Quarterly Market Insights

DECEMBER QUARTER 2021

OLIVER HUME

TABLE OF CONTENTS

1.0

Foreword

More than two years have passed since COVID-19 first emerged in late 2019.

It could be argued that the pandemic represents the most significant disruption to our economy and society for decades - if perhaps a century.

Although significant fiscal and monetary policy support proved crucial to stabilising the economy and property market when the virus first emerged, a rebounding economy and improved confidence underpinned the recovery in property market activity.

The events of recent years will be studied and analysed well into the future with conclusions and perspectives likely to differ widely.

One perspective is that residential property, especially in Australia, remains one of the most preferred asset classes and continues to attract the interest of an increasing number of potential buyers. Residential greenfield markets are no exception.

Beginning in 2020, residential greenfield markets experienced an extraordinary increase in demand from buyers despite unprecedented conditions including lockdowns, severe restrictions and international and interstate border closures.

Demand was strong in both metropolitan and, especially, regional greenfield markets.

2022 is likely to be a year of consolidation with both headwinds and tailwinds shaping the market.

A few points are worth noting.

The first point is that while prices continue to increase, we have begun to see an easing in sales volumes from record highs.

The easing has been driven partly by higher prices and the pull-forward of demand.

Although sales activity in 2022 and beyond will be dependent on a range of factors, including stock availability and the trajectory for prices, it appears that sales volumes are likely to trend lower this year.

This is especially the case as 2022, arguably, marks the beginning of the next phase of the broader property market cycle.

The second point is that, overall, many of the signposts marking the next phase of the cycle are very different to those we have observed over the last two years.

These signposts include higher inflation and higher interest rates, further potential regulatory tightening by the Australian Prudential Regulatory Authority (APRA), the upcoming Federal election and the reopening of Australia's international borders.

COVID-19 remains a key challenge. New variants of the virus, should they emerge, have the potential to add yet more elements to a complex outlook.

In addition to the broader factors discussed above, each jurisdiction is likely to face its own unique challenges and opportunities.

Many of these challenges and opportunities will be driven by the rate of population growth.

Given Victoria's traditional reliance on overseas migration, the largest driver of population growth, the state is likely to be a key beneficiary of Australia's international border reopening.

However, given the time it takes to save a deposit and other factors, it is likely to be some time before the reopening of international borders has an impact.

Victoria's interstate migration is also likely to return to growth, as people once again are drawn by the state's economic and lifestyle offering, therefore adding another important component to overall demand.

In contrast to Victoria, which experienced negative overseas migration and overall population decline, Queensland's population has increased over the last year driven by interstate migration.

Queensland - and South East Queensland in particular - is likely to confirm its position as one of the most popular residential and lifestyle locations in Australia as we move forward.

Population is but one factor that will drive the market.

Technology and the rise in working-from-home is another, increasingly important, factor that will shape the property market and indeed the broader economy and society overall.

Julian Coppini

Chief Executive Officer - Project Marketing
j.coppini@oliverhume.com.au

Arguably, we are only at the beginning of a major era of change.

In such uncertain times, understanding current and emerging trends in the property market has never been more important.

The latest Quarterly Market Insights analyses the multiple indicators we track to help us understand the greenfield and broader residential property markets. We analyse what the market has done in the past, what is happening now and where the market is headed.

The report includes our own proprietary property intelligence and has been prepared by our expert in-house research team. Delivering the latest data and intelligence to our clients, stakeholders and strategic partners empowers them to react to trends, anticipate the future and make strategic decisions.

It's all part of our commitment to providing leading market insights, forecasts and in-depth analysis of the Australian residential property market.

