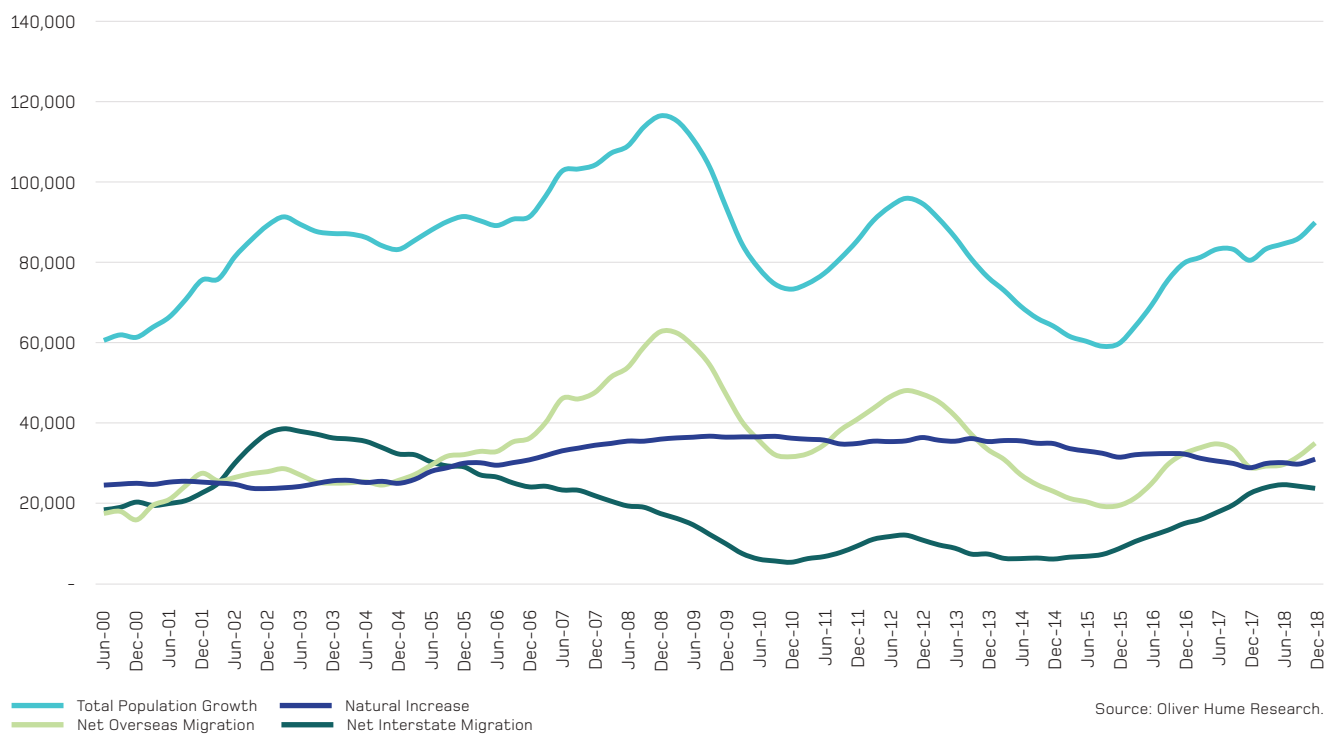
Population

Population remains an increasingly important driver for the property market and economic growth across Queensland.

