Quarterly Market Insights

June Quarter 2020

OLIVER HUME

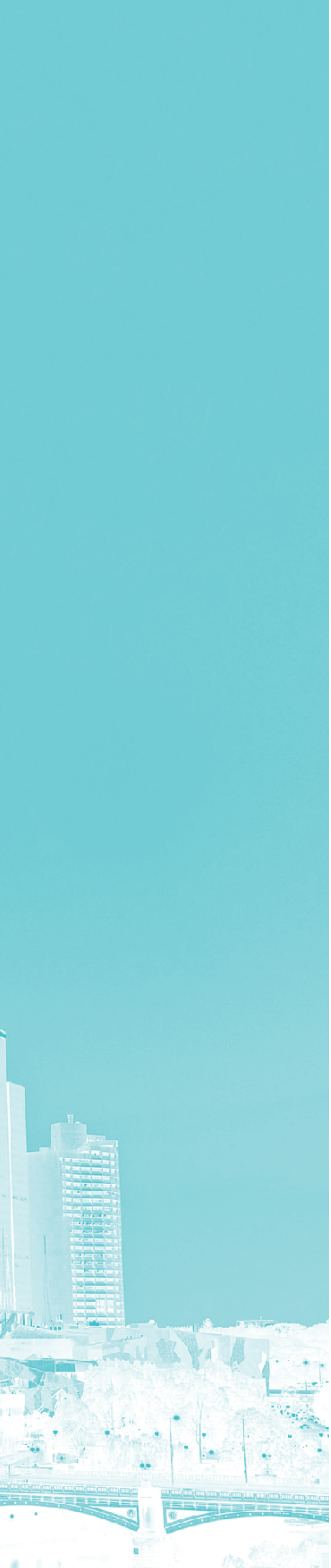

TABLE OF CONTENTS

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FOREWORD

Australia is now fully engaged in the fight against COVID-19.

While it should not be forgotten that COVID-19 is, first and foremost, a health crisis there is no doubt that the virus has impacted all aspects of our national life.

Government, the private sector and industry and the community are now called to work together to ensure we restore safety and that life can, eventually, return to normal and as quickly as possible

The property market is one of many sectors of the economy that is facing a range of challenges.

Sales volumes have been especially affected, although, in some sub-markets they have partly rebounded.

Overall prices continue to moderate but to date have not fallen sharply.

While much of Australia has gradually returned to some, more normal, level of activity, although still dealing with border closures, some restrictions and repairing the economic and other damage done by forced lockdowns, Victoria has just entered stage 4 restrictions – the strictest yet imposed.

Stage 4 restrictions are to last until mid-September, and present major challenges to both the property market and the property industry across project marketing, sales, development and construction and other areas.

However, the last lockdown (albeit less strict) showed how resilient, agile and innovative the industry is.

Although activity levels and other indicators were affected, business continued where it could enabled by, among other factors, a highly-skilled and talented workforce and technology.

Having access to real-time data - combined with the skill set, knowledge and wisdom to interpret and understand a wide range of information and analysis, is arguably – more important today than ever before.

Providing our clients, stakeholders and strategic partners with the latest data and insights to better anticipate the future and make the right strategic decisions is a key priority for Oliver Hume.

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


Darwin
NORTHERN TERRITORY
QUEENSLAND
WESTERN AUSTRALIA
Brisbane
Gold Coast
SOUTH AUSTRALIA
NEW SOUTH WALES
Sydney
Adelaide
Canberra
VICTORIA
Melbourne
TASMANIA
Hobart

1.0 NATIONAL AND BUYER HIGHLIGHTS

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1.1
NATIONAL HIGHLIGHTS

CASH RATE
0.25%

ECONOMIC GROWTH
1.4%

INFLATION
2.2%

UNEMPLOYMENT RATE
7.1%

EMPLOYMENT GROWTH
-5.4%

WAGE GROWTH
2.1%

AVERAGE WEEKLY EARNINGS
$1,257

HOUSEHOLD SAVING RATIO
5.5%

NET FOREIGN LIABILITIES
40.5%
OF GDP

CONVERSION RATE
A$1
= US$0.69

POPULATION
26MIL
1.4% ANNUAL GROWTH

EMPLOYMENT RATIO
58%

RESIDENTIAL DWELLINGS
$690K

HOUSEHOLD WEALTH
769%
AS A SHARE OF INCOME

HOUSEHOLD DEBT
187%
AS A SHARE OF INCOME

BUSINESS INCOME
20% 91%
GEARING LOW LIQUIDITY HIGH

HOUSING RISKS
3%
NEGATIVE EQUITY

NON-PERFORMING LOANS
1.0%
LOW BUT WILL RISE

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

The latest official national population statistics largely reflect the pre COVID-19 environment.

Australia's population was 25.5 million in December 2019, up 70,200 people (0.3%) over the quarter and 349,800 people (1.4%) over the year.

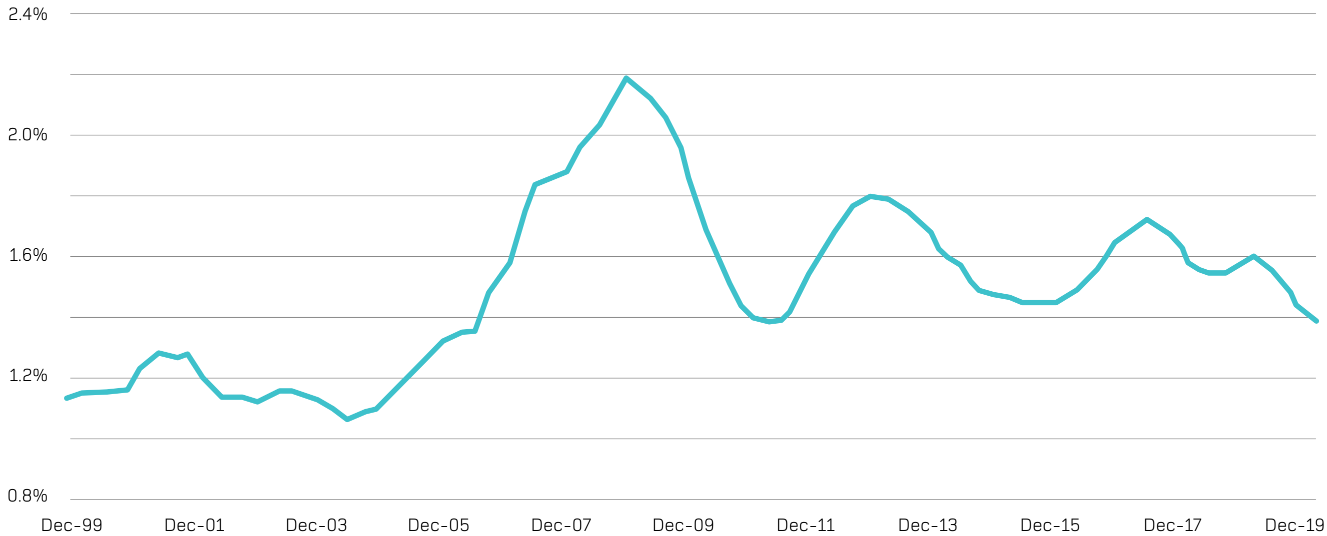
Net overseas migration remained the driver of growth accounting for 60.2% of overall growth.

Due to border closures overseas, migration has fallen sharply, albeit temporarily, and interstate migration has also been severely curtailed.

The reduction in migration is significant but will impact the property market over several years given the time taken by migrants to purchase a property.

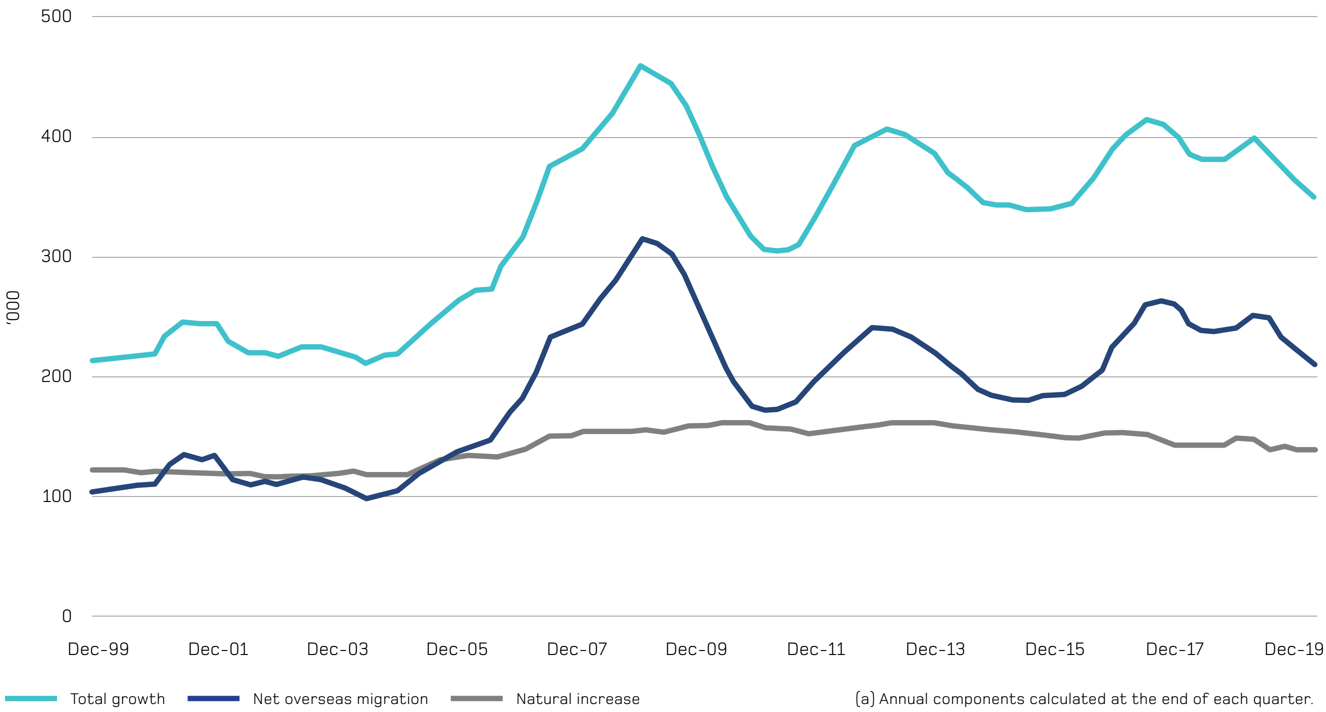
Equally, demand in the immediate and short-term will be supported, to some extent, by previous strong migration intakes.

Australia – Annual Population Growth



(a) Annual growth calculated at the end of each quarter.
(b) All data to 30 June 2016 is final, September 2016 to June 2018 is revised and estimates for September 2018 onwards are preliminary and are subject to revision.
Source: ABS, Oliver Hume Research.

Components of Annual Population Change – Australia



(a) Annual components calculated at the end of each quarter.

2.0
VICTORIA

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2.1
MARKET DRIVERS

Economy

The Victorian economy will be significantly affected by the new COVID-19 containment measures which will delay the recovery in the state and, given the size of the Victorian economy, the national economy.

The RBA estimates that the latest containment measures taken in Victoria will take off at least two percentage points from Australia's economic growth in the September quarter.

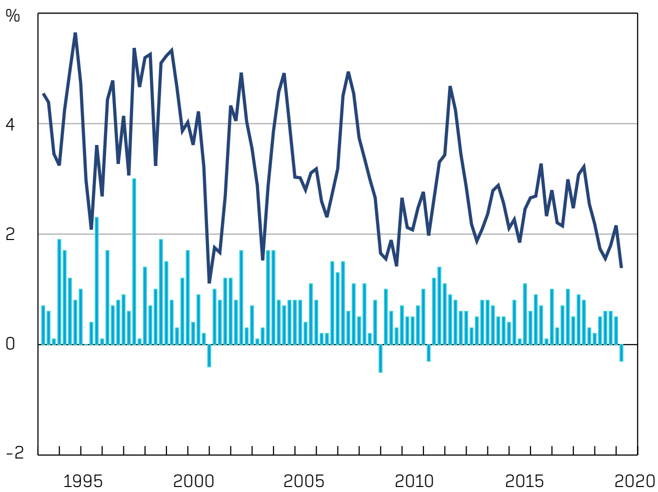
Key national economic indicators, such as consumer sentiment, highlight the scale of impact of COVID-19. Unemployment, especially, continues to increase across Australia.

We expect to see the state's unemployment rate increase in August and September given, also, the introduction of Stage 4 restrictions recently.

The state's unemployment rate is now forecast to increase to between 10%-11% due to stage 4 restrictions. This is higher than the previous forecast of 9% (provided in April this year).

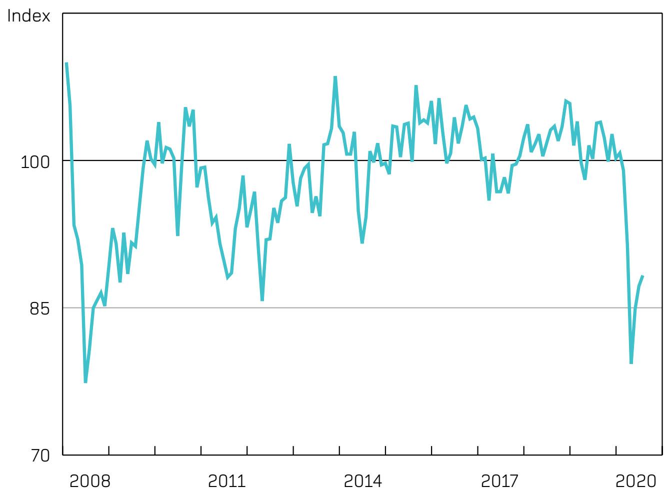
The increase in Victoria's unemployment will impact the positive momentum of other states, which are now benefiting from earlier easing, although some states (for example NSW) might pick-up some of the demand which might have otherwise gone to Victoria.

GDP Growth



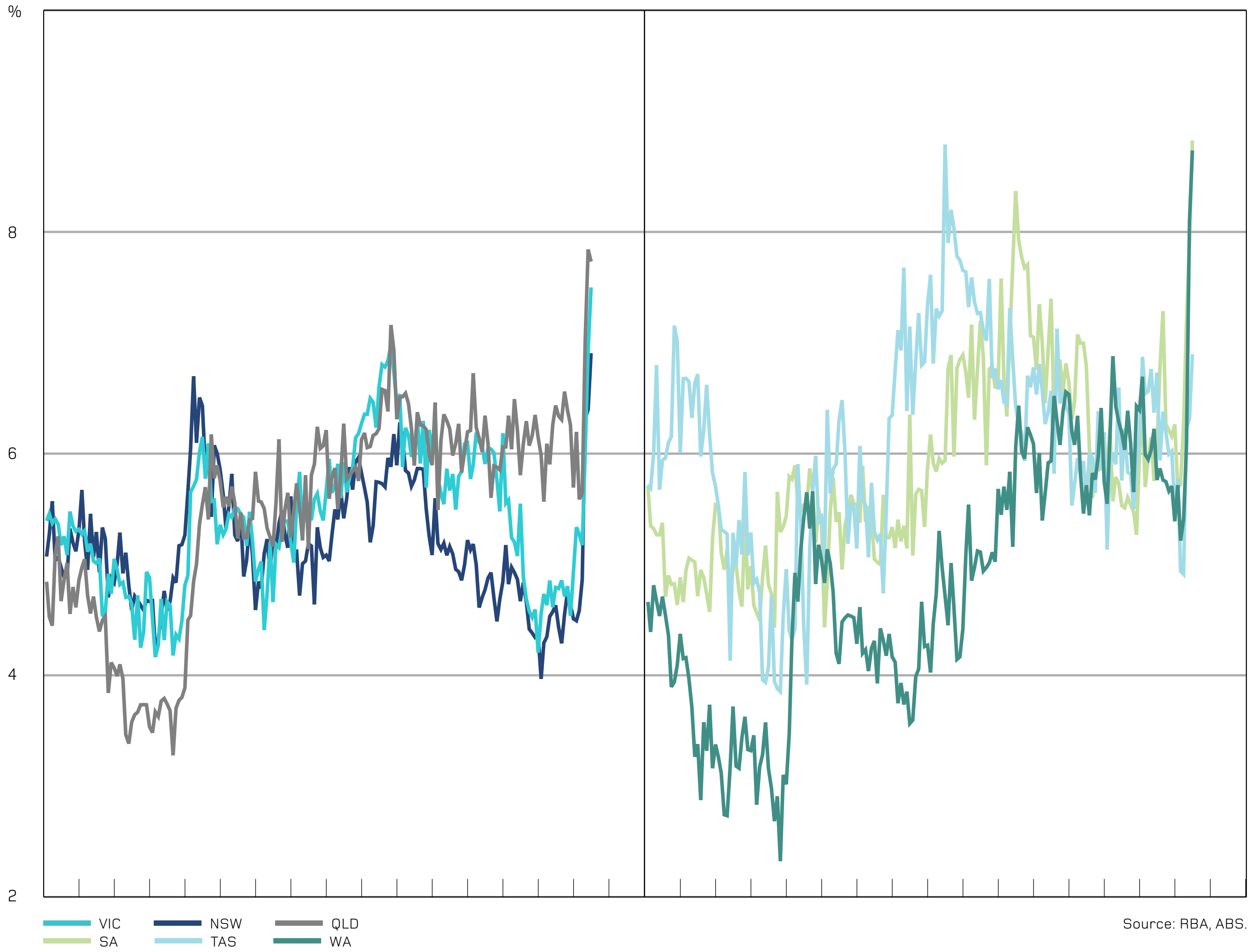
Year-ended Quarterly Source: RBA, ABS.