1.0

National Highlights

1.1

National Highlights

George Bougias
National Head of Research
g.bougias@oliverhume.com.au

Cash Rate Target
0.1%

Economic Growth
3.9%

Inflation
3.0%

Unemployment Rate
4.6%

Employment Growth
2.7%

Wage Growth
2.2%

Average Weekly Earnings
$1,305

Household Saving Ratio
19.8%

Net Foreign Liabilities
40.6% of GDP

Conversion Rate
A$1 =US$0.72
as of 7 Feb 2022

Population
25.7M

Employment Ratio
63.0%

Residential Dwellings
$864K

Household Wealth
911%
As a share of Income

Household Debt
185%
As a share of Income

Loan Repayment Deferrals
0.5%
of Housing Loans
0.3%
of small and medium Business Loans

Housing Credit Growth
1.2%
Investor
6.4%
Owner Occupier

Commercial Property Risks Elevated
6.0%
But low share of banks' assets

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

Australia's population remained largely stable over the last two years due to international border restrictions.

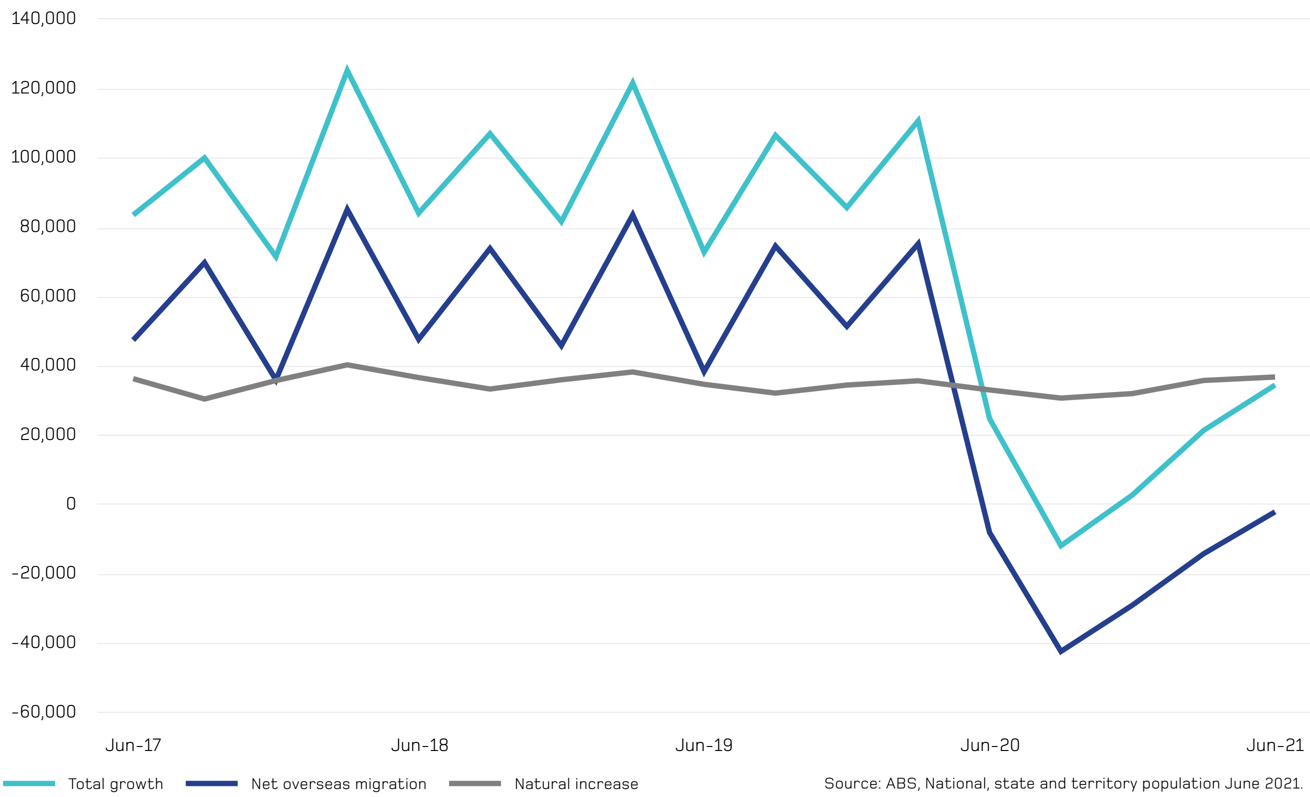
Population change due to natural increase (the difference between births and deaths) in the June 2021 quarter was 36,700 people (up by 1,000 compared to the previous quarter).