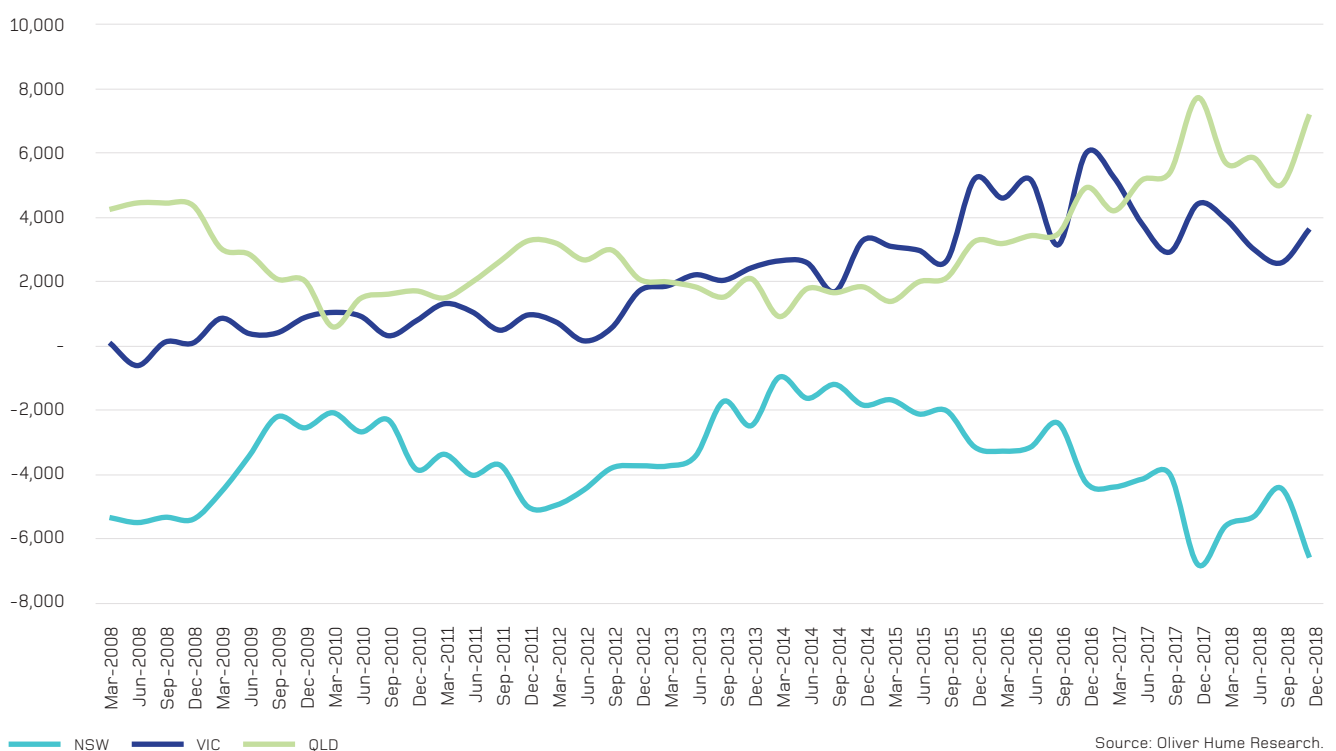
Queensland continues to record the largest number of interstate migrants, buoyed by the relative affordability of the South East Queensland property market and a steady jobs market.

Net overseas migration to Queensland is also improving and has risen to levels last seen in late 2016.

Queensland Population Change | Growth Components



Net Interstate Migration (Qtrly)