Consumer Sentiment



Source: RBA, ABS.

State Unemployment Rates



Several key Victorian industries (including retail, construction and manufacturing) are amongst the sectors most affected by stage 4 restrictions.

Victoria's new restrictions, to be eased by mid-September, are expected to be followed by stage 3 restrictions.

The easing of restrictions, however, will depend on case numbers.

Even before the most recent Victorian restrictions, the State's immediate and short-term outlook remained uncertain. Leading and other indicators of activity and the labour market remained weak.

For example, Victorian private sector wage growth subdued increasing by 1.6% in the year to June (below the Australian average of 1.7%).

While Victoria faces major challenges, the rebound following the easing of previous stage 3 restrictions (including especially in the property market) suggests a potential way forward once current restrictions are eased.

2.1

MARKET DRIVERS (CONT.)

Population

The state's population growth has been severely curtailed as international and interstate borders are effectively closed.

The re-opening of international and interstate borders remains uncertain and much will depend on success in dealing with COVID-19, both in Australia and overseas.

As noted previously, property market demand has been supported, to some extent, by levels of population growth (including high-levels of overseas migration and, especially, skilled immigrants).

The latest state population statistics, reflecting conditions before COVID-19, showed that Victoria's population growth remained the fastest in the country with absolute population growth greater than other states.

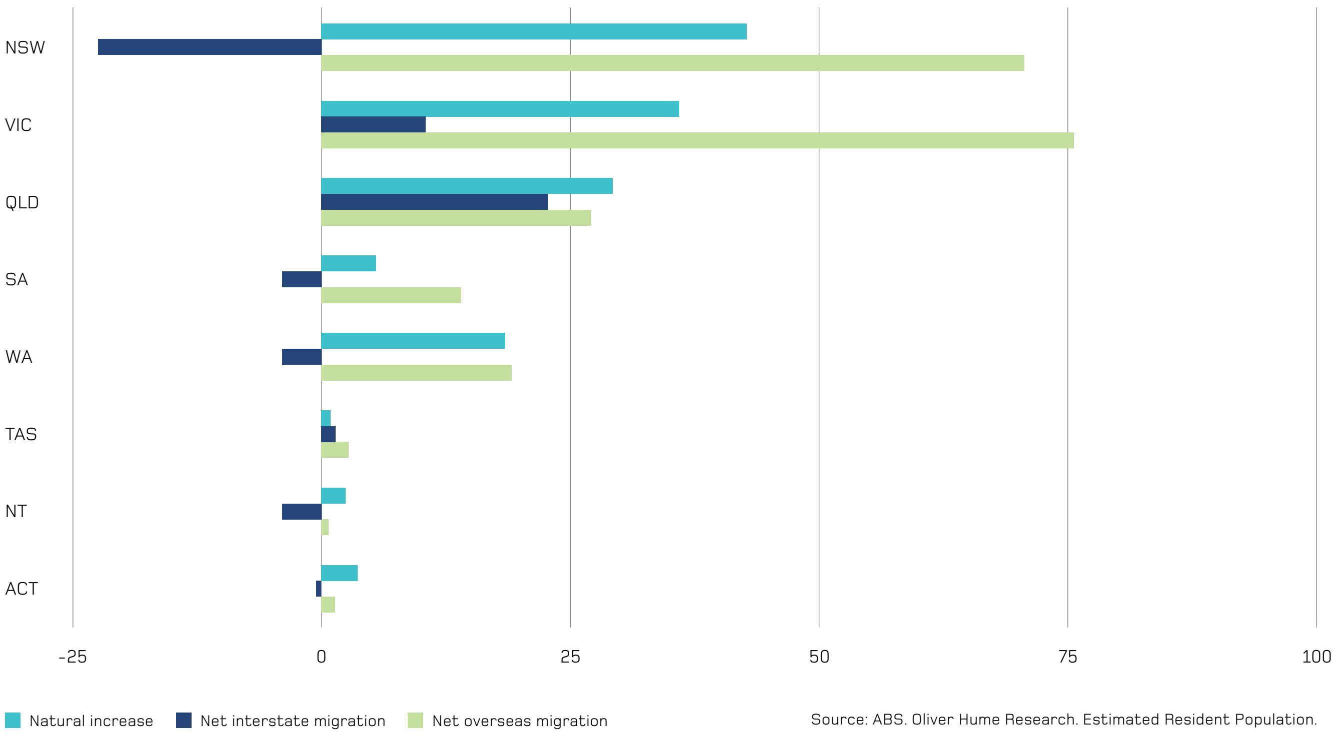
Post COVID-19, population and immigration levels will need re-examination to ensure policy settings are supportive of economic growth and a return to normal levels of activity.

Population Change by State and Territory

Preliminary Data	Population at end Dec Qtr 2018 ('000)	Change over previous year ('000)	Change over previous year (%)
New South Wales	8,129.0	90.9	1.1
Victoria	6,651.1	122.2	1.9
Queensland	5,130.0	79.3	1.6
South Australia	1,759.2	15.7	0.9
Western Australia	2,639.1	33.2	1.3
Tasmania	537.0	5.2	1.0
Northern Territory	244.8	-0.9	-0.4
Australian Capital Territory	427.4	4.2	1.0
Australia	**25,522.2**	**349.8**	**1.4**

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

Components of Annual Population Growth



Source: ABS. Oliver Hume Research. Estimated Resident Population.

Natural Increase – Year ending 31 December 2019

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Births	98,905	77,221	61,734	19,490	33,539	5,753	3,659	5,521
Deaths	56,066	41,266	32,470	13,964	15,040	4,664	1,142	2,033
Natural Increase	42,839	35,955	29,264	5,526	18,499	1,089	2,517	3,488

Overseas Migration – Year ending 31 December 2019

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Overseas arrivals	185,125	164,027	90,006	26,792	47,928	5,692	4,936	8,974
Overseas departures	114,580	88,470	62,862	12,718	29,066	3,057	4,401	7,683
Net overseas migration	70,545	75,557	27,144	14,074	18,862	2,635	535	1,291

Interstate Migration – Year ending 31 December 2019

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Interstate arrivals	95,315	87,879	106,628	24,603	32,018	14,041	13,942	21,675
Interstate departures	117,762	77,230	83,700	28,464	36,142	12,603	17,936	22,264
Net interstate migration	-22,447	10,649	22,928	-3,861	-4,124	1,438	-3,994	-589

Source: ABS. Oliver Hume Research.

2.2

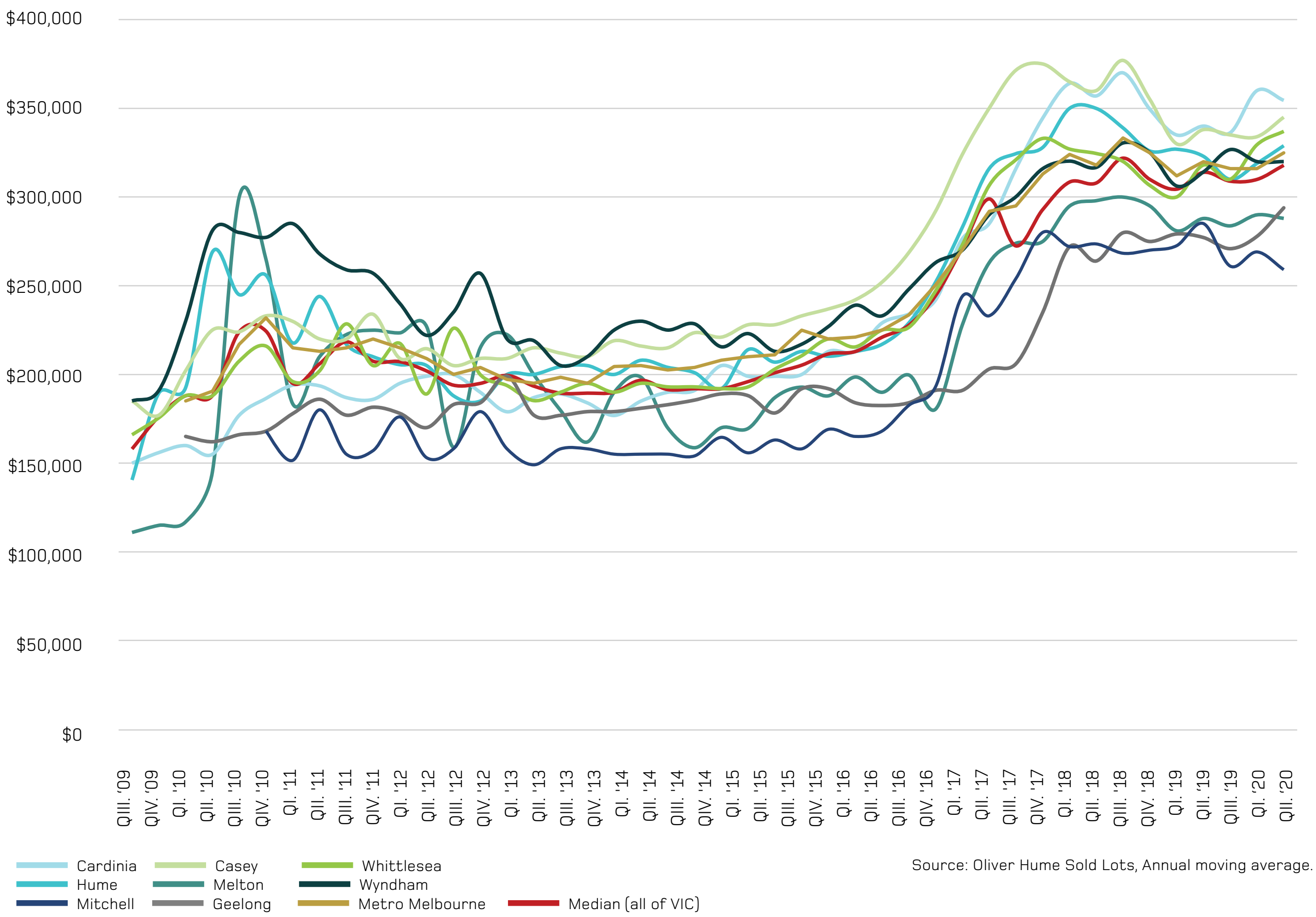
LAND MARKET

Prices

New residential land prices increased slightly over the June quarter 2020 with most municipalities recording both quarterly and annual price growth. Residential land prices remain well-below the most recent (2018) peak.

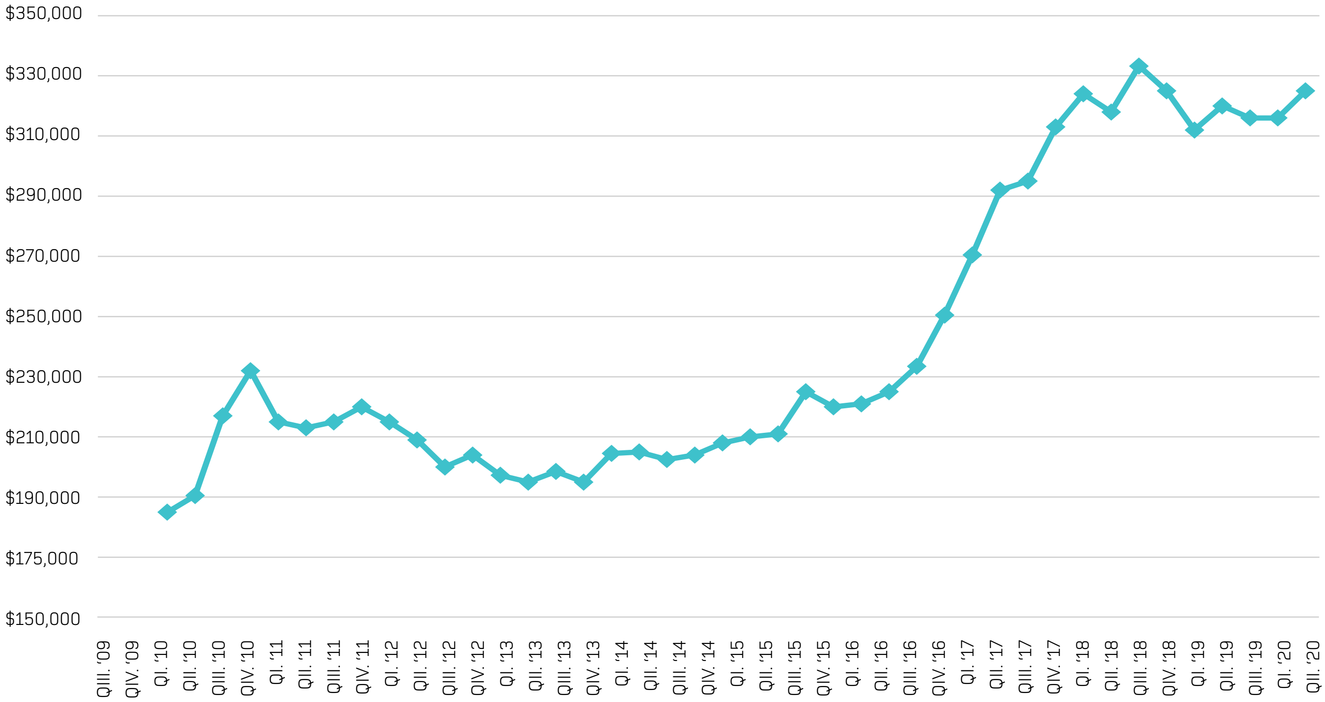
The continued economic and property market impact of COVID-19 (and the recent introduction of stage 4 restrictions in Victoria) are expected to see (gross) price levels remain largely steady over the next few quarters.

Growth Area Median Land Prices (Sold)



Source: Oliver Hume Sold Lots, Annual moving average.

Metropolitan Melbourne Growth Area Municipalities Median Land Prices (Sold)



Source: Oliver Hume Research. Sold Lots.

Metropolitan Melbourne Median Lot Prices

Municipality	QII, '19	QI, '20	QII, '20	% Change (QoQ)	$ Value Change (QoQ)	% Change (YoY)	$ Value Change (YoY)
Mitchell	$272,500	$269,000	$259,000	**-3.7%**	**$10,000**	**-5.0%**	**$13,500**
Cardinia (S)	$335,000	$360,000	$354,500	**-1.5%**	**$5,500**	5.8%	$19,500
Casey (S)	$330,000	$334,000	$345,000	3.3%	$11,000	4.5%	$15,000
Hume (N)	$327,000	$319,000	$329,000	3.1%	$10,000	0.6%	$2,000
Melton (W)	$281,000	$290,000	$288,000	**-0.7%**	**$2,000**	2.5%	$7,000
Whittlesea (N)	$300,000	$329,450	$337,000	2.3%	$7,550	12.3%	$37,000
Wyndham (W)	$306,250	$320,000	$320,000	**0.0%**	**$0**	4.5%	$13,750
Geelong (W)	$279,250	$277,900	$294,000	5.8%	$16,100	5.3%	$14,750
Metro Melbourne (All 7 Growth Areas) - Conventional	$312,000	$316,000	$325,000	2.8%	$9,000	4.2%	$13,000
Metro Melbourne (All 7 Growth Areas) - All Lots	$313,000	$317,000	$325,000	2.5%	$8,000	3.8%	$12,000
Median (All of Vic)	$304,500	$310,000	$318,000	2.6%	$8,000	4.4%	$13,500

Source: Oliver Hume Research.