Over the same time, net overseas migration was negative 2,300 people (although higher by 12,100 people compared to the previous quarter).

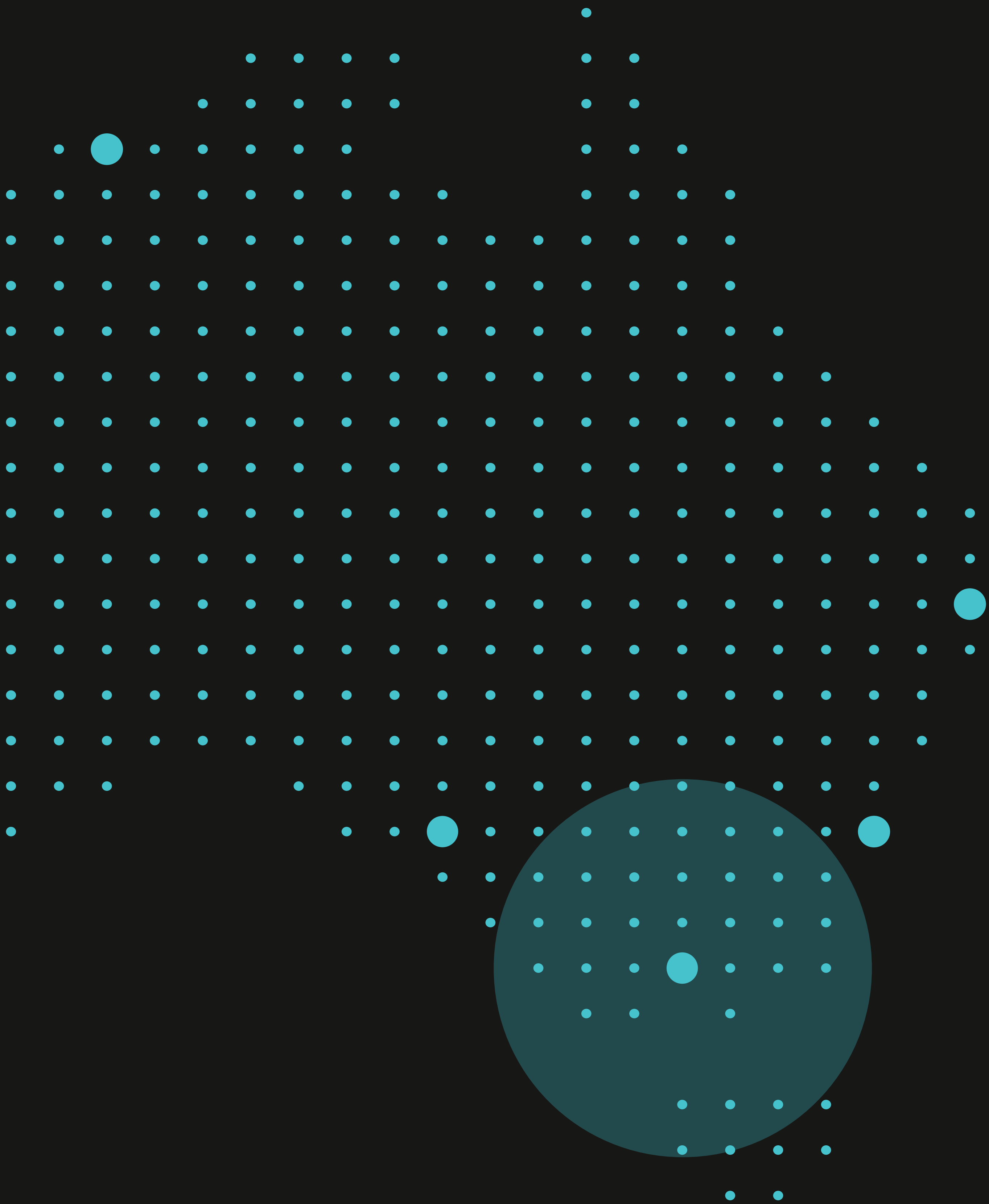
The recently released 2021 Population Statement outlines the impacts of COVID-19 on Australia's population and provides projections going forward.