3.2

LAND MARKET

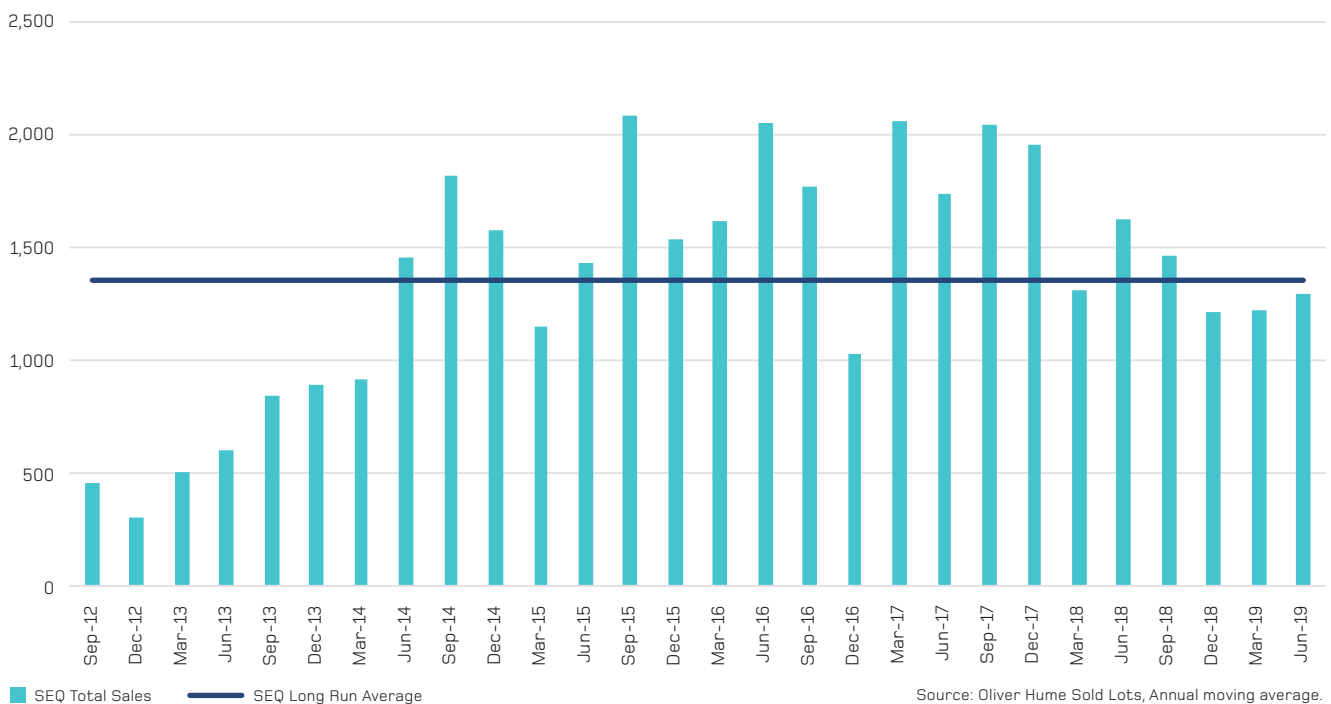
Sales Volumes

Sentiment continues to improve in the South East Queensland market. Around 1,300 sales were recorded in the June quarter 2019.

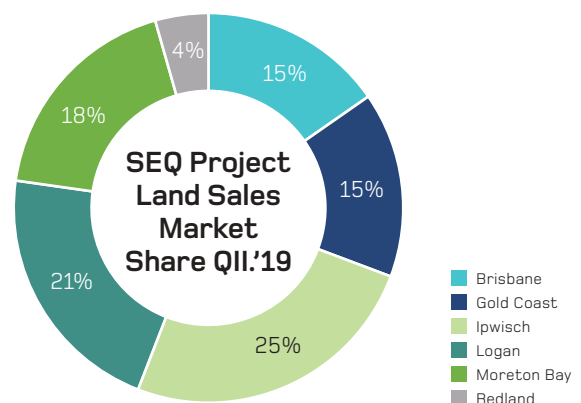
Although the quarter recorded an increase in sales from the previous two quarters, the South East Queensland market remains slightly below the long term average. The most recent sales evidence points towards a gradual recovery over the next 12 months.