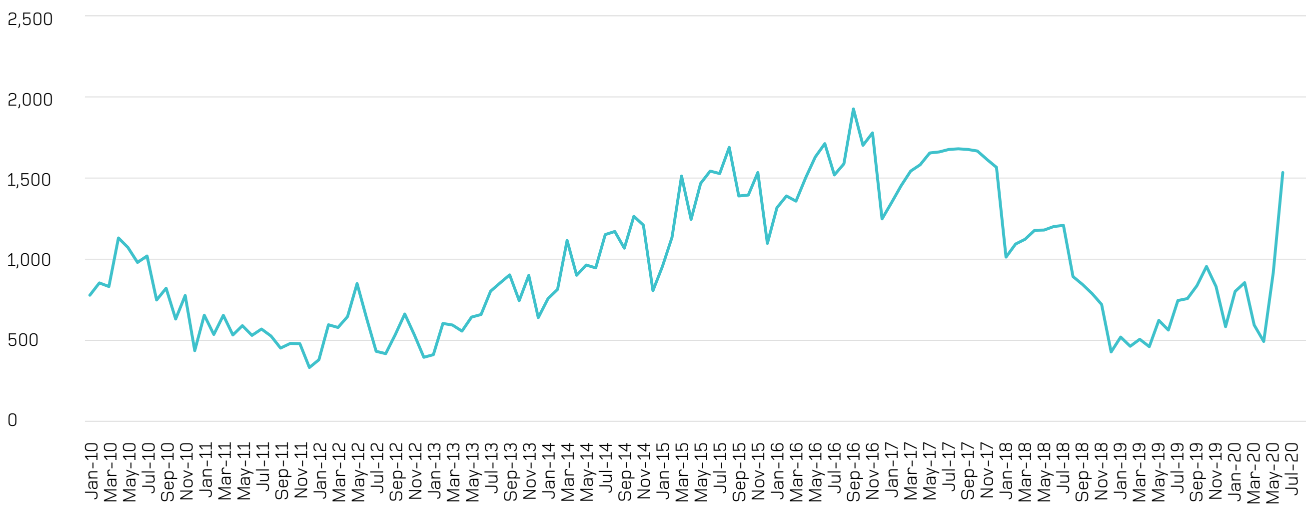
2.2
LAND MARKET (CONT.)

Sales Volumes

Monthly land sales rose in June in metropolitan Melbourne and key regional markets but are forecast to moderate in the immediate and short-term given the new containment measures introduced by the Victorian Government.

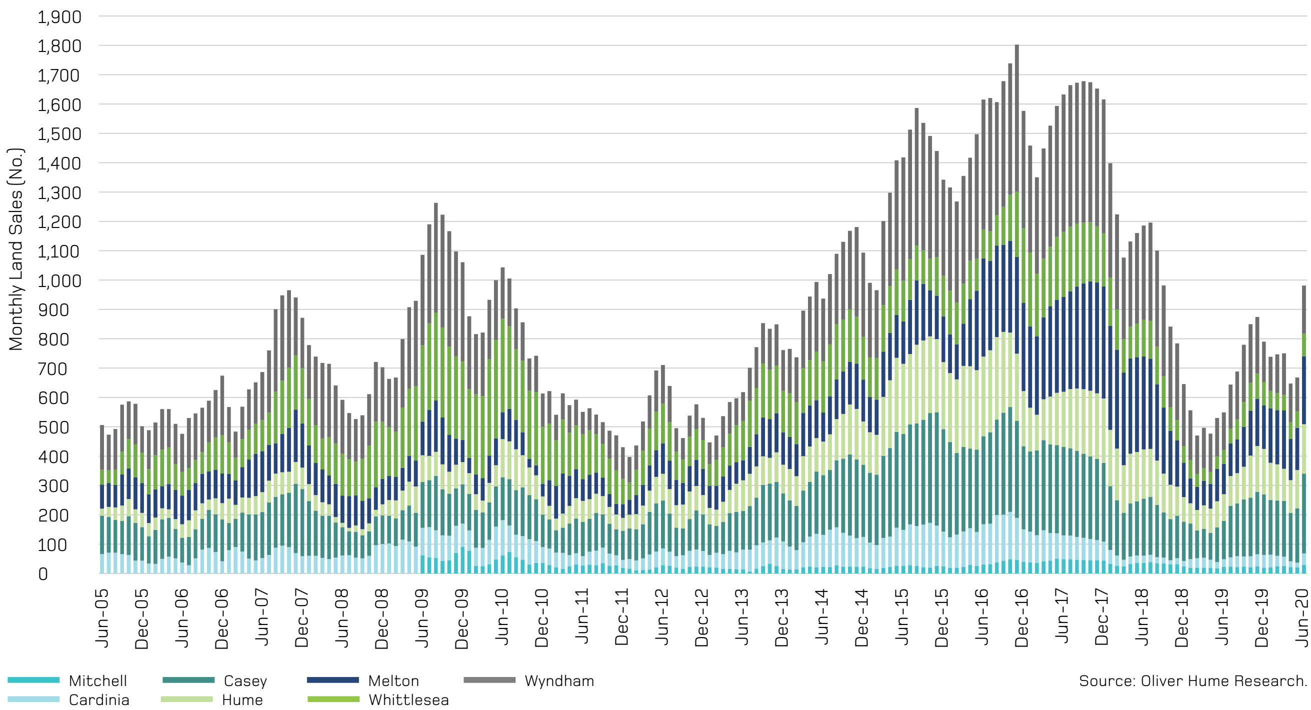
Sales are expected to remain below the long-term average levels, as the economic impact of COVID-19 is felt through the economy, before increasing in October and November.

Metropolitan Melbourne Greenfield Sales (Monthly)



Source: Oliver Hume Research.

Monthly Land Sales by Local Government Area – Metropolitan Melbourne

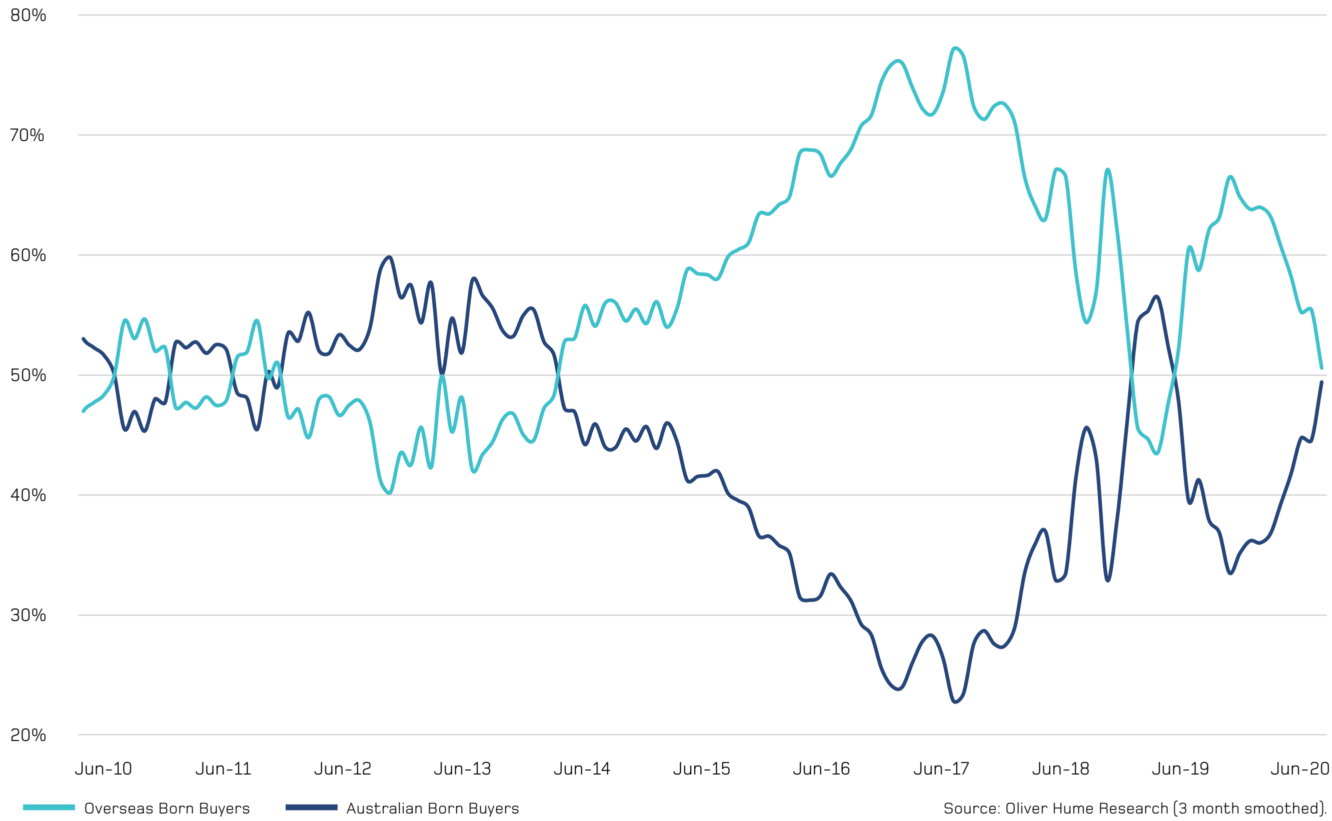


Source: Oliver Hume Research.

Overseas buyers (migrants) and local buyers now account for an approximately equal share of the Victorian greenfield market.

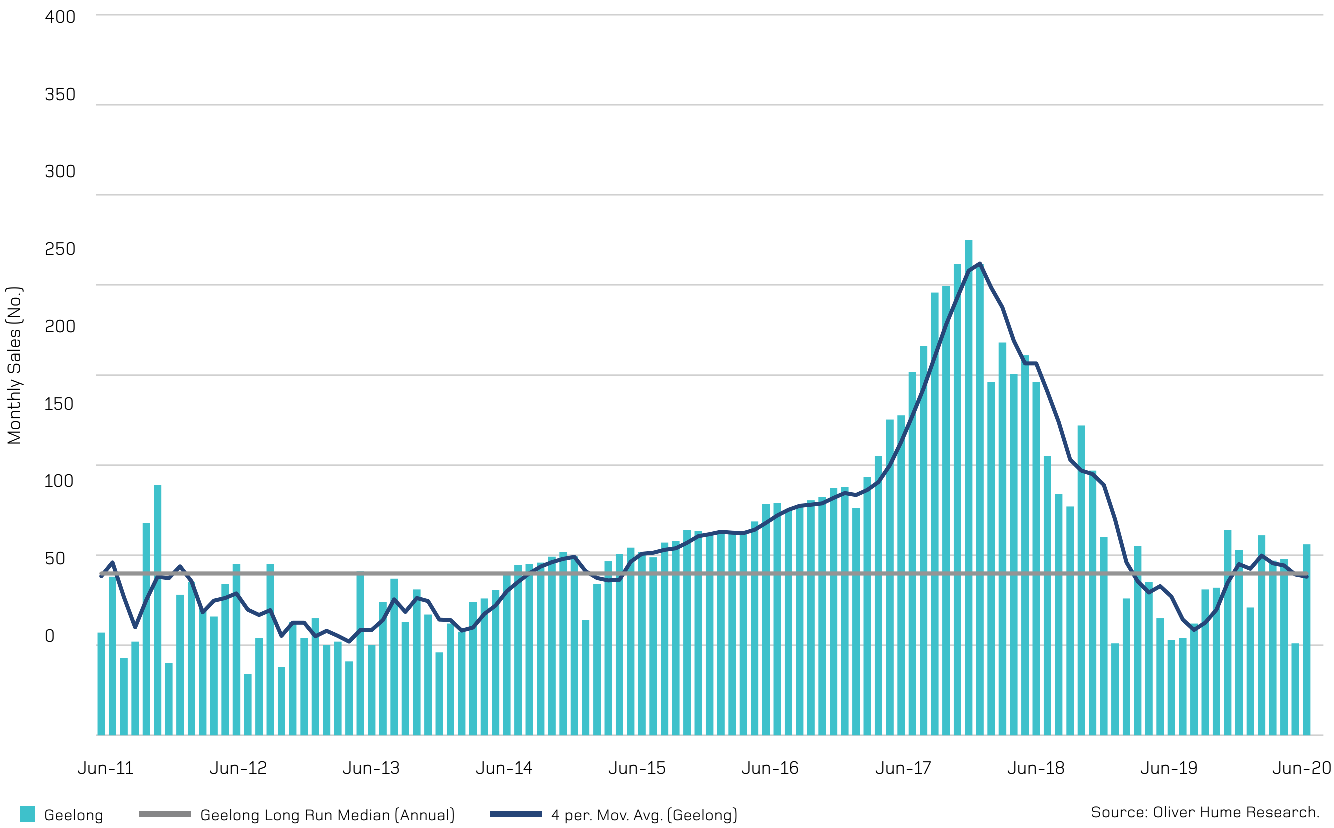
Overseas buyers had been declining (as a share of all buyers) before COVID-19 reflecting, in part, a return to long-term average levels following the peaks observed during the market boom.

Overseas and Australian Born Buyers – Victorian Greenfield Markets



Source: Oliver Hume Research (3 month smoothed).

Greater Geelong Local Government Area Land Sales



Source: Oliver Hume Research.

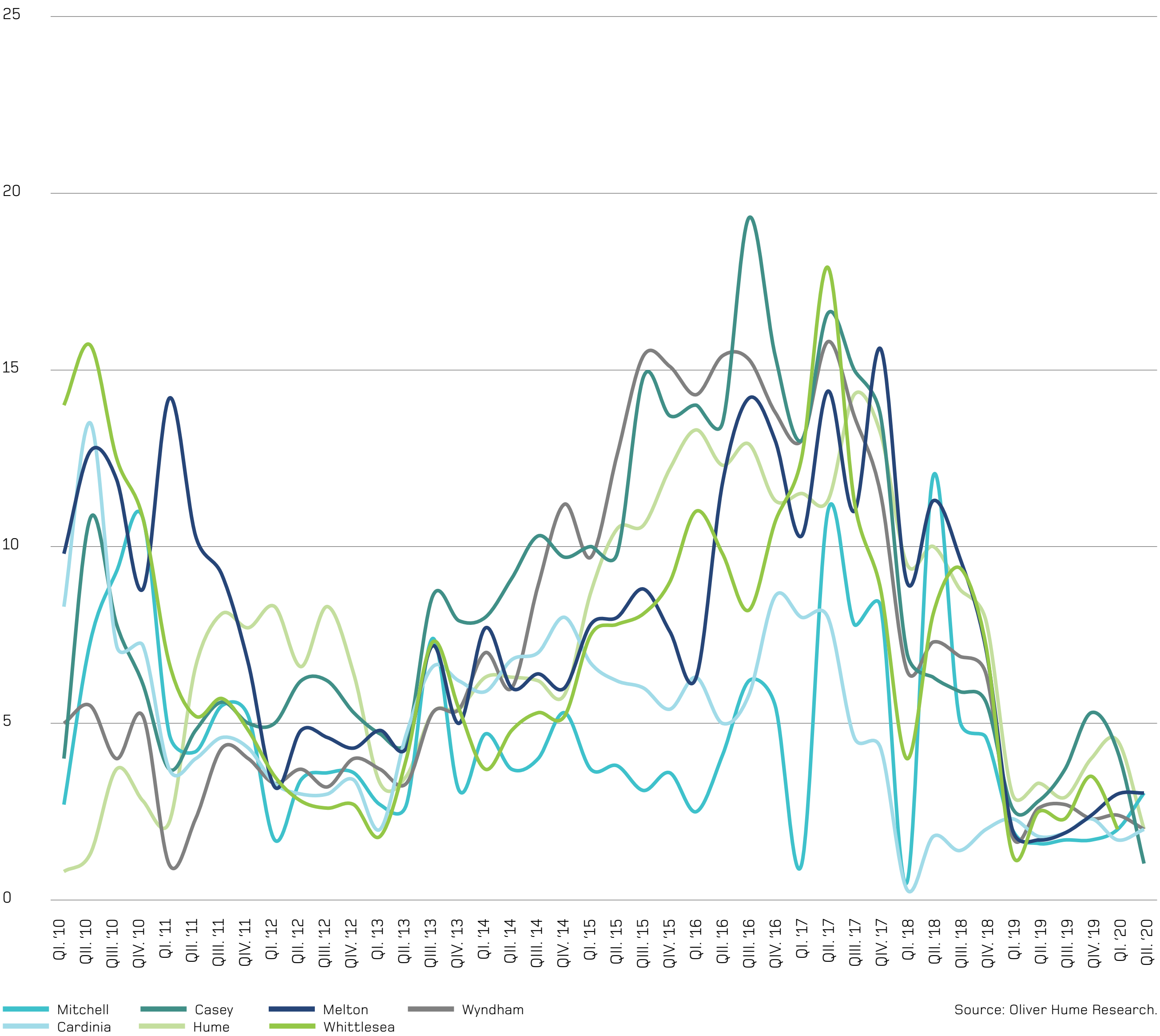
2.2
LAND MARKET (CONT.)