- Australia's population growth is projected to increase from 0.3% in 2021–22 to 1.2% by 2031–32
- Australia's population is projected to increase from an estimated 25.7 million people (30 June 2020) to 29.3 people million (by 30 June 2032)
- Overseas migration is forecast to increase from a net outflow of 100,000 people (in 2020-21), before recovering to a smaller net outflow of 41,000 (2021-22) and subsequently returning to a net inflow of 180,000 (2022-23), 213,000 (2023-24) and 235,000 (from 2024-25 going forward)
- Melbourne is forecast to, once again, be the fastest growing capital city from 2023–24. Melbourne is forecast to overtake Sydney and become Australia's largest city in 2029–30 (with a population of 5.9 million people).

Components of Quarterly Population Change – Australia



Source: ABS, National, state and territory population June 2021.



2.0

Victoria

2.1

Market Drivers

Economy

The Victorian economy continues to recover.

Job creation is continuing with 25,000 new jobs created in the state in December 2021.

At the same time, Victoria recorded its highest ever participation rate (66.9%) while the unemployment rate declined to one of the lowest ever recorded (4.2%).

Consumer confidence remains resilient overall despite the Omicron COVID-19 variant.

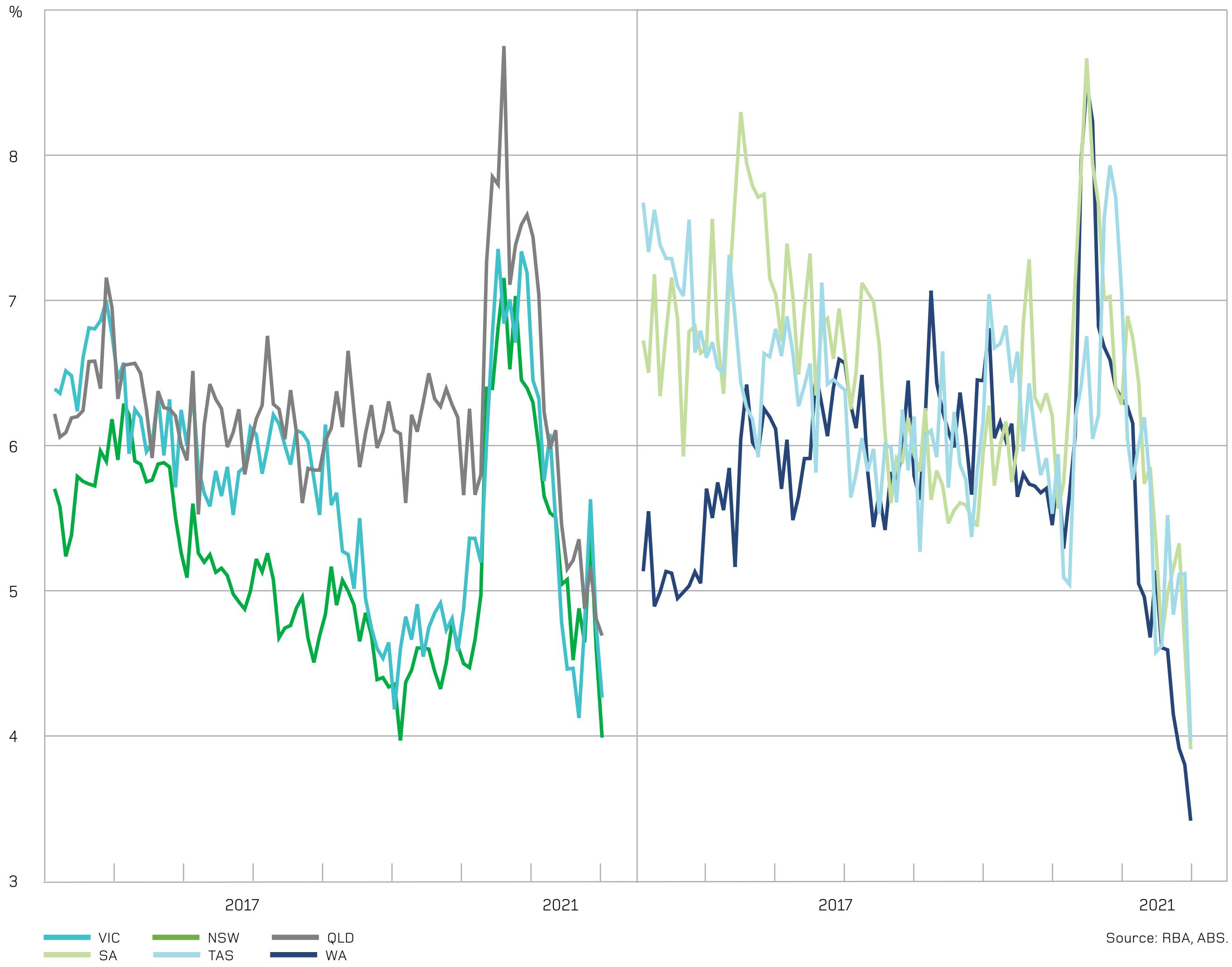
While the Westpac-Melbourne Institute Index of Consumer Sentiment declined in January 2022, from the previous month (down 2.0% to reach 102.2), confidence increased in Victoria (4.1%).