The recent decisions by APRA to lower serviceability requirements and the interest rate cuts by the RBA have spurred renewed interest by buyers, however it will take some time to see the full impact these policy changes make to the market.

South East Queensland Project Land Sales



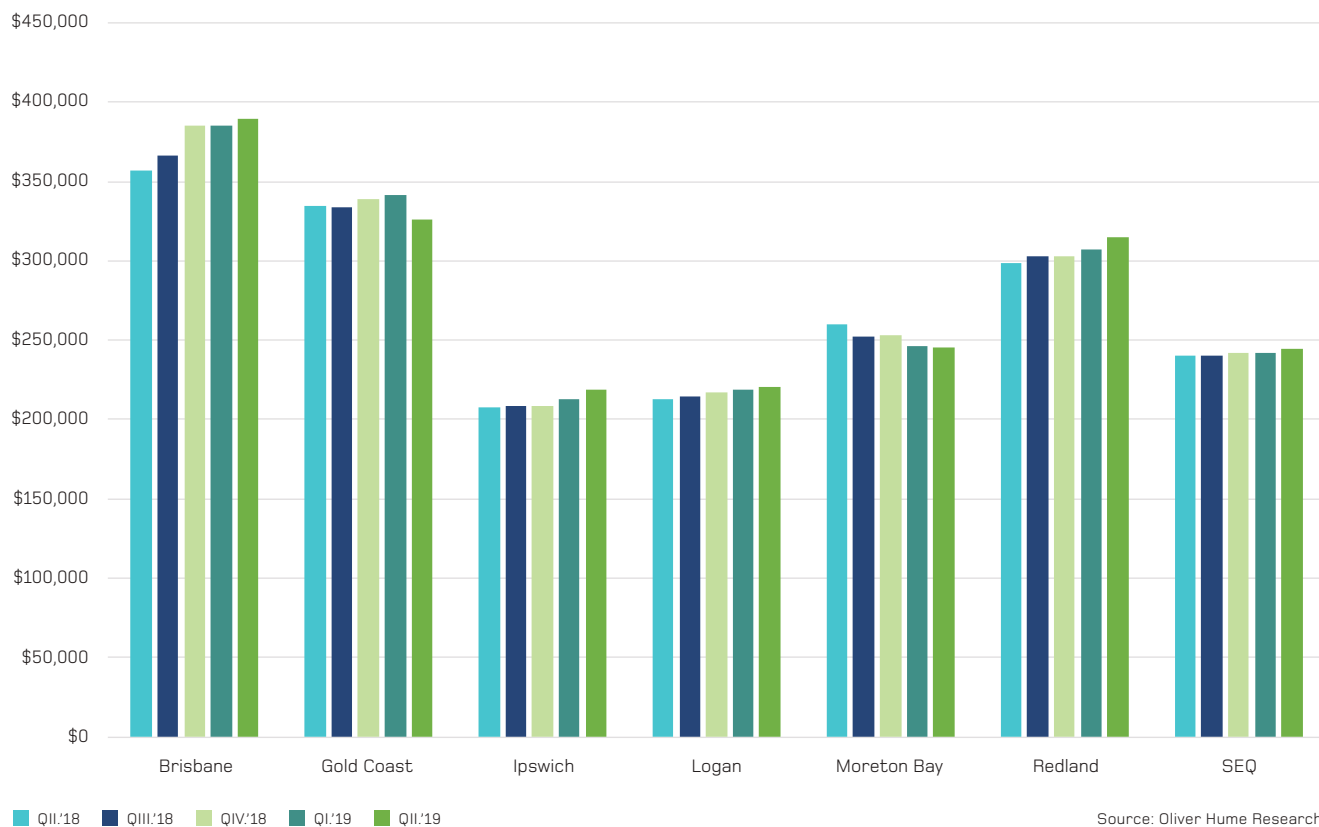
Ipswich and Logan continue to represent the majority of all sales across the South East Queensland market. The Brisbane, Redland and Moreton bay all recorded higher percentages than previous quarters.