Sales Rates

Sales rates remained low in the June quarter 2020 across most municipalities.

Sales rates are expected to remain at relatively low levels over the coming months before trending higher later in the year and into 2021 as restrictions are eased and the market recovers.

Median Sales Rates by Local Government Area – Metropolitan Melbourne

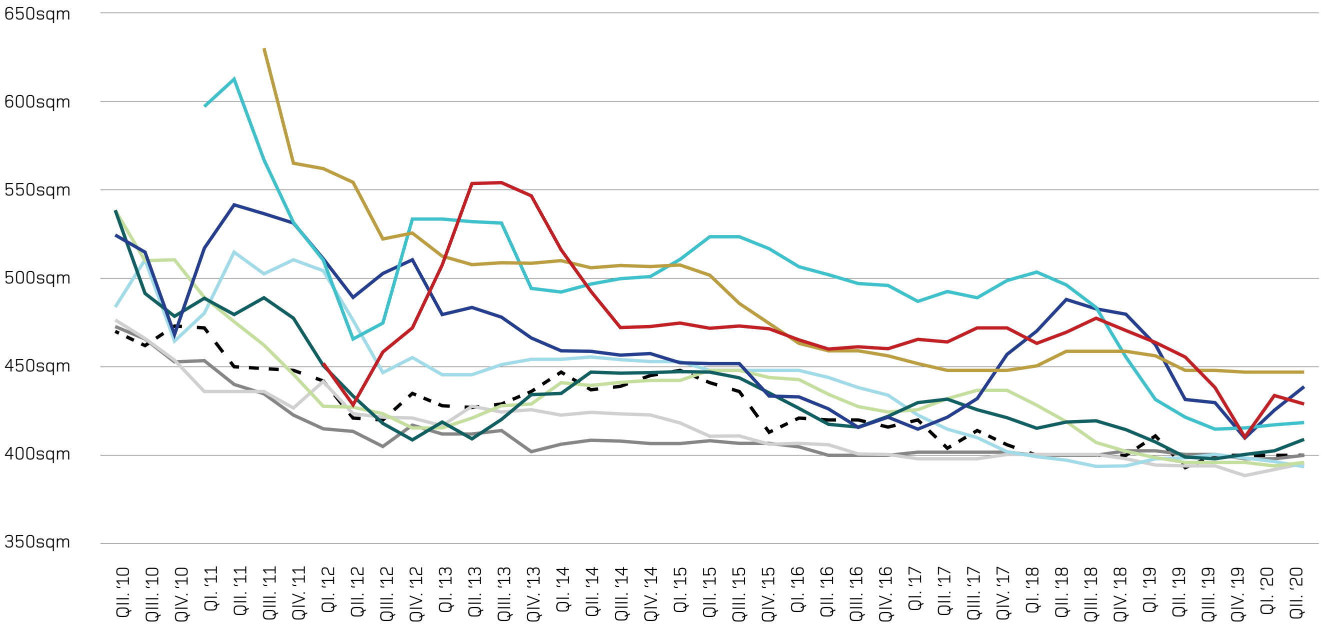


Source: Oliver Hume Research.

Land Sizes

Land sizes continue to trend lower with the median metropolitan Melbourne land size now averaging around 400 square metres in recent quarters.

Median Lot Size (Sold) by Local Government Area and Metropolitan Melbourne Markets

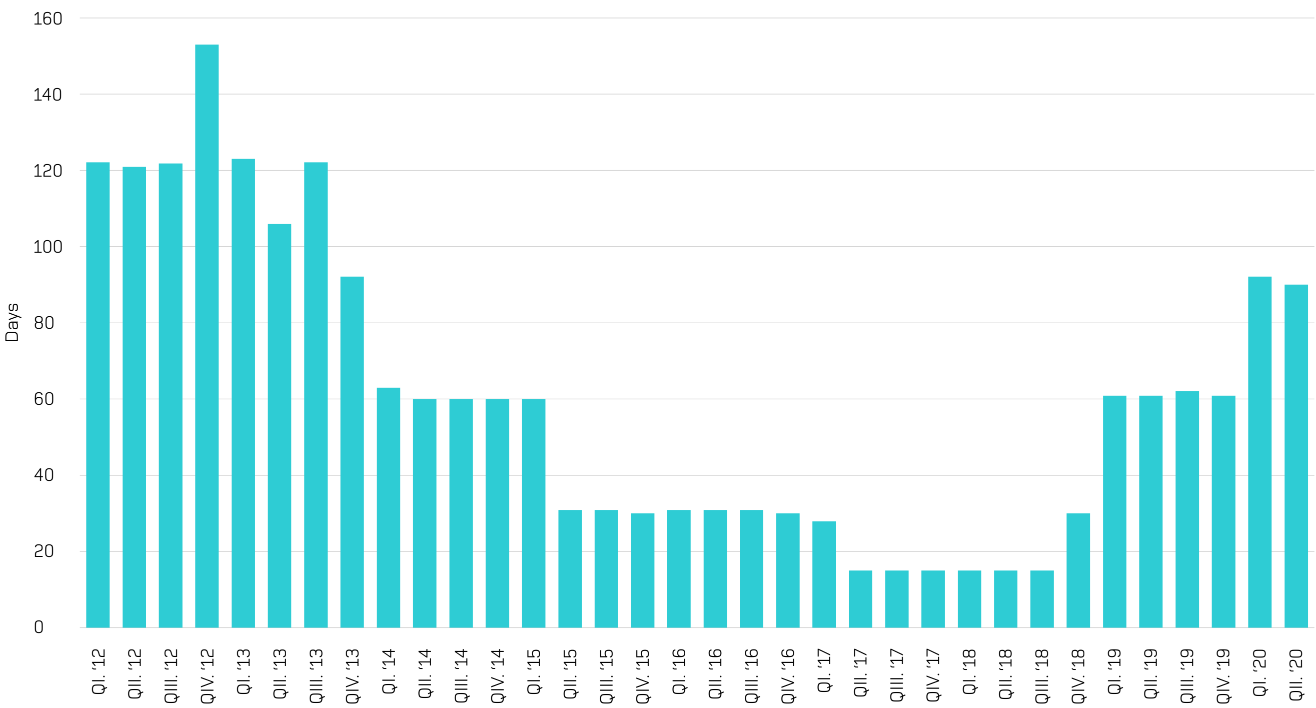


Source: Oliver Hume Research. Sold.

Time on Market

Median time on market declined slightly in the June Quarter 2020 and remains around long-term levels (approximately 90 days).

New Residential Land – Median Time on Market (Days)

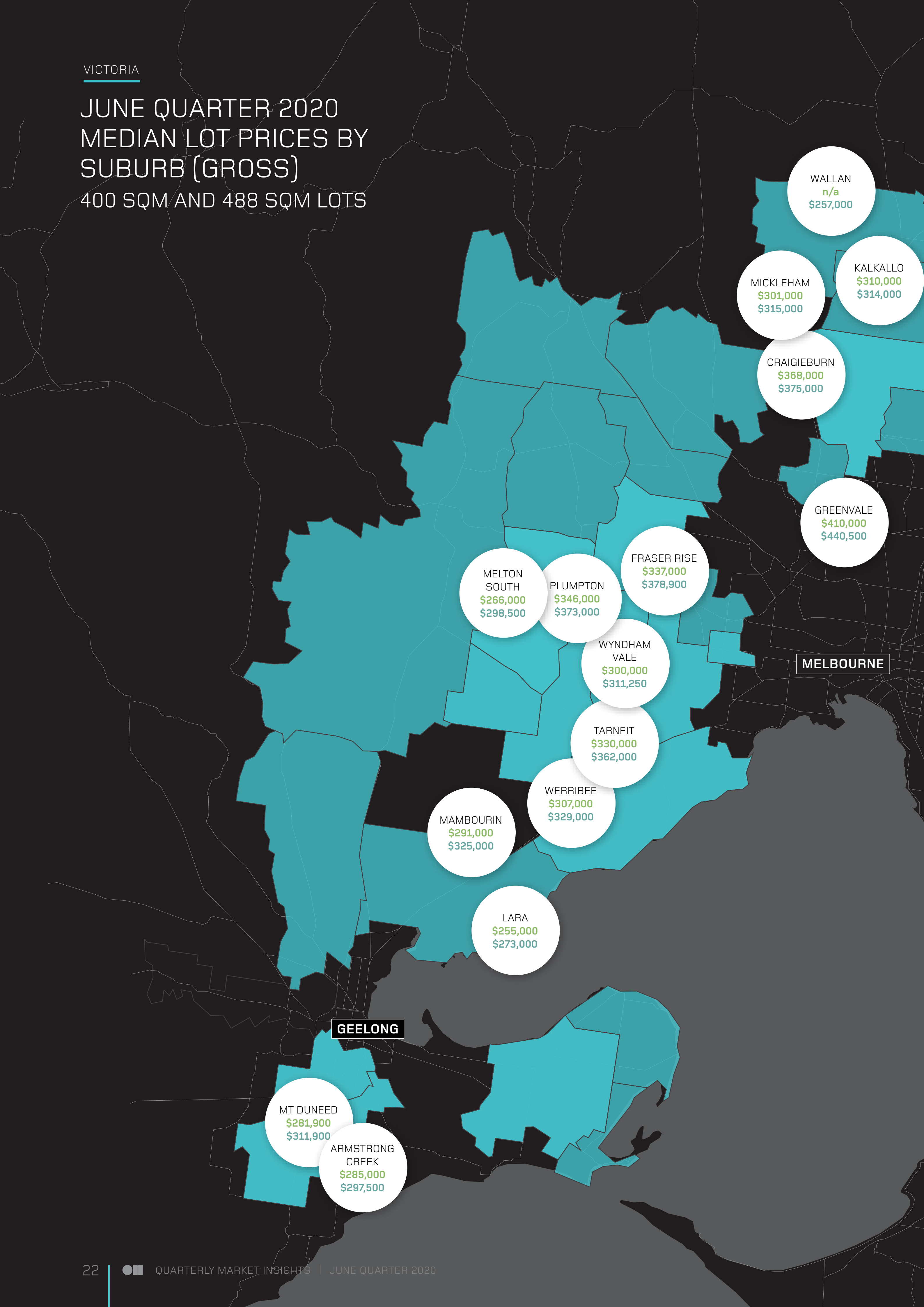


Source: Oliver Hume Research. Latest quarter is partial data.

VICTORIA

JUNE QUARTER 2020 MEDIAN LOT PRICES BY SUBURB (GROSS)

400 SQM AND 488 SQM LOTS



METROPOLITAN MELBOURNE

JUNE QUARTER 2020

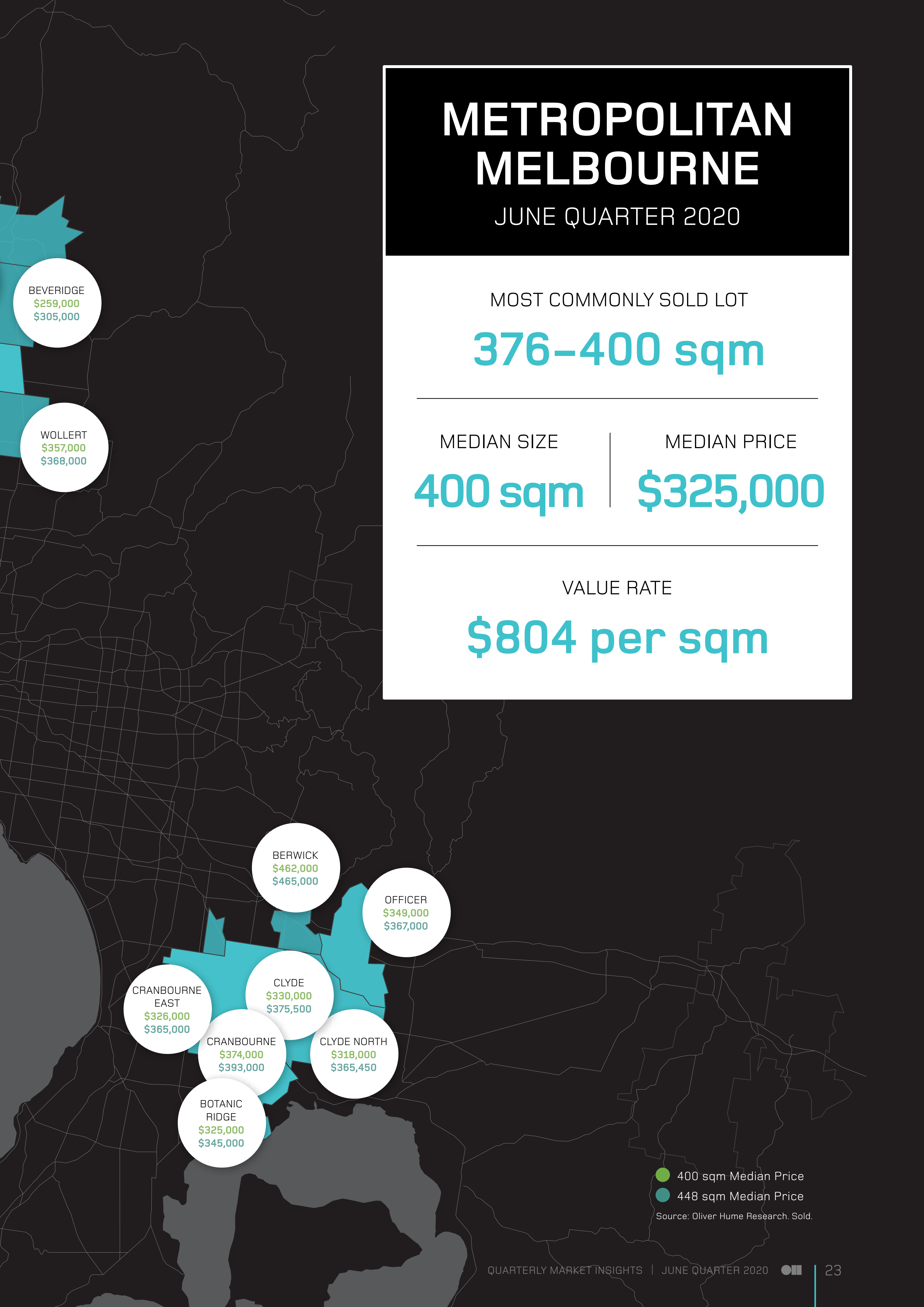
MOST COMMONLY SOLD LOT

376–400 sqm

MEDIAN SIZE	MEDIAN PRICE
400 sqm	**$325,000**

VALUE RATE

$804 per sqm



Source: Oliver Hume Research. Sold.