The State Government forecasts that the state's economy and employment are expected to recover rapidly.[1]

Real Gross State Product (GSP) growth is forecast to reach 2.25% in 2021-22, 4.50% in 2022-23 and 2.75% in 2023-24 and 2024-25.

Employment growth is forecast to reach 2.5% in 2021-22 while the unemployment rate is forecast to average 4.5% in both 2021-22 and 2022-23.

State Unemployment Rates (%)

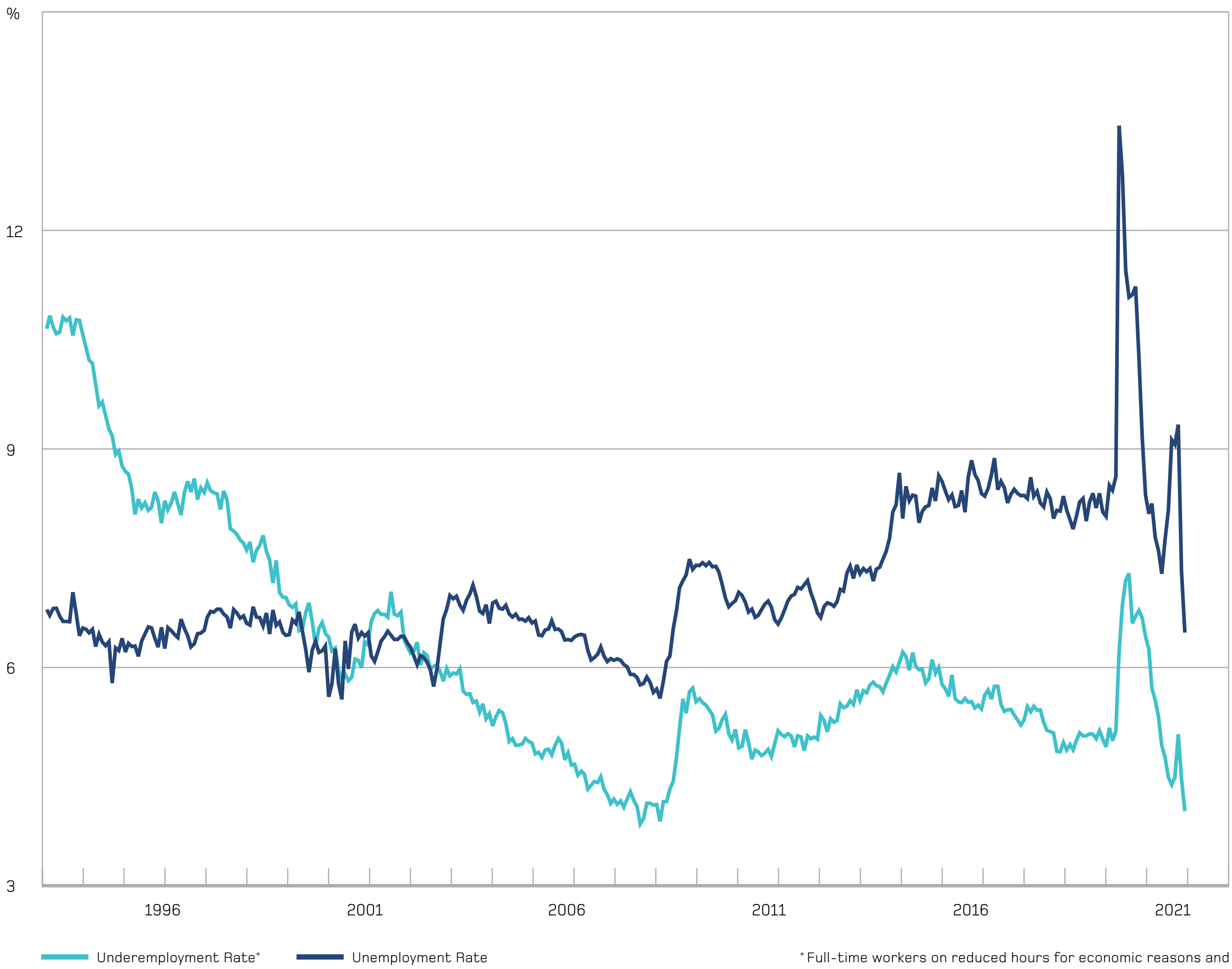


Source: RBA, ABS.

[1] Victorian Budget Update 2021-22, released December 2021.

Carrington - New Oliver Hume project. Artist impression.

Labour Underutilisation Rates – Australia



* Full-time workers on reduced hours for economic reasons and part-time workers who would like, and are available, to work more hours
Source: RBA, ABS.