Prices

Median prices rose over the quarter for four of the six major growth corridors. Moreton Bay and Gold Coast median prices softened over the quarter.

South East Queensland Median Prices



Median Lot Prices by Local Government Area

LGA	QI. '18	QI. '19	QII. '19	QoQ	YoY
Brisbane (C)	\$352,375	\$385,375	\$389,125	1%	9%
Gold Coast (C)	\$319,325	\$341,200	\$326,225	-4%	-2%
Ipswich (C)	\$205,800	\$212,975	\$219,225	3%	6%
Logan (C)	\$213,925	\$219,188	\$220,938	1%	4%
Moreton Bay (R)	\$260,050	\$246,500	\$245,125	-1%	-6%
Redland (C)	\$302,500	\$306,875	\$314,875	3%	5%
SEQ	\$237,763	\$241,750	\$244,250	1%	2%

Source: Oliver Hume Research.

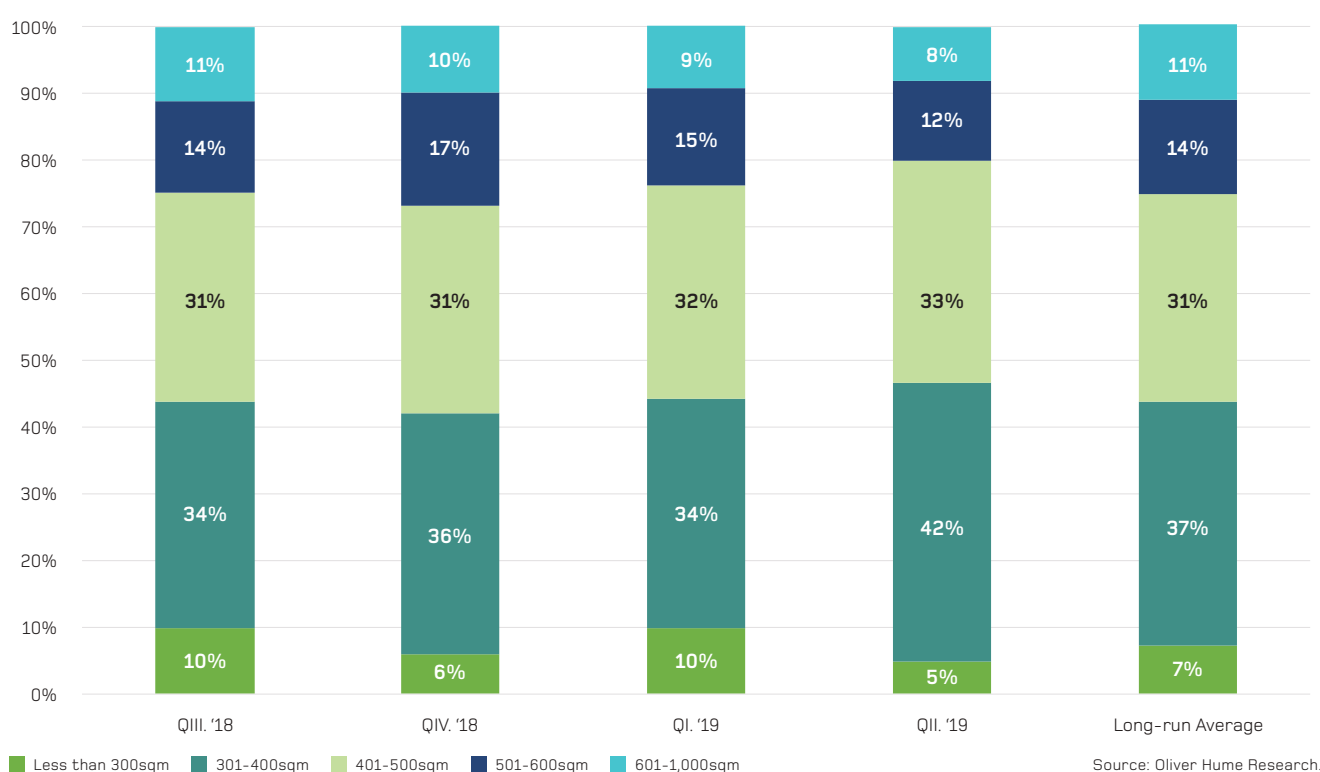
3.2

LAND MARKET (CONT.)

Sizes

Affordability continues to be a major driver of the market with lots in the range of 300 to 400 square metres accounting for the largest portion of sold stock across the South East Queensland market.

SEQ Project Land Sales (0 – 1,000 sqm) Market Share by Product Type



Median Lot Sizes by Local Government Area

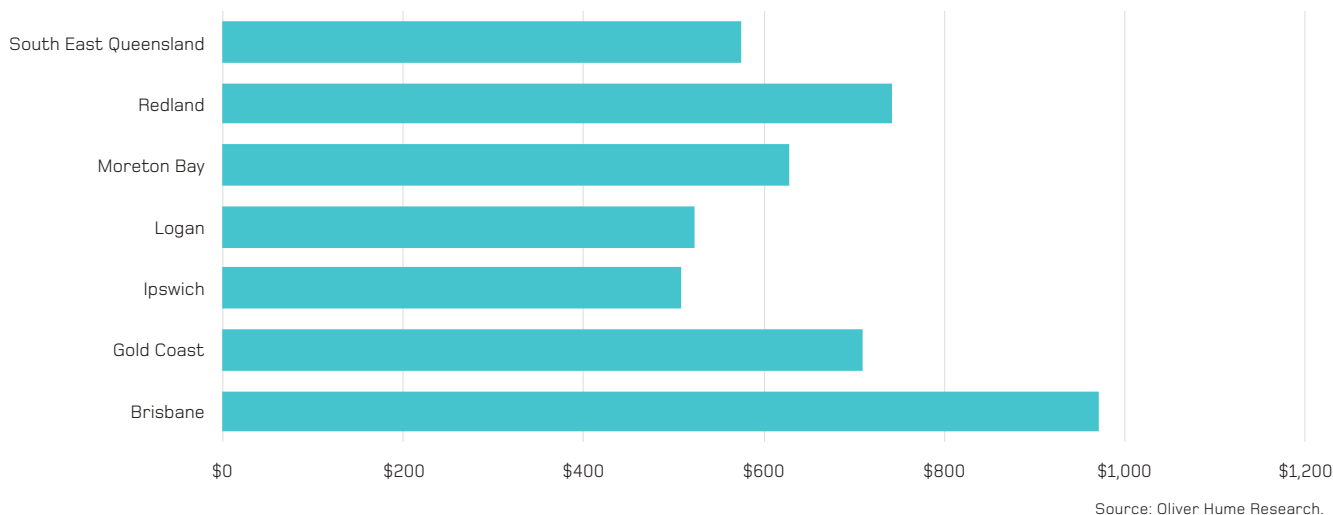
LGA	QII. '18	QI. '19	QII. '19	5 yr Change	QoQ	YoY
Brisbane (C)	402	401	401	-20.2%	0%	0%
Gold Coast (C)	467	462	460	-5.2%	0%	-1%
Ipswich (C)	443	428	432	-7.3%	1%	-2%
Logan (C)	403	418	422	-17.7%	1%	5%
Moreton Bay (R)	420	394	390	-11.2%	-1%	-7%
Redland (C)	400	415	425	-32.0%	2%	6%
SEQ	426	424	425	-10.5%	0%	0%