2.3

APARTMENTS AND TOWNHOUSES

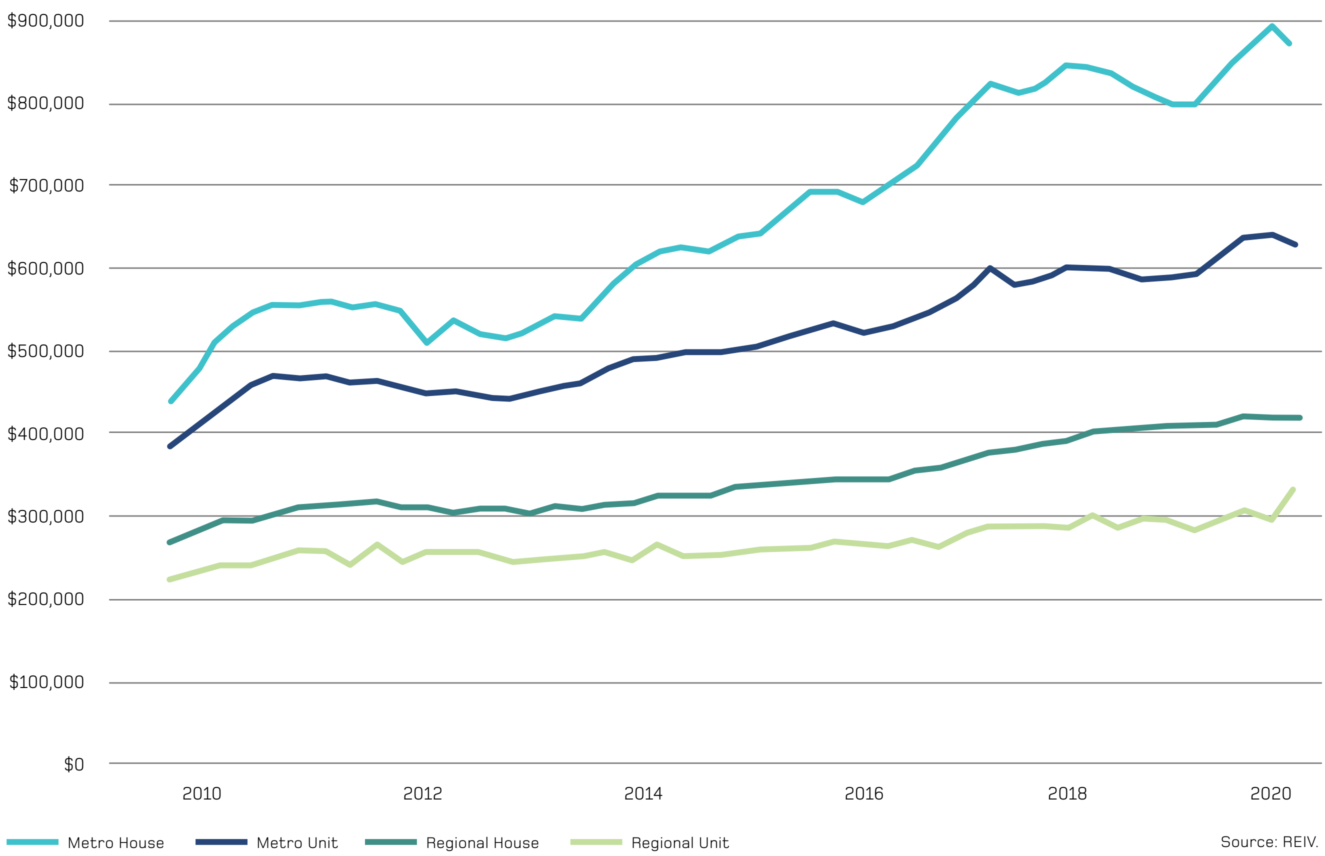
Market Indicators

Although some specific sub-sectors have been more affected, for example, inner city apartments, price declines continue to be modest with overall price levels just below record highs. Based on the CoreLogic Home Value Index, Melbourne unit prices declined by 0.7% in the month of July 2020 to be down 1.9% over the quarter.

By comparison, Sydney recorded a decline of 0.7% over the month of July and a decline of 1.4% over the quarter.

The Real Estate Institute of Victoria (REIV) reports that unit and apartment price growth for metropolitan Melbourne declined over the quarter but remained higher on an annual basis.

Metropolitan Melbourne Median Prices

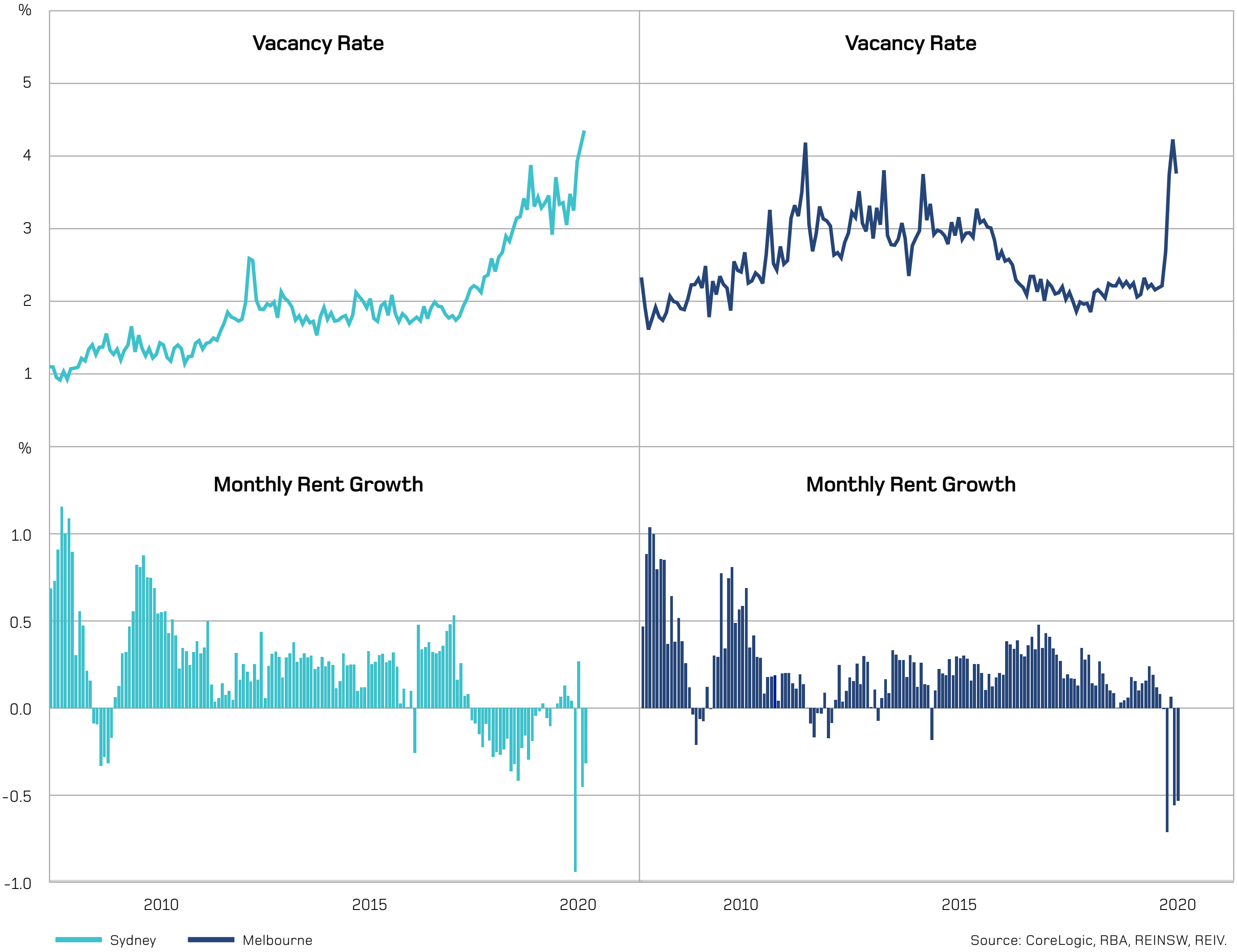


Source: REIV.

The apartment market has been a key driver behind the increase in vacancy rates and moderation in rents recently in certain capital cities (especially Melbourne and Sydney).

Increases in the number of vacant properties including especially, but not limited to, apartments in the inner and middle ring suburbs has been a key driver of higher vacancy rates.

Advertised Rents and Vacancy Rates



Source: CoreLogic, RBA, REINSW, REIV.

2.3

APARTMENTS AND TOWNHOUSES (CONT.)

Market Trends

On the new development front, off-the-plan apartment sales rates remain low and the commencement of some projects are being delayed.

New apartment supply is expected to decline over the next 12-24 months and to be well-below the 2017 peak, driven also by the pool of unsold stock in projects either completed or under construction

New dwelling supply might also be affected by developers not achieving presale requirements as buyers are, overall, less willing to commit.

Already, some developers are finding it increasingly more difficult to meet the requirements of lenders.

Overall, dwelling investment is expected to fall with Melbourne leading the decline due, partly, to the new containment measures including those affecting the construction of projects across the type and size spectrum.

Despite uncertainty and concerns surrounding COVID-19, however, many developers are taking a long-term view and proceeding with transactions and new developments.

June Quarter 2020 Median Prices

	Jun-20 Quarter	Mar-19 Quarter	Quarterly Change	Annual Change
Metropolitan Melbourne				
House	$864,000	895,500	-3.5%	6.1%
Unit and Apartment	$621,00	$637,000	-2.5%	6.4%
Regional Victoria				
House	$420,000	$419,500	0.1%	3.7%
Unit and Apartment	$339,000	$298,500	13.6%	6.2%
Inner Melbourne				
House	$1,449,000	$1,494,000	-3.0%	6.0%
Unit and Apartment	$604,500	$631,500	-4.3%	5.4%
Middle Melbourne				
House	$1,005,000	$1,033,500	-2.8%	9.4%
Unit and Apartment	$688,500	$720,000	-4.4%	7.7%
Outer Melbourne				
House	$673,000	$700,500	-3.9%	4.6%
Unit and Apartment	$547,000	$548,000	-0.2%	6.6%
Auctions				
House	$996,000	$1,017,000	-2.1%	6.5%
Unit and Apartment	$695,500	$709,500	-2.0%	7.3%
Private Sale				
House	$819,500	$761,50	7.6%	2.7%
Unit and Apartment	$596,500	$577,000	3.4%	6.4%

Source: REIV, Oliver Hume Research. Seasonally adjusted.

Parkville by Oliver Hume – Oliver Hume project at Parkville, Victoria

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2.4
DEVELOPMENT SITES

Overview

Foreign investment plays an important role in Australia's residential real estate market, especially in new development and the supply of new dwellings.

The latest Foreign Investment Review Board (FIRB) Annual Report highlights current and emerging foreign investment trends affecting the Australian residential real estate market in 2018-19.

Key Points

In 2018-19, the largest number of proposed investment approvals were for residential real estate (around 7,500) although down significantly (around 2,500) compared with the previous year.

Despite the volume decline in applications, the total value of residential real estate approvals increased by $2.3 billion (reaching $14.8 billion). Development was the major driver of residential real estate approvals (by value).

In recent years, residential property foreign investment inflows have been volatile as a range of factors have influenced the appetite for investment and presented various constraints. Residential real estate experienced an increase in the value of approvals in 2018-19 for the first time since 2015-16 (to $14.8 billion) although this well-below the peak in 2015-16 ($72.4 billion).

A range of factors had driven the overall decline in the number of residential real estate approvals since 2015-16 including:

- Foreign investment application fees
- Stricter domestic credit
- Restrictions on capital transfers in home countries
- State taxes and foreign resident stamp duty increases
- Introduction of exemption certificates (requiring one approval for individuals considering several properties but with the intention to purchase only one).

In 2018-19, over 6,000 approvals for residential development were given including for new dwellings, vacant land and other residential property for development.

The number of residential real estate approvals for proposed purchases in New South Wales and Victoria fell to 60% of all approvals in 2018–19 (for single state/territories).

Outlook

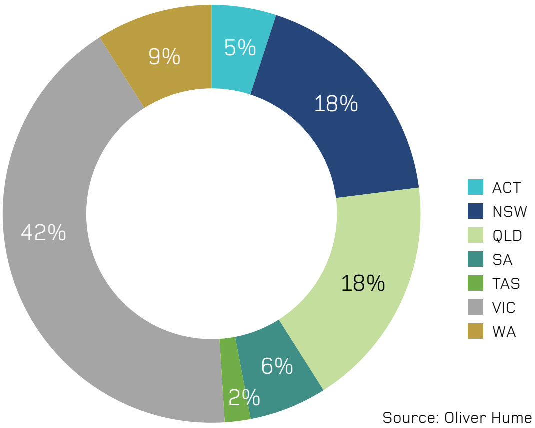
Recent years have seen residential investment flows into Australia undergo significant change with volumes, values and source country all changing markedly.

Going forward, many of the drivers of change will continue (if not accelerate) as key source foreign investment countries for Australia (such as China and the United States) navigate economic and other opportunities and challenges in a post COVID-19 global economy.

These opportunities and challenges, to name a few, include the following:

- Desire of some countries to retain investment capital and repair their domestic economy given the impact of COVID-19
- Strategic deployment of foreign investment into other countries in a broader geopolitical context
- Need for Australia to better manage foreign investment inflows in light of both economic and national security considerations
- Need for Australia to continue increasing our dwelling supply (especially when overseas migration is restored) and further boost this key sector of the national economy
- A potential increase in foreign investment demand for Australian residential real estate assets in a post COVID-19 environment.

Share of Residential Real Estate Approvals by State and Territory in 2018–19 (by number)



Source: Oliver Hume Research.

Total Approvals by Industry Sector – 2015–16 to 2018–19

	2015-16		2016-17		2017-18		2018-19	
Industry Sector	No.	$b	No.	$b	No.	$b	No.	$b
Agriculture, forestry & fishing	227	4.6	223	7.0	201	7.9	197	7.3
Finance & insurance	19	13.5	25	3.8	37	6.0	26	6.3
Manufacturing, electricity & gas	66	56.6	73	40.9	95	16.6	99	36.7
Mineral exploration & development	180	27.6	140	15.9	115	17.4	121	16.9
Services	153	23.5	215	56.5	185	63.2	245	76.0
Real estate - commercial	606	49.7	465	43.7	391	39.5	487	73.0
Sub-total 'Non-residential'	1,251	175.4	1,141	167.7	1,024	150.6	1,175	216.2
Real estate - residential	40,149	72.4	13,198	30.0	10,036	12.5	7,513	14.8
Total	**41,400**	**247.9**	**14,339**	**197.7**	**11,060**	**163.1**	**8,688**	**231.0**

Source: FIRB. Oliver Hume Research.

State and Territory Distribution of Proposed Investment in Residential Real Estate in 2018–19

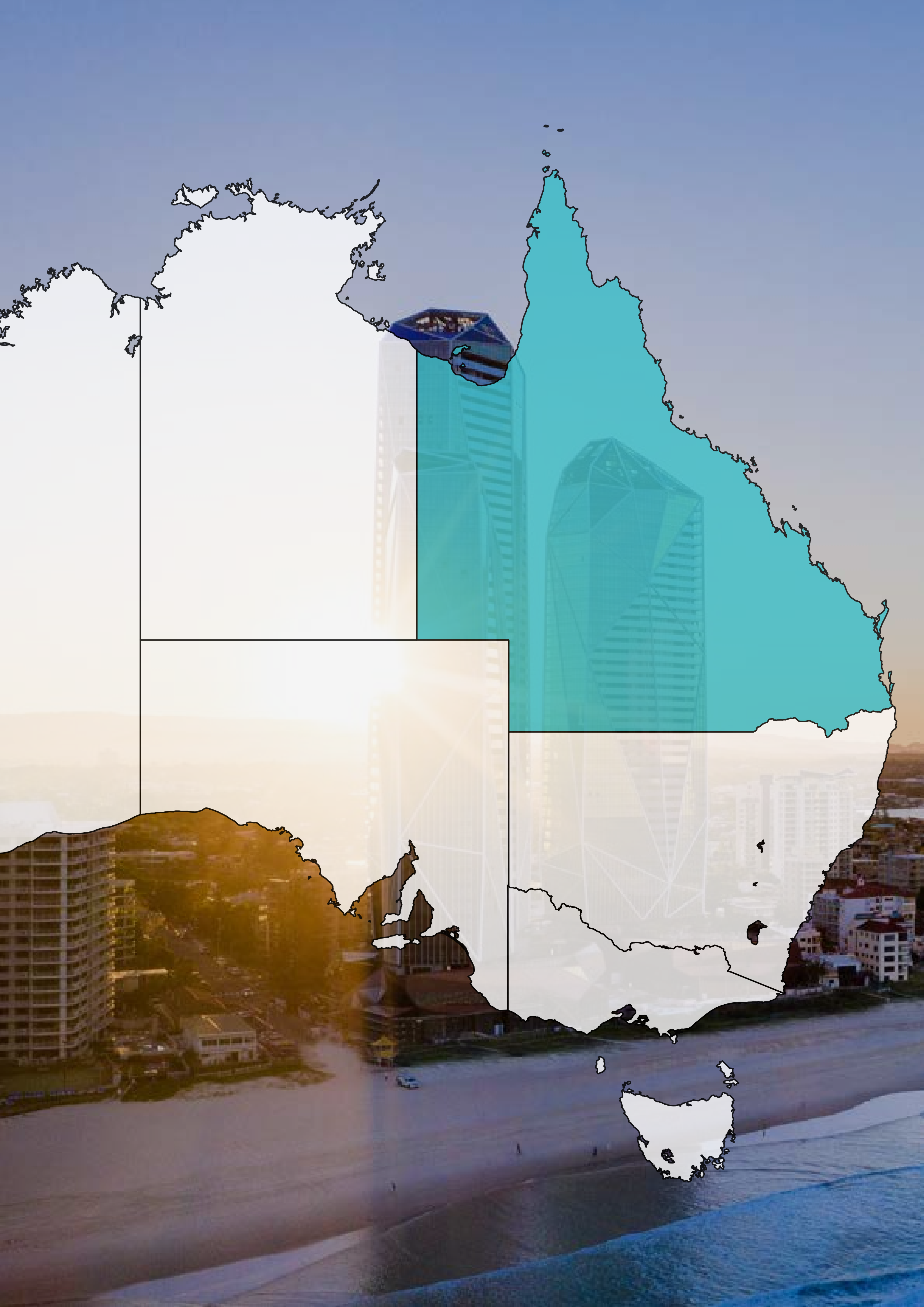
	Residential			
Location	Number of approvals	Developed $b	For development $b	Total $b
ACT	346	0.0	0.2	0.2
NSW	1,337	0.3	2.8	3.1
NT	9	0.0	0.0	0.0
QLD	1,343	0.2	1.1	1.3
SA	462	0.1	0.2	0.2
TAS	165	0.1	0.0	0.1
VIC	3,163	0.9	2.9	3.9
WA	657	0.2	0.5	0.6
Various	31	0.1	5.4	5.5
Total	**7,513**	**1.8**	**13.0**	**14.8**

Source: FIRB. Oliver Hume Research.