Market Drivers

Population

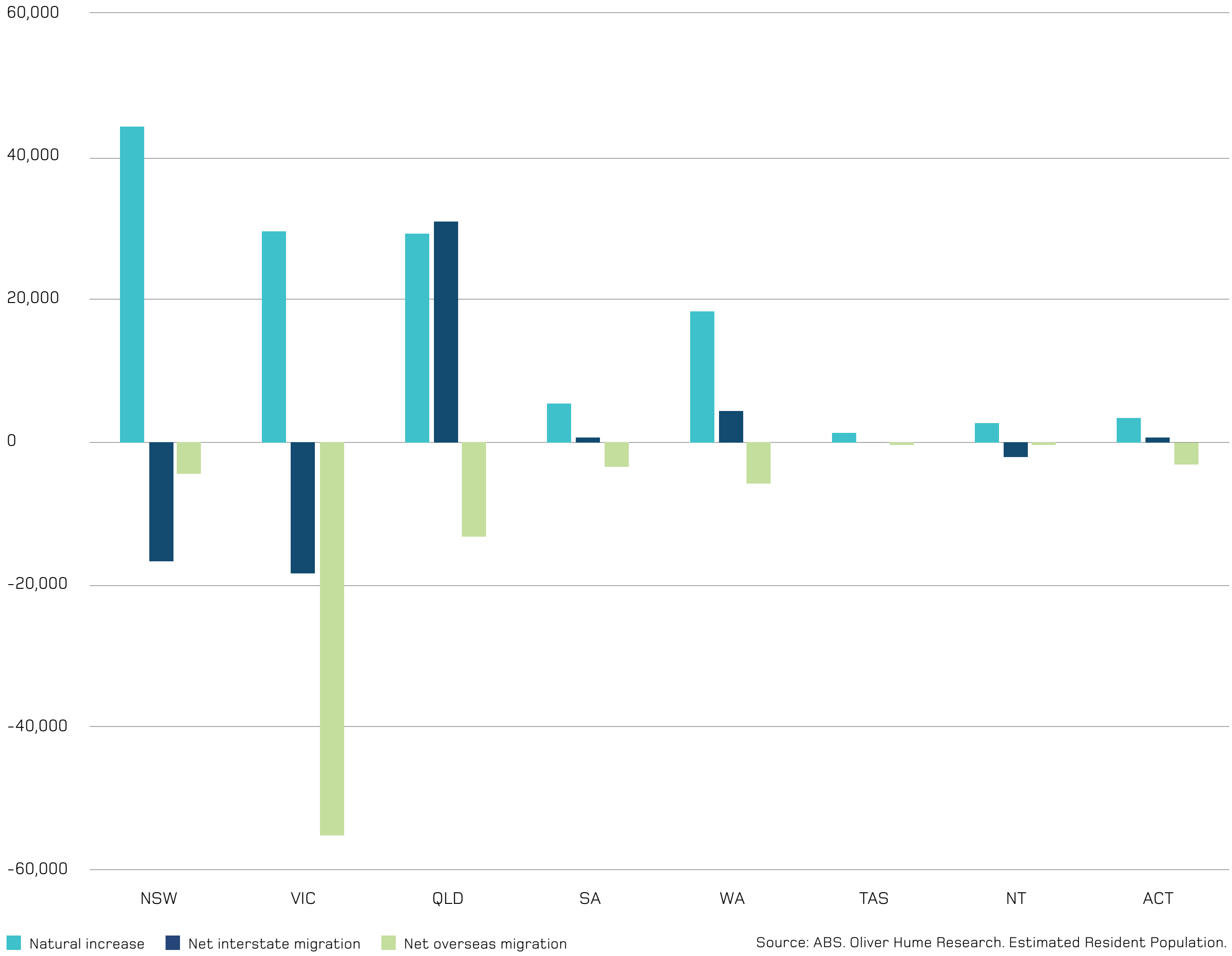
Victoria's population declined over the year (ending 30 June 2021).

Victoria was the only jurisdiction to record negative population growth (-0.7%) with the decline driven by negative interstate (down 18,300 people) and negative overseas migration (down around 56,000 people).

Net migration is expected to remain subdued for some time.

Population growth is forecast to reach 0.20% in 2021-22, 1.20% in 2022-23 before accelerating to 1.70% in both 2023-24 and 2024-25.[2]

Components of Annual Population Growth



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

[2] Victorian Budget Update 2021-22.

Population Change by State and Territory

Preliminary Data	Population at 30 Jun 2021 ('000)	Change over previous year ('000)	Change over previous year (%)
New South Wales	8,189.3	22.2	0.3
Victoria	6,649.2	-44.7	-0.7
Queensland	5,221.2	45.9	0.9
South Australia	1,773.2	3.0	0.2
Western Australia	2,681.6	17.4	0.7
Tasmania	541.5	0.9	0.2
Northern Territory	246.3	0.1	0.0
Australian Capital Territory	432.3	1.1	0.2
Australia (a)	**25,739.3**	**46.0**	**0.2**

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

2.2

Land Market