Value Rates

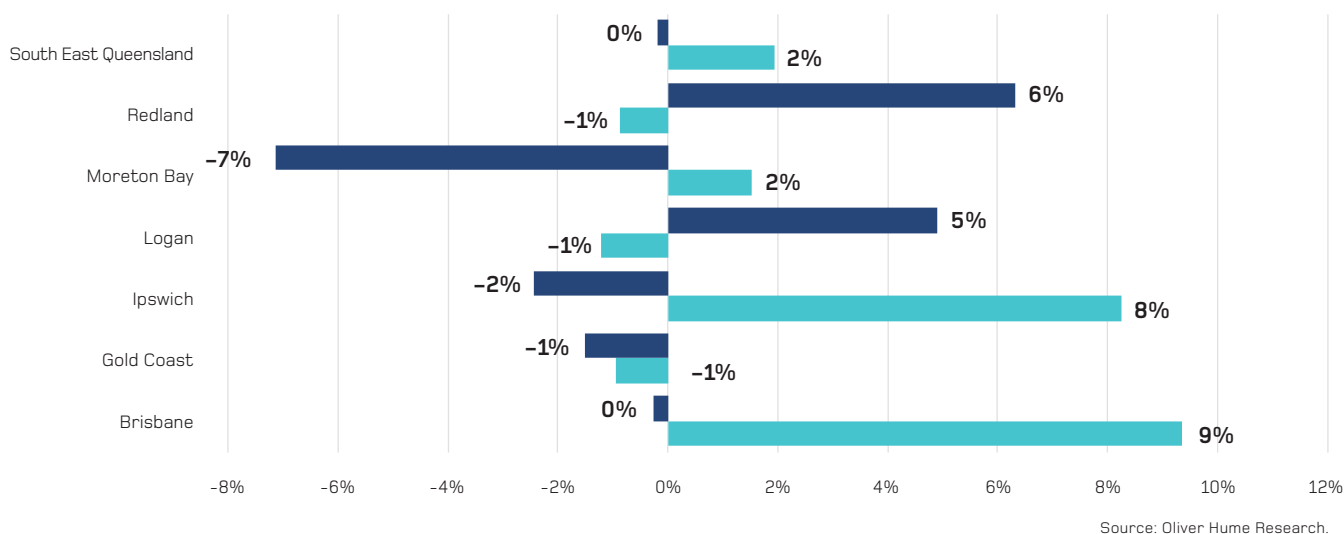
Brisbane continues to record the highest value rate with a median value of \$970 per square metre. Ipswich remains the most affordable with the median rate of \$507 per square metre.

Moreton Bay saw the largest reduction in median lot size, resulting in the average value rate increasing by 2% over the year.

South East Queensland Project Land Sales | Median Value Rate (QII. '19)



Annual Change in Land Size & Value Rate



Median Value Rates by Local Government Area

LGA	QII. '18	QI. '19	QII. '19	QoQ	\$ Value Change (QoQ)	YoY	\$ Value Change (YoY)
Brisbane (C)	\$887	\$961	\$970	1%	\$9	9%	\$83
Gold Coast (C)	\$715	\$738	\$709	-4%	-\$29	-1%	-\$7
Ipswich (C)	\$469	\$498	\$507	2%	\$10	8%	\$39
Logan (C)	\$530	\$524	\$523	0%	-\$1	-1%	-\$6
Moreton Bay (R)	\$619	\$625	\$629	1%	\$3	2%	\$10
Redland (C)	\$748	\$739	\$741	0%	\$2	-1%	-\$6
SEQ	\$564	\$570	\$575	1%	\$5	2%	\$11

3.2

LAND MARKET (CONT.)