State and Territory Distribution of Proposed Investment in Residential Real Estate, by type in 2018–19

	New Dwelling		Existing Property		Redevelopment		Vacant Land		Developer (b)	
Location	No.	$b	No.	$b	No.	$b	No.	$b	No.	$b
ACT	294	0.2	40	0.0	4	0.0	3	0.0	0	0.0
NSW	946	1.1	162	0.3	99	0.3	107	1.0	9	0.4
NT	0	0.0	7	0.0	0	0.0	1	0.0	0	0.0
QLD	699	0.5	209	0.2	28	0.2	385	0.2	9	0.3
SA	304	0.2	92	0.1	9	0.0	45	0.0	0	0.0
TAS	17	0.0	97	0.1	1	0.0	33	0.0	0	0.0
VIC	1,423	1.1	533	0.9	72	0.3	1,059	0.5	19	0.9
WA	265	0.2	172	0.2	53	0.1	159	0.1	1	0.1
Various	3	1.2	1	0.1	13	1.9	14	2.3	0	0.0
Total	**3,951**	**4.4**	**1,313**	**1.8**	**279**	**2.7**	**1,806**	**4.2**	**38**	**1.7**

Source: FIRB. Oliver Hume Research.



3.0
QUEENSLAND

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3.1
MARKET DRIVERS

Economy

Although largely reflecting the situation before stage 4 restrictions in Victoria, the most recent CommSec State of the States (July 2020) economic performance report ranked Queensland in fifth spot.

The state's performance is due, in part, to Queensland being ranked second on relative unemployment and third on both relative population growth and retail trade.

DWELLING COMMENCEMENTS
7,325
Level this quarter
↓ 21.7%
Compared with decade average

UNEMPLOYMENT
7.7%
Level this quarter
↑ 27.7%
Compared with decade average

POPULATION GROWTH
1.57%
Level this quarter
↓ 4.0%
Compared with decade average

ECONOMIC GROWTH
$404,728m
Level this quarter
↑ 18.9%
Compared with decade average

EQUIPMENT INVESTMENT
$2,895m
Level this quarter
↓ 1.0%
Compared with decade average

HOUSING FINANCE
$2,011m
Level this quarter
↓ 7.2%
Compared with decade average

RETAIL SPENDING
$16,592m
Level this quarter
↑ 11.5%
Compared with decade average

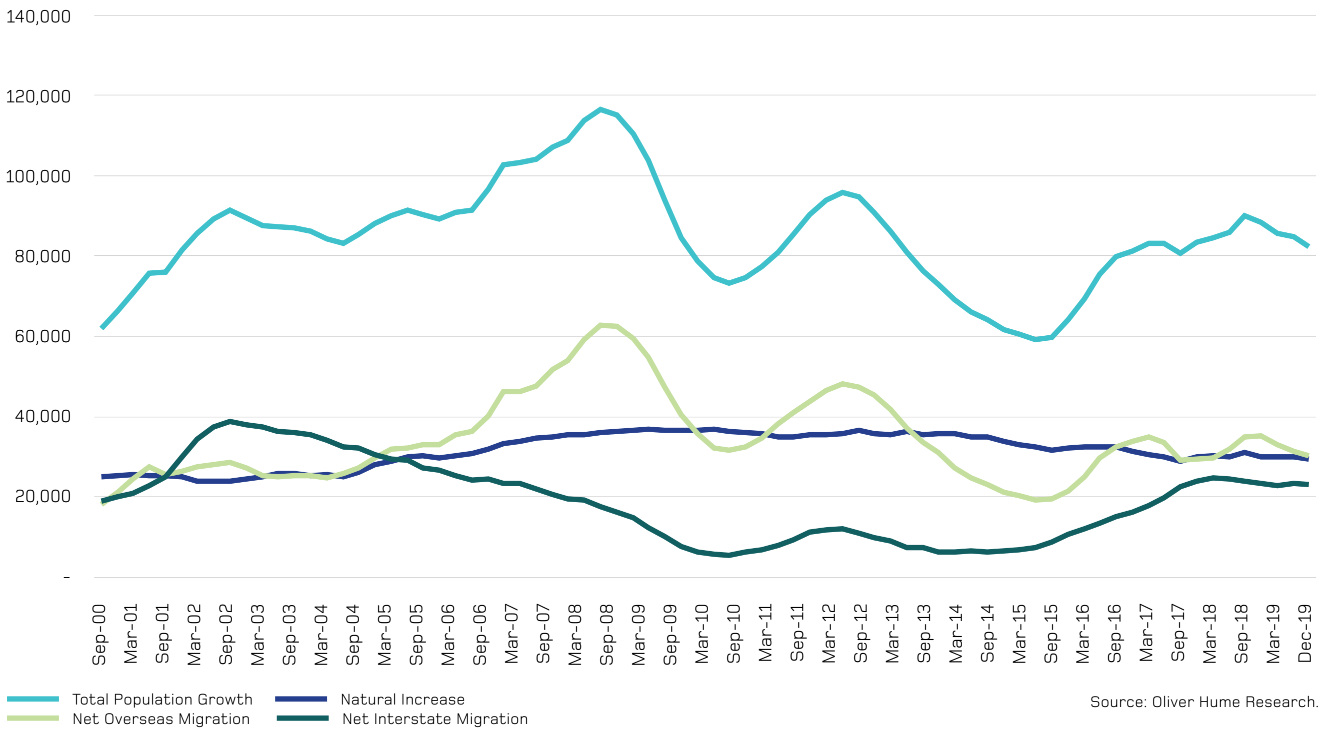
CONSTRUCTION WORK
$9,628m
Level this quarter
↓ 24.3%
Compared with decade average

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

Population

The latest official state population statistics, reflecting pre COVID-19 conditions, highlighted Queensland's ongoing and steady population growth.

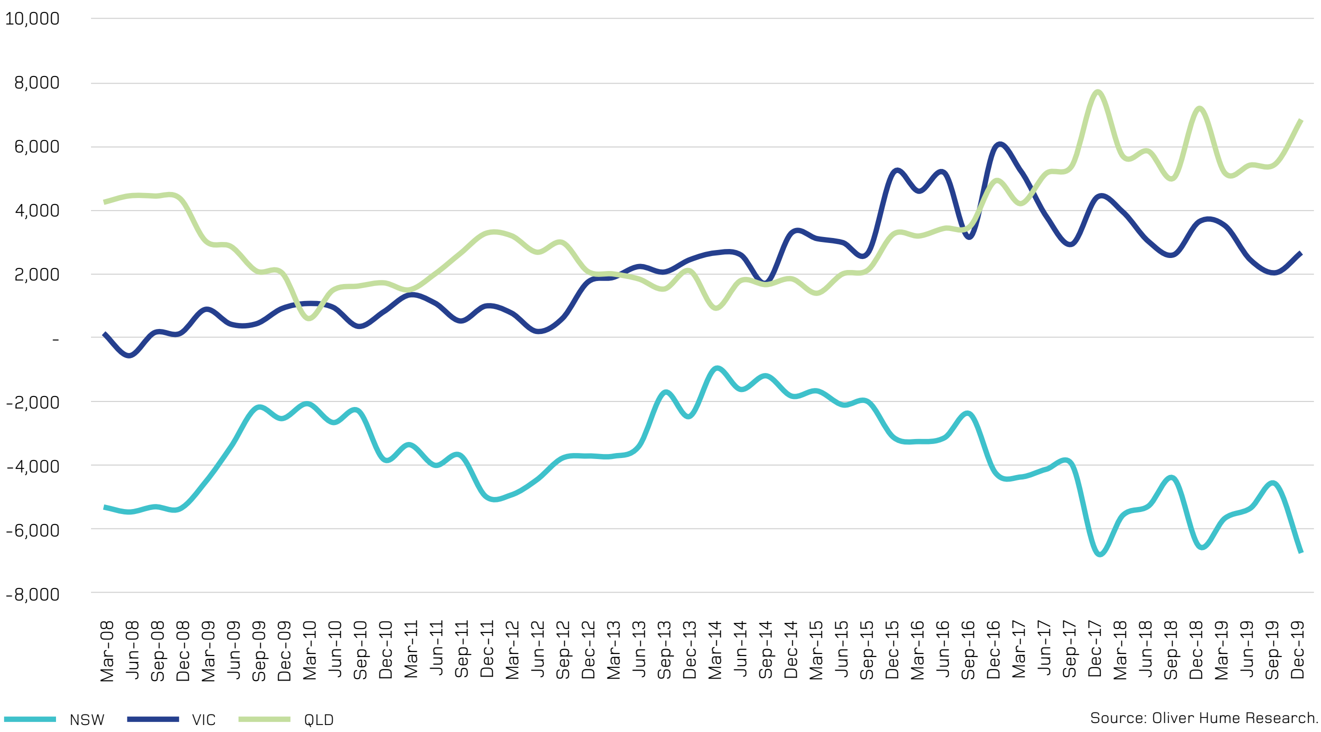
Annual Queensland Population Change | Growth Components



Source: Oliver Hume Research.

Although below recent peaks, the state's population growth was driven by both interstate and overseas migration with Queensland assuming the national leadership on the former.

Net Interstate Migration (Qtrly)



Source: Oliver Hume Research.

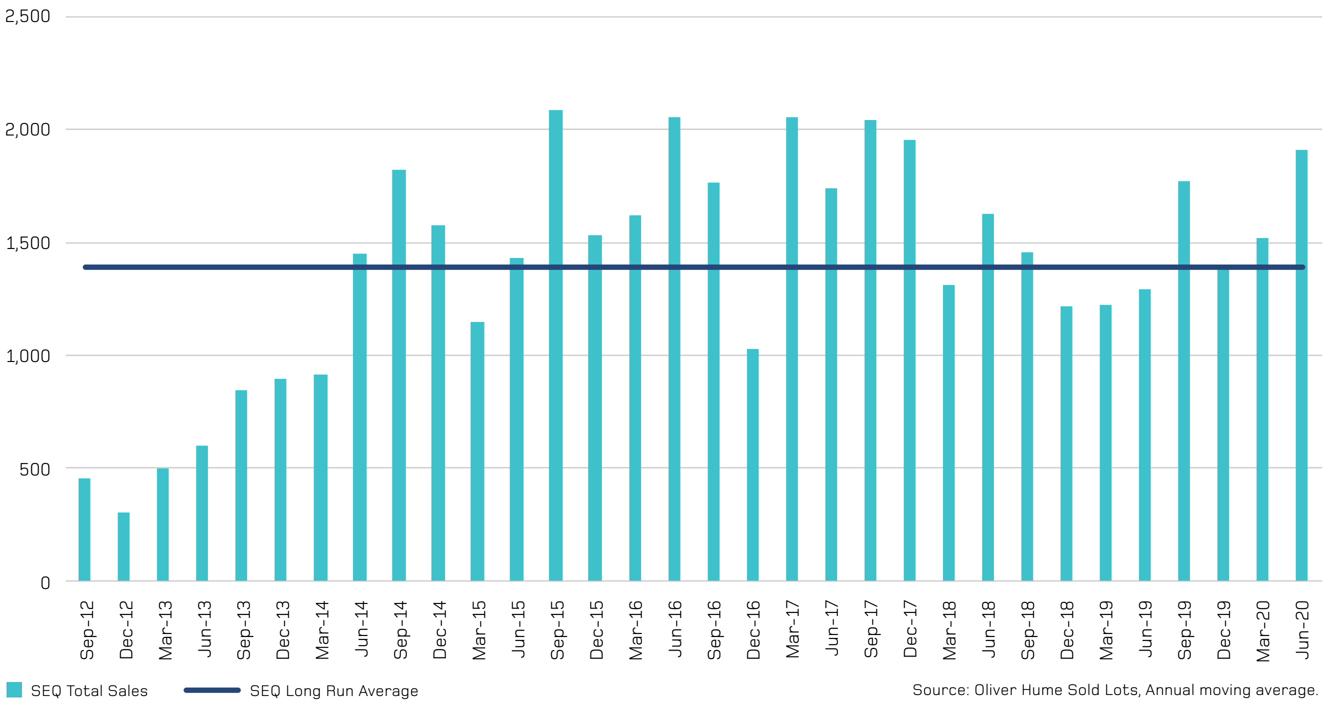
3.2
LAND MARKET

Land Market

The second quarter of 2020 produced some of the best sales numbers that South East Queensland (SEQ) has seen in some time. Over 1,900 lots were sold across the SEQ market from April to June this year marking the highest quarter of sales since December 2017.

The beginning of the quarter painted a grim picture for the SEQ market with sales number declining significantly and only 800 sales recorded over the first two months (270 of those in April). The market bounced back quickly as government incentives spurred renewed buyer interest and created a significant financial incentive to purchase. Over half (58%) of the sales achieved over the quarter were sold in the month of June.

South East Queensland Project Land Sales

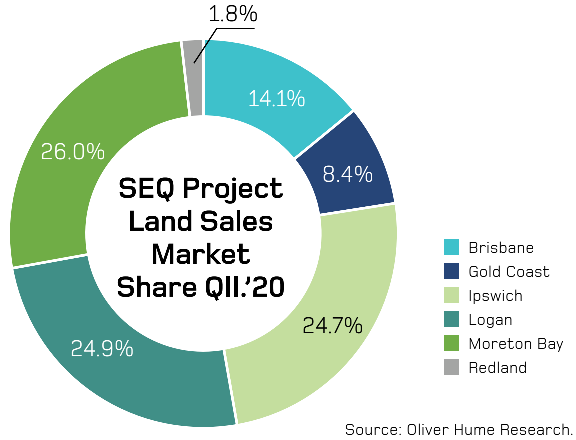


Source: Oliver Hume Sold Lots, Annual moving average.

Market Share

Moreton Bay moved into top spot in the SEQ market taking 26% market share. For the first time since March 2016, neither Logan nor Ipswich claimed the largest portion of sales in the SEQ market.

Logan managed to push Ipswich to third place and achieved 25% of sales while Ipswich collected 25%. This is the first time that Ipswich has been outside of the top two since early 2015.



Source: Oliver Hume Research.

Change in Market Share

	Brisbane Quarterly Land Sales	Gold Coast Quarterly Land Sales	Ipswich Quarterly Land Sales	Logan Quarterly Land Sales	Moreton Bay Quarterly Land Sales	Redland Quarterly Land Sales
Jun-19	15.3%	15.4%	25.2%	21.4%	18.3%	4.4%
Jun-20	**14.1%**	**8.4%**	**24.7%**	**24.9%**	**26.0%**	**1.8%**

Source: Oliver Hume Research.