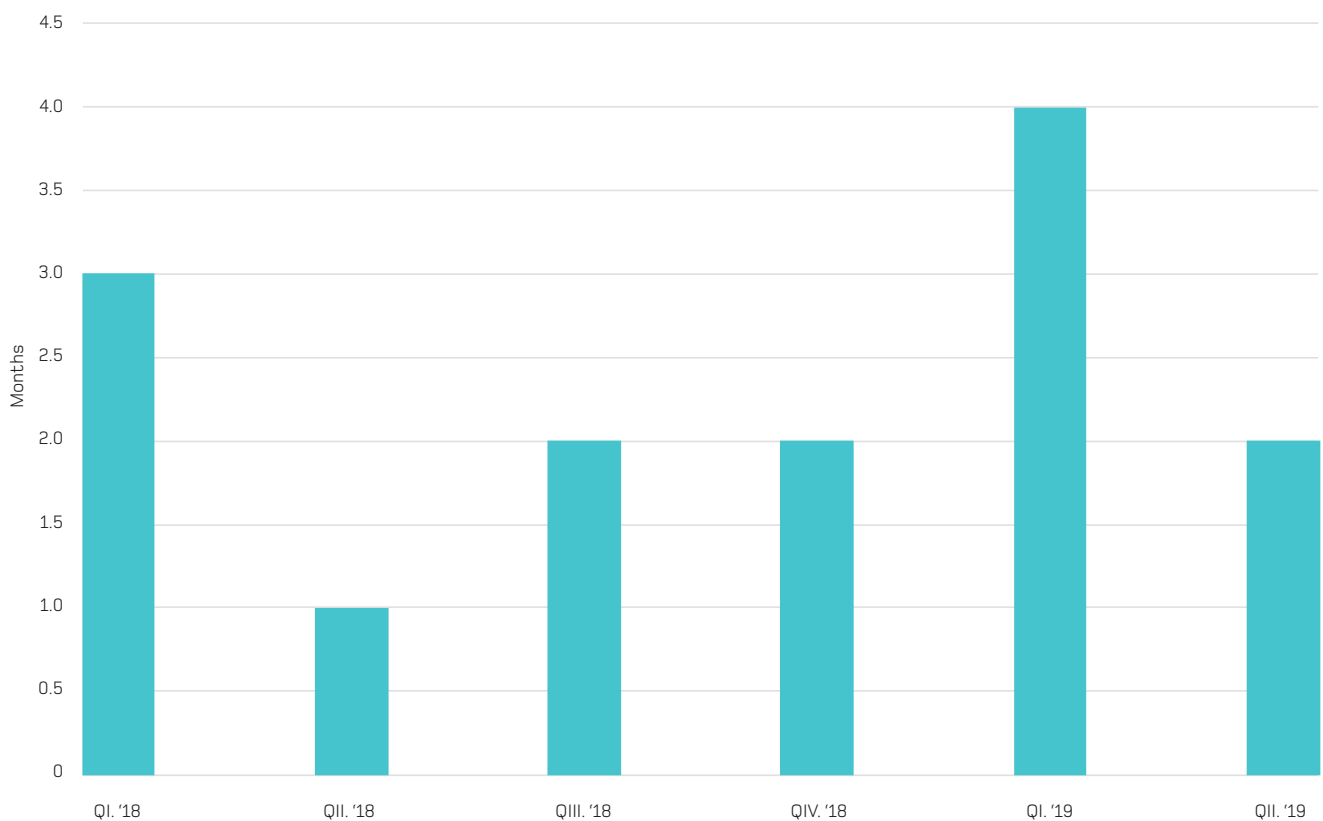
Time on Market

The June quarter 2019 recorded an average time on market of two months for lots across South East Queensland, after peaking at four months the previous quarter.

Moreton Bay recorded the shortest time on market with the average time frame being one month while lots in Brisbane, Ipswich and Logan averaged three months.



The June quarter 2019 recorded an average time on market of 2 months

Average Time on Market – South East Queensland

Source: Oliver Hume Sold Lots, Annual moving average.



Carver's Reach – Oliver Hume project at Park Ridge, Queensland

3.3

APARTMENTS
AND TOWNHOUSES**Brisbane**

In recent years, the Brisbane apartment market has seen a significant increase in the number of residential apartment buildings leading to a high level of high supply relative to demand.

The height of new apartment applications was in 2015-16 with over 36,700 apartments submitted to the Brisbane City Council for review.

Since the height of the boom in 2015-16, the number of building approved and completed has declined.

Nevertheless, concerns around oversupply have persisted and developers have been offering a range of incentives including deferred settlement periods, price reductions and other arrangements including vendor finance, payment of stamp duty, furniture packages and rental guarantees.

The Brisbane apartment market is showing signs of recovery and this comes at a time when a decline in construction activity is expected in the short-term.

The extent of the decline is unclear however and is dependent on the number of marketed projects that commence construction.

Some price growth is already occurring, and this is expected to continue.

Although the Brisbane apartment market has faced considerable headwinds in recent years, various tailwinds are expected to lead to continued support as the market normalizes.

These include more flexible lending conditions, a more stable policy environment and the end of uncertainty (especially around the property taxation regime) and lower and declining interest rate cuts.

Gold Coast

The Gold Coast market continues to see interest from the downsizer market segment with these buyers making up an increasing number of sales recently.

Interest from these and other buyers, combined with above average yields and an already low vacancy rate (under 2%), is expected to support prices and sales activity over the short to medium term.

Since 2015, new two bedroom and two bathroom apartments have dominated the apartment mix in the Gold Coast market representing around 50% of all new apartment stock.

Over the medium to long term the Gold Coast, already one of the fastest growing regional cities in Australia and the location for several new infrastructure projects, is expected to experience robust demand for apartments and other dwellings as the forecast population of 1 million people (by around 2034) gets closer.

Future infrastructure projects include the Pacific Motorway Upgrade, Stage 3 of the Gold Coast Light Rail and the future planned Cruise Ship Terminal.