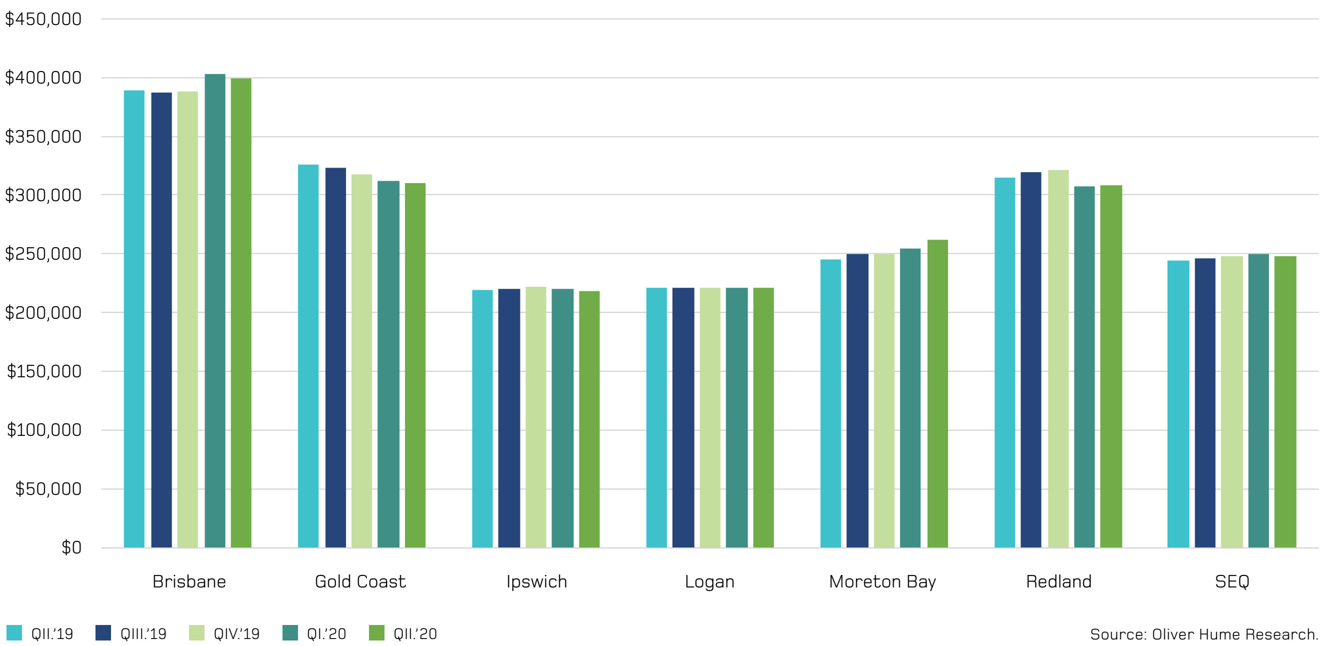
Median Price

Over the quarter the median price for SEQ remained stable with prices increasing by only 1.5% annually. The largest median increase was seen in the Moreton Bay region with prices increasing by 2.9% over the three months to June. In contrast, Ipswich prices softened by 1.2% during the same period.

Moreton Bay achieved the highest annual price increase with median prices rising 6.9% over the last year. Large and waterfront lots were responsible for the large shift in the median. It is likely that the median will moderate in coming months as less of this stock is available.

The Gold Coast median price continues to soften as the majority of stock sits within affordable areas. Comparatively, this period last year saw prime Gold Coast stock being snapped up by eager buyers at a 5% increase to the current median.

SEQ Median Lot Prices by Local Government Area



Source: Oliver Hume Research.

SEQ Median Land Prices by Local Government Area

LGA	QII. '20	QI.'20	QII. '19	QoQ	YoY	5yr Change
Brisbane (C)	$399,500	$403,250	$389,125	**-0.9%**	2.7%	0.1%
Gold Coast (C)	$309,850	$311,850	$326,225	**-0.6%**	**-5.0%**	29.5%
Ipswich (C)	$217,925	$220,613	$219,225	**-1.2%**	**-0.6%**	13.8%
Logan (C)	$221,288	$221,038	$220,938	0.1%	0.2%	22.1%
Moreton Bay (R)	$262,125	$254,813	$245,125	2.9%	6.9%	16.9%
Redland (C)	$308,000	$307,250	$314,875	0.2%	**-2.2%**	5.3%
SEQ	$248,000	$250,000	$244,250	**-0.8%**	1.5%	8.2%

Source: Oliver Hume Research.

3.2

LAND MARKET (CONT.)

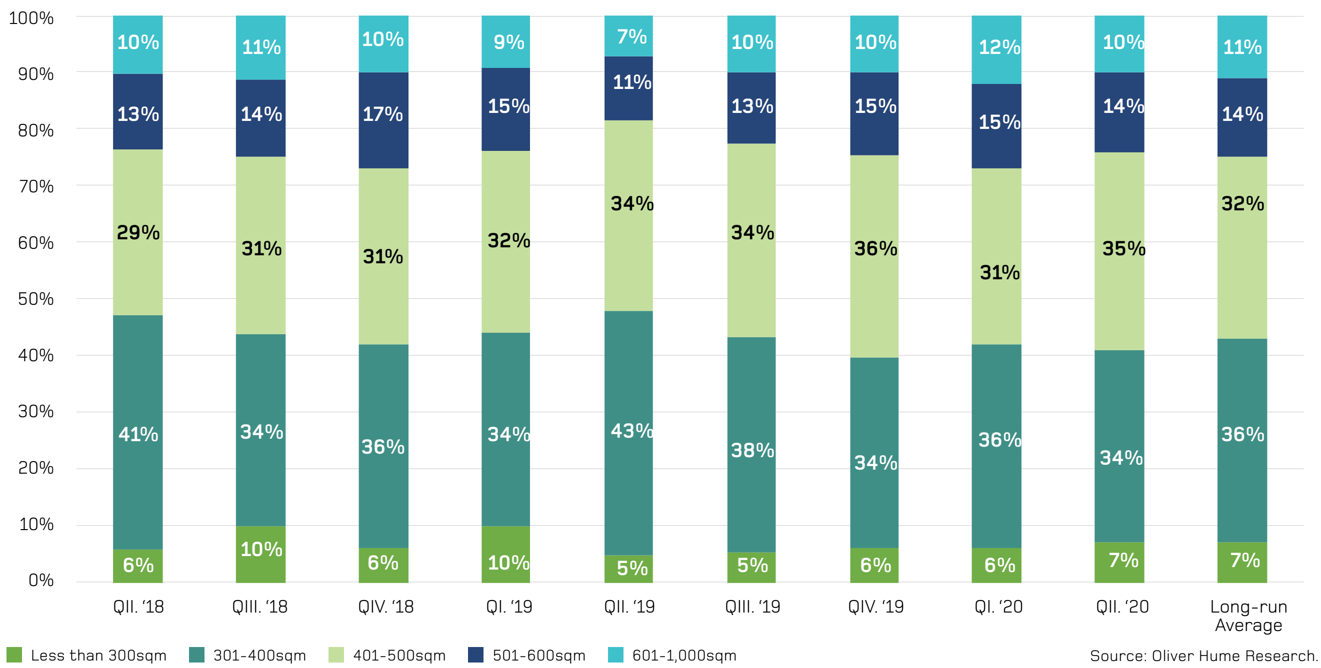
Median Lot Size

The most popular lots sold shifted slightly over the quarter with lots in the range 401-500 sqm accounting for 35% of sales (compared to 31% last quarter).

Government incentives were a factor in the increase as buyers found a little more room to move within their budget allowing them to increase the land size of their purchase.

Overall, the median land size for SEQ remained stable over the quarter, at 419 sqm, declining slightly (1.4%) over the year.

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



Source: Oliver Hume Research.

SEQ Median Lot Sizes by Local Government Area (sqm)

LGA	QII. '20	QI.'20	QII. '19	QoQ	YoY	5 yr Change
Brisbane (C)	418	404	401	3.5%	4.3%	**-10.7%**
Gold Coast (C)	428	438	460	**-2.3%**	**-7.1%**	**-10.3%**
Ipswich (C)	429	433	432	**-0.9%**	**-0.6%**	**-5.9%**
Logan (C)	421	422	422	**-0.2%**	**-0.2%**	**-8.0%**
Moreton Bay (R)	414	411	390	0.8%	6.2%	**-6.8%**
Redland (C)	388	390	425	**-0.6%**	**-8.7%**	**-23.2%**
SEQ	419	419	425	0.0%	**-1.4%**	**-8.9%**

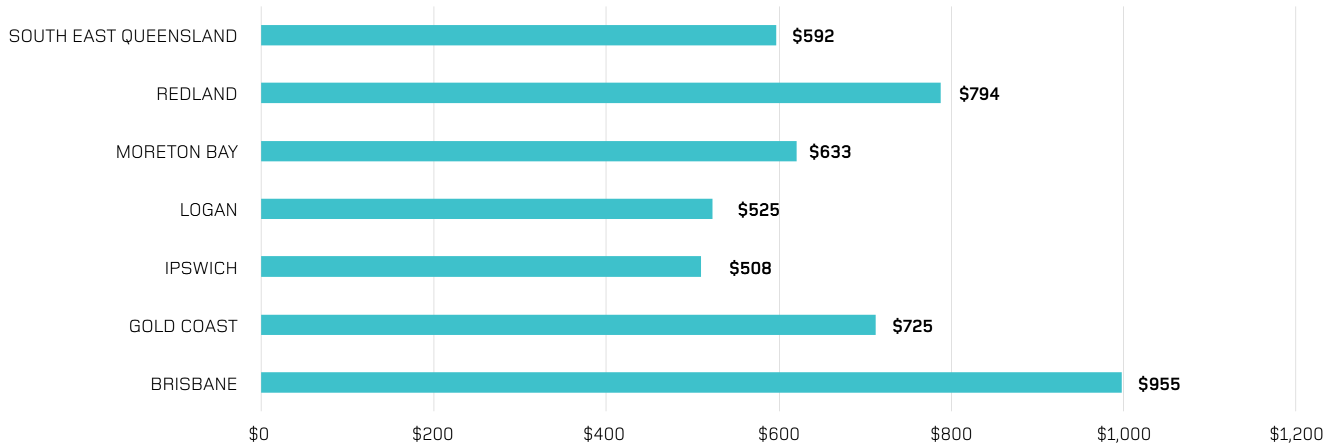
Source: Oliver Hume Research.

Value Rates

The SEQ average value rate declined by 0.9% over the three months to June as SEQ land sizes remained unchanged and prices softened slightly.

The Brisbane local government area saw the highest decrease in value rates with prices per sqm declining $42 over the quarter. The decrease comes off the back of was due to multiple sales occurring within a larger size bracket.

SEQ Project Land Sales | Median Value Rate (QII.'20)



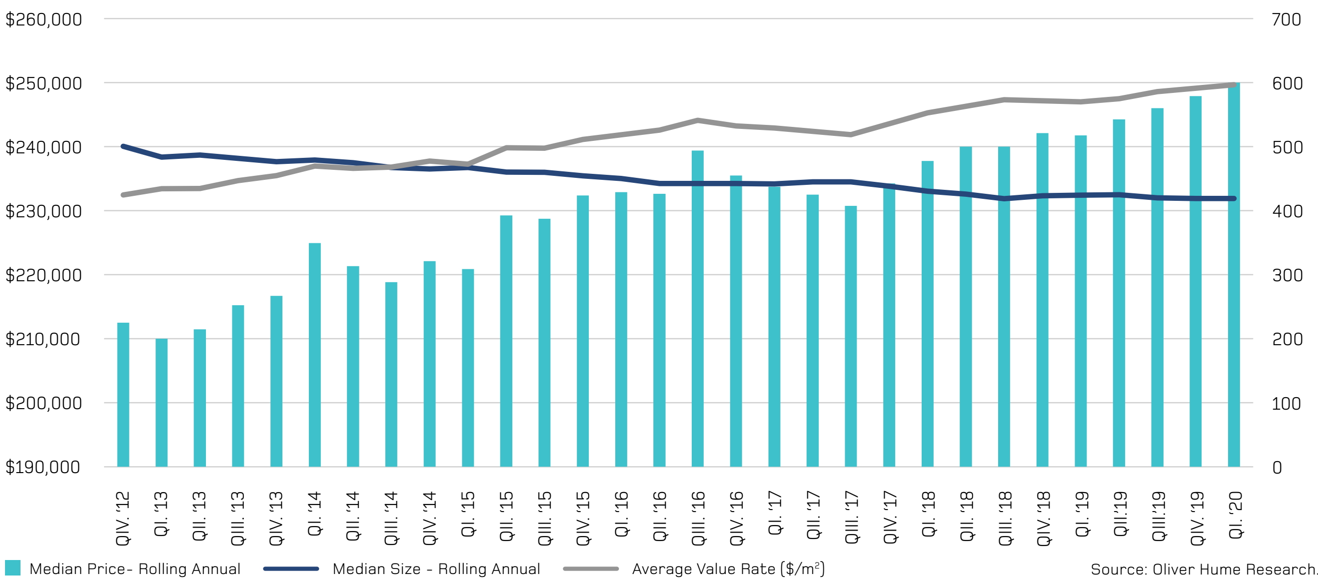
Source: Oliver Hume Research.

SEQ Median Value Rates by Local Government Area ($/sqm)

LGA	QII. '20	QI.'20	QII. '19	QoQ	$ Value Change (QoQ)	YoY	$ Value Change (YoY)	5 yr Change	$ Value Change (5Yr Change)
Brisbane (C)	$955	$998	$970	-4.2%	-$42	-1.6%	-$15	12.1%	$103
Gold Coast (C)	$725	$713	$709	1.7%	$12	2.3%	$16	44.3%	$223
Ipswich (C)	$508	$509	$507	-0.4%	-$2	0.0%	$0	20.9%	$88
Logan (C)	$525	$523	$523	0.4%	$2	0.4%	$2	32.7%	$130
Moreton Bay (R)	$633	$620	$629	2.1%	$13	0.7%	$4	25.4%	$128
Redland (C)	$794	$788	$741	0.8%	$7	7.2%	$53	37.1%	$215
SEQ	$592	$597	$575	-0.9%	-$5	2.9%	$17	18.8%	$93

Source: Oliver Hume Research.

SEQ Median Land Price, Size and Value Rate



Source: Oliver Hume Research.

3.2

LAND MARKET (CONT.)

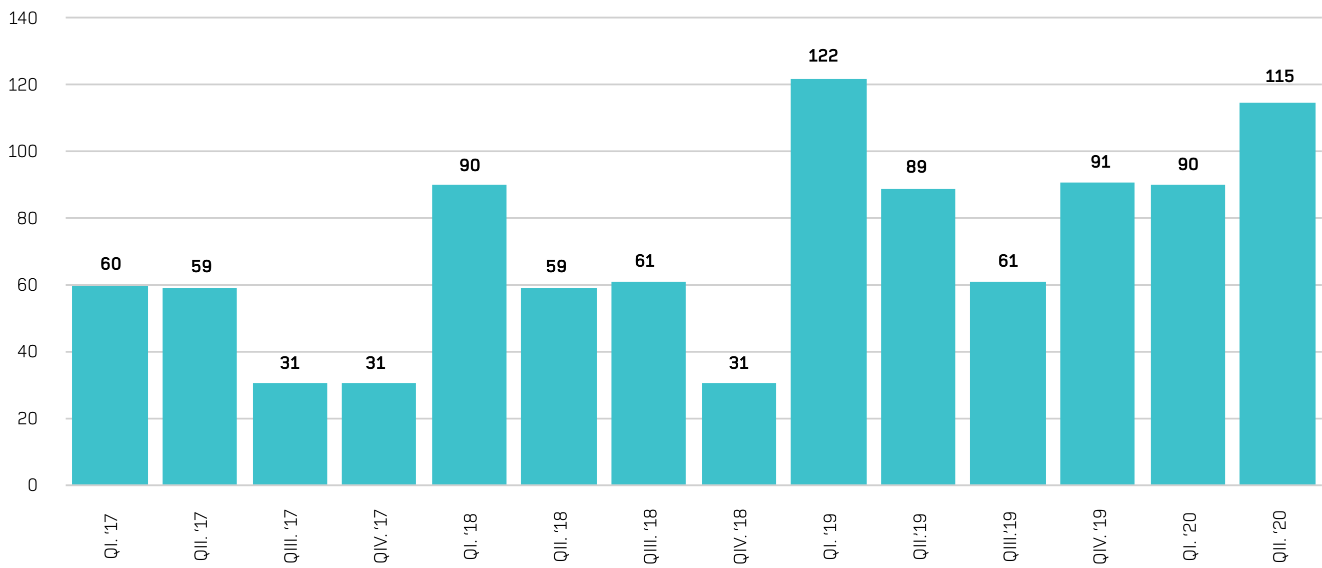
Time on Market

The average days on market increased across all municipalities and the overall SEQ market during the June quarter.