BRISBANE INNER CITY BEDROOM BREAKDOWN (\$/SQM)

BRISBANE CBD	
1 Bed	\$7,361
2 Bed	\$7,500
3 Bed	\$6,946

GOLD COAST LGA	
1 Bed	\$5,969
2 Bed	\$5,806
3 Bed	\$7,718

INNER WEST	
1 Bed	\$5,938
2 Bed	\$6,290
3 Bed	\$6,330

INNER SOUTH	
1 Bed	\$6,077
2 Bed	\$6,524
3 Bed	\$6,457

INNER NORTH	
1 Bed	\$6,400
2 Bed	\$6,813
3 Bed	\$6,679

INNER EAST	
1 Bed	\$7,203
2 Bed	\$7,745
3 Bed	\$8,256

NORTH SHORE	
1 Bed	\$6,575
2 Bed	\$6,318
3 Bed	\$6,452

Source: ABS, Oliver Hume Research.



The background is a photograph of a suburban street scene. In the foreground, there is a green lawn with some dark foliage at the bottom. A paved road runs horizontally across the middle. In the background, there are houses with light-colored siding and dark roofs, surrounded by trees. A large white circle is positioned on the left side of the image, and two white vertical rectangles are on the right side. The text '4.0' is in teal, and 'FEATURE ARTICLES' is in black.

4.0

FEATURE
ARTICLES

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IS IT TIME TO RETHINK DENSITY?

With new forecasts of record population growth across Australia's major capital cities over the next few decades and affordability remaining a challenge is it time to reconsider the core principles and policies that guide the management of this growth?

The accepted wisdom that we should be simply directing development and people towards higher density living in our major cities, especially Melbourne and Sydney, is increasingly being challenged by many buyers and households who continue to vote with their feet and move to more affordable locations – including greenfield suburbs, peri-urban locations and regional centres – many of whom are seeking the traditional detached house.

Two recent reports have highlighted current and emerging trends about how our cities might evolve in the future and what the opportunities and challenges might be

Recent population projections by the Victorian Government suggest Greater Melbourne could have a population of nine million by 2056 with a full state population of 11.2 million, up from 6.5 million in 2018. Greater Melbourne is expected to grow by 1.6% every year while the rest of Victoria could grow by 1.0% every year.



How do we deal with this growth?

The CSIRO's latest Australian National Outlook 2019 (ANO) suggests the country could face a 'Slow Decline' if we do not take action on our most significant economic, social and environmental challenges.

The report highlights several key shifts that are required to meet these challenges and maintain our high standard of living, including a focus on greater densification of our cities.

"An urban shift will enable well-connected, affordable cities that offer more equal access to quality jobs, lifestyle amenities, education and other services," the report said.

The report notes that the 'shift' could potentially be achieved by planning for higher-density, multi-centre and well-connected capital cities to reduce urban sprawl and congestion, creating mixed land use zones with diverse, high-quality housing options and investing in innovative transportation infrastructure.

However, policies that direct most people into higher density housing options in our major cities do not always reflect the needs or aspirations of buyers and households.

Affordability constraints and the fact that many households, especially young and established families, prefer a detached house should be carefully considered when advocating for increased density as a 'one size fits all' policy.

While increased densities in our major cities are one way of coping with rapid (and often unexpected) population growth it is worthwhile considering what buyers, families and households want and what the alternatives might be.

Young people are increasingly abandoning expensive coastal cities (where apartments are the main housing option for new property market entrants) in favour of more affordable locations where they can purchase single-family homes.

The reason is simple. Although many younger people who want to live and work in wealthy coastal capital cities, they often have little choice but to become permanent renters, usually in smaller apartments. They are keenly aware that home ownership is critical to long-term financial security and family formation.

In response, four-fifths of home buyers under 35 in America choose to purchase single-family detached houses in the suburbs. Since 2010, around 1.8 million Americans have moved away from the urban core of major metropolitan areas. They have opted, instead, to move to lower-density areas where single-family houses are the norm.

Some commentators have argued that the push for densification of our cities is not the result of market conditions but the concerted efforts by some who want to fundamentally alter the way cities are built.

Arguably, responding to actual market needs and addressing key issues like affordability and declining home ownership figure less prominently.

While not often highlighted, we see a similar phenomenon in Australia where our greenfield and other outer suburbs and peri-urban areas are popular with many buyers and households. However, in these markets, supply falls short of demand.

We are also seeing many regional centres across the country experience rapid population growth.

While increasing density across our urban areas represents one important tool for accommodating a burgeoning population, it cannot be the only strategy when we are dealing with a complex range of issues especially those that relate to how and where people want to live and raise a family.

Rather than looking to simply transform Australian cities and urban areas into densely populated metropolises, we should be more nuanced about how we will build the cities of the future with individual and family choice and market aspirations taking a key role in our thinking.





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