In a bid to take advantage of the Federal Government's HomeBuilder incentive, buyers were eager to purchase lots and appeared to be less strict with their criteria.

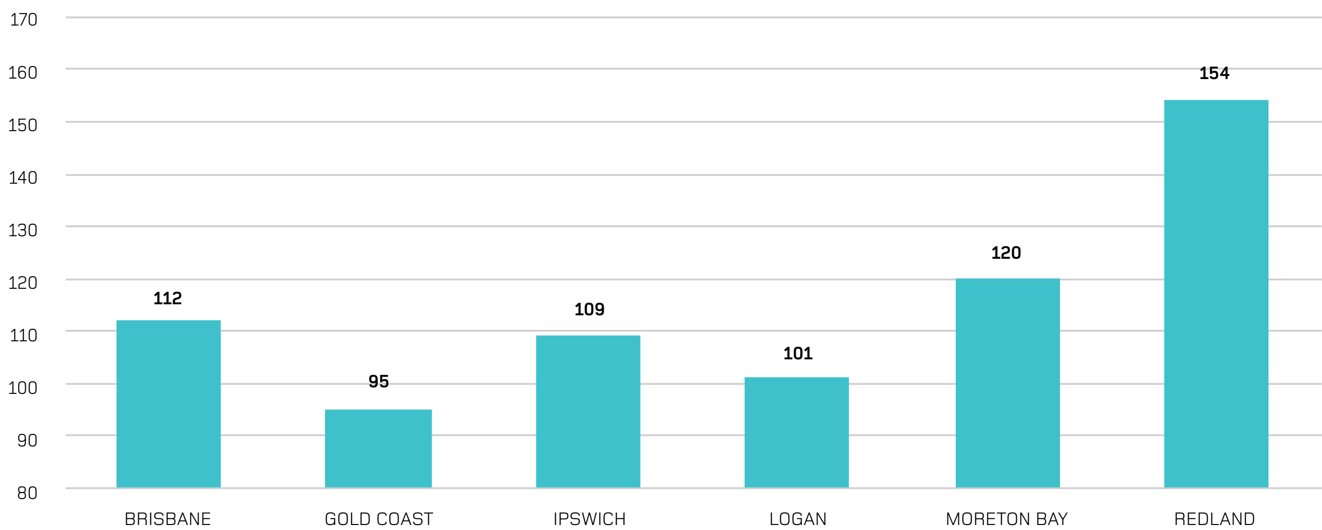
In some cases, lots were purchased that had been on the market for over 150 days and developers sold lots that had previously been difficult to sell (or perhaps were at the more expensive end of the market).

SEQ New Residential Land – Median Time on Market (Days)



Source: Oliver Hume Research. Median data.

SEQ New Residential Land – Median Time on Market (Days)



Source: Oliver Hume Research.

SOUTH EAST QUEENSLAND

JUNE QUARTER 2020

MOST COMMONLY SOLD LOT

376–400 sqm

MEDIAN SIZE	MEDIAN PRICE
419 sqm	**$248,000**

VALUE RATE

$592 per sqm

3.3
APARTMENTS AND TOWNHOUSES

Brisbane

Supply issues still plague certain sub-markets as COVID-19 continues to challenge the property market even as developers defer projects attempting to wait out this uncertain period.

Median pricing softened on both a quarterly and annual basis (down 1.8% and 1.4% respectively).

Employment uncertainty and the moderation of population growth are key issues affecting underlying demand. The latter is especially important for Queensland given the state's reliance on interstate and international migration – both now effectively on hold given COVID-19.

The shining light during these uncertain times is the recent interest taken by expatriate buyers looking to return to Australia. Expats are driving up recent enquiry in Brisbane and the Gold Coast, with special attention being directed to the apartment market.

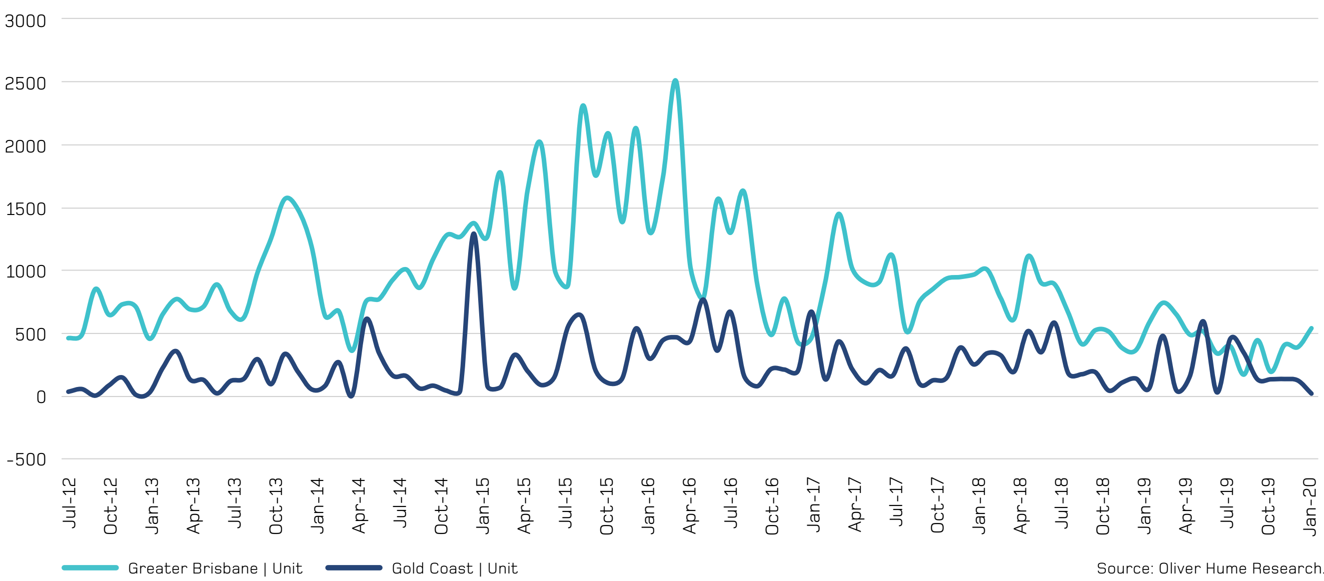
Well-positioned townhouses with good proximity to the city continues to perform well considering the circumstances. The demand seen for owner occupier townhouses, however, has not been replicated for townhouses located in outlier suburbs or in the investment market.

Gold Coast

Low levels of supply remain a key issue for the Gold Coast apartment market with low levels of stock available for purchase and the future pipeline continuing to dwindle with very few development applications and approvals for the region.

The shift away from large developments targeting international investors to owner occupiers in midsized and boutique developments have put the Gold Coast apartment market in a relatively better position as the effects of COVID-19 dampen overseas demand.

Building Approvals | Gold Coast and Greater Brisbane



Source: Oliver Hume Research.

The Surrounds – Oliver Hume project at Helensvale, Queensland

4.0 FEATURE ARTICLE

THE CHANGES COMING TO AUSTRALIA'S RESIDENTIAL PROPERTY MARKET **'AFTER' THE VIRUS**

George Bougias

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The COVID-19 virus has taken a hammer to many of the ideas we have about what is normal.

It is obvious now that many things will never be the same.

COVID-19 follows a period of significant change for Australia's residential property market.

The market has been transformed in recent decades with a range of economic, demographic, technology and other trends driving significant changes.

The market today is very different from what it was five or ten years ago let alone at the turn of the century.

While non-residential property markets and all industries will be endlessly analysed, given the impact of the global pandemic on the economy, a review of the residential property market is especially important.

In addition to residential property's traditional role as a 'safe haven' and shelter being upgraded due to COVID 19, the sector is likely to experience many significant changes beyond 2020 that will reverberate for decades, if not generations, to come.

Importantly, residential property is the nation's largest asset class - hence a key source of wealth and economic security for Australians - and has important system-wide financial stability, banking and other implications.

Undoubtedly, it is still early to fully catalogue what the long-term implications will be for the market and how we live.

However - as an industry, a society and a nation – we have to begin thinking critically about the implications of COVID-19 and other possible pandemics on our cities, towns, suburbs and regions.

This analysis is critical to better understanding and successfully navigating the immediate challenges posed by COVID-19 while also preparing for a future which will, no doubt, continue to present many of the same risks and challenges.

The COVID-19 challenge has been all-pervasive with no segment of our nation, society or economy unaffected. And it is difficult, if not impossible, to imagine a future without a similar risk or threat – especially in our increasingly internationalised and connected world. This is underscored by the most recent outbreak of the virus and subsequent lockdowns and restrictions in Victoria.

On the cusp of declaring victory in one of the many ongoing battles against COVID-19 – the war is, as yet, unwinnable without a vaccine or treatment – Victorians were forced to take a step back and repeat the difficult restrictions and lockdowns previously implemented across the nation.

> COVID-19... has taken a hammer to many of the ideas we have about what is normal...

The Future

Now, then, is as good time to begin answering the question - what will tomorrow look like for the residential property market?

Given the scale and complexity of COVID-19 and its impact on so many areas, the question is a difficult one and any attempt to answer is ambitious. However, responses, even in this early stage, can help provide a base on which further thinking and analysis can be done.

Perhaps the simplest way to answer the question is to focus on the range of specific areas which have been (and could be) affected by COVID-19 in a direct sense ('first-order' effects).

Although consideration of indirect ('second-order' effects) are as important (if not more so perhaps in some instances) any reasonable initial attempt must first focus on the simple and obvious impacts. Here, then, are some thoughts on how COVID-19 might impact the residential property market across four key themes:

- *Geography*
- *Design*
- *Lifestyle*
- *Economy*

Geography – the Return of Suburbs and Regions

Contrary to the prevailing trend of centralisation, COVID-19 can be expected to spur a renewed-wave of decentralisation as policymakers and businesses seek to minimise risks arising from COVID 19 and pandemics.

The 'social-distancing' we have now become accustomed to could be translated to the residential living sphere ('residential distancing').

As property buyers, owner-occupiers and renters better understand the changes we are living through, we can expect that several key locations could see increased demand including suburbs (especially in outer metropolitan area) and regional locations (especially regional centres).

This does not mean that the long-standing trend towards ever-increasing centralisation (and urbanisation) will be reversed.

Centralisation has been a longstanding trend and driven by very powerful economic, social and other forces. These include internationalisation/globalisation and the desire by businesses to cluster and reap the benefits of agglomeration.

In terms of specific locations, in Victoria, for example, a renewed decentralisation push could mean large regional centres (for example Geelong, Ballarat, Warragul), peri-urban locations (for example Bacchus Marsh) and smaller towns (for example Kyneton) attracting greater interest than before.

Indeed, many of these locations had been experiencing increasing demand before COVID-19.

In addition, decentralisation might also mean some locations, which traditionally had not received significant attention, could now also see greater interest.

These locations include smaller towns and settlements near already popular metropolitan and regional centres. Locations with good transport infrastructure (to employment, amenities) are especially well-placed.

In Victoria, this could include several locations in municipalities within one to two hours' drive from Melbourne (for example the Baw Baw, La Trobe, Greater Geelong, Surf Coast municipalities).

On a national basis, we could also see greater interest in less populated states and territories thereby slowing, in part, the long-standing trend of strong population growth in Sydney and Melbourne.

Already, our two largest cities have a combined population of around 10.5 million people and account for over 40% of the nation's population. COVID-19 could see a more even distribution of Australia's population.

Smaller capital cities and other locations with already sizeable populations that offer employment, housing and other opportunities - such as Adelaide, Perth and Canberra – could be amongst the greatest beneficiaries of this shift.

Finally, smaller cities and towns which have remained relatively unscathed by COVID-19, but which also offer employment, housing, retail, social opportunities while also having unique locational competitive advantages could also see renewed interest. Hobart is a prime example of this type of city.

"...decentralisation might also mean some locations, which traditionally had not received significant attention, could now also see greater interest.

Design – Density and Space Reimagined

The long-standing trend towards greater density is also likely to be reconsidered consistent with the need for more space and 'social distancing'.

Again, as with centralisation/decentralisation, this does not mean that the trend towards increasing density will be reversed.

In major capital cities and regional centres, a given urban footprint (despite the occasional adjustment) largely means we must accommodate an ever-increasing number of people and, hence, densities will continue to increase.

However, we can expect some notable shifts.

The first shift is that some buyers could be drawn to larger dwellings which offer more living space.

Detached houses, townhouses and larger apartments might all become relatively more popular given our time in lockdowns (and the possibility that lockdowns and other restrictions could happen again).

> "...the long-standing trend towards greater density is also likely to be reconsidered consistent with the need for more space and 'social distancing'...

We can also expect several design changes for some new dwellings. These include more garden/outdoor space and the inclusion of a home study/office (reflecting the need and desire to work increasingly from home).

Second, apartment and high-density living could be reimagined with a range of new design, technological and design innovations poised to reshape apartment living (especially for large multi-storey apartment buildings). Of key concern will be ensuring the risks of any future pandemic are minimised.

Residential living facilities for older persons and our elderly (retirement villages, aged care facilities, over 55s mobile home estates etc) are also likely to face intense review.

Lifestyle – Work/Life Reimagined and Technology

Recent months has highlighted the power of the Internet and other information and communication technologies to ensure that work and commerce can continue when physical offices and other places of employment are not accessible.

While web and video conferencing has been steadily growing in use, especially with ongoing improvements in technology, working from home has remained less common.

After our experience with COVID-19 in 2020, we can expect that both working from home and the use of web and video conferencing will see renewed interest and adoption.

Indeed, working from home could become the 'new normal' for some workers and sectors of the economy. Over the medium to long term, we can expect a range of factors will add impetus to the working from home trend.

One set of factors ('push' drivers) include higher traffic congestion costs and decreasing affordability (affecting especially the inner and middle suburbs of our cities).

Another set of factors ('pull' drivers) includes the entry of new workers into the workforce more familiar with new technology (the 'digital natives').

These workers can be expected to fill the vacancies created by the exit and retirement of older workers less familiar with new technology (the 'digital immigrants').

Economy – Structural Change, Back to the Future

Recent decades have seen services rise as a share of economic output while manufacturing has declined. While this trend is common to many countries, Australia remains well behind many developed economies with sizeable (and advanced) manufacturing capabilities.

COVID-19 might well lead to a broader rethink of our economy, its structure and future potential.

Importantly, COVID-19 has highlighted the vulnerabilities faced by some local industries to pandemics and other threat.

The virus has also highlighted opportunities for other local industries and areas of activity which have faced challenging conditions in the past but remain below their full potential.

Examples of the first type include service sectors with a high-degrees of international exposure and person-to-person contact (for example international education, hospitality, tourism, retail etc).

An example of the second type is manufacturing.

In addition to personal protective equipment (PPE), policymakers are now rediscovering opportunities for the domestic production of pharmaceuticals, medical, health and other key items.

> "...COVID-19 might well lead to a broader rethink of our economy, its structure and future potential...

Affordability and Home Ownership

The virus can also be expected to have long-lasting impacts on two key residential market parameters - affordability and homeownership.

Although perhaps counterintuitive, we could see an improvement in affordability and homeownership for some households opting to live in regional centres and other affordable locations.

However, many households are likely to experience major affordability and homeownership challenges due to the economic, labour market and other impacts of the virus.

It is now several months since COVID-19 was first detected in late 2019 and the virus continues to have a significant impact on the global economy affecting the employment, wealth and lifestyles of billions of people.

Australia's economy and workforce continue to be affected in unprecedented ways and the economic damage will be significant and long-term.

"Australia's economy and workforce continue to be affected in unprecedented ways and the economic damage will be significant and long-term.

In terms of the property market, a range of purchaser groups have been significantly affected and are likely to see their dream of home ownership delayed.

This will mean that many current and future property owners will pay off their mortgages later further adding to mortgage stress.

Those looking to enter the market and those looking to retire in the short-medium term are expected to be just two of the groups affected.

In some cases, COVID-19 will mean the end of the great Australian dream of homeownership for many of our fellow citizens.

"...the Australian residential property market, like so many other aspects of our lives, has entered a new and very different era.

Epilogue

The points raised in this piece represent an initial attempt to understand the first-round impacts of COVID-19 on the residential property market.

While considerable uncertainty remains and there is much to be understood it is now clear with every passing day that the Australian residential property market, like so many other aspects of our lives, has entered a new and very different era.

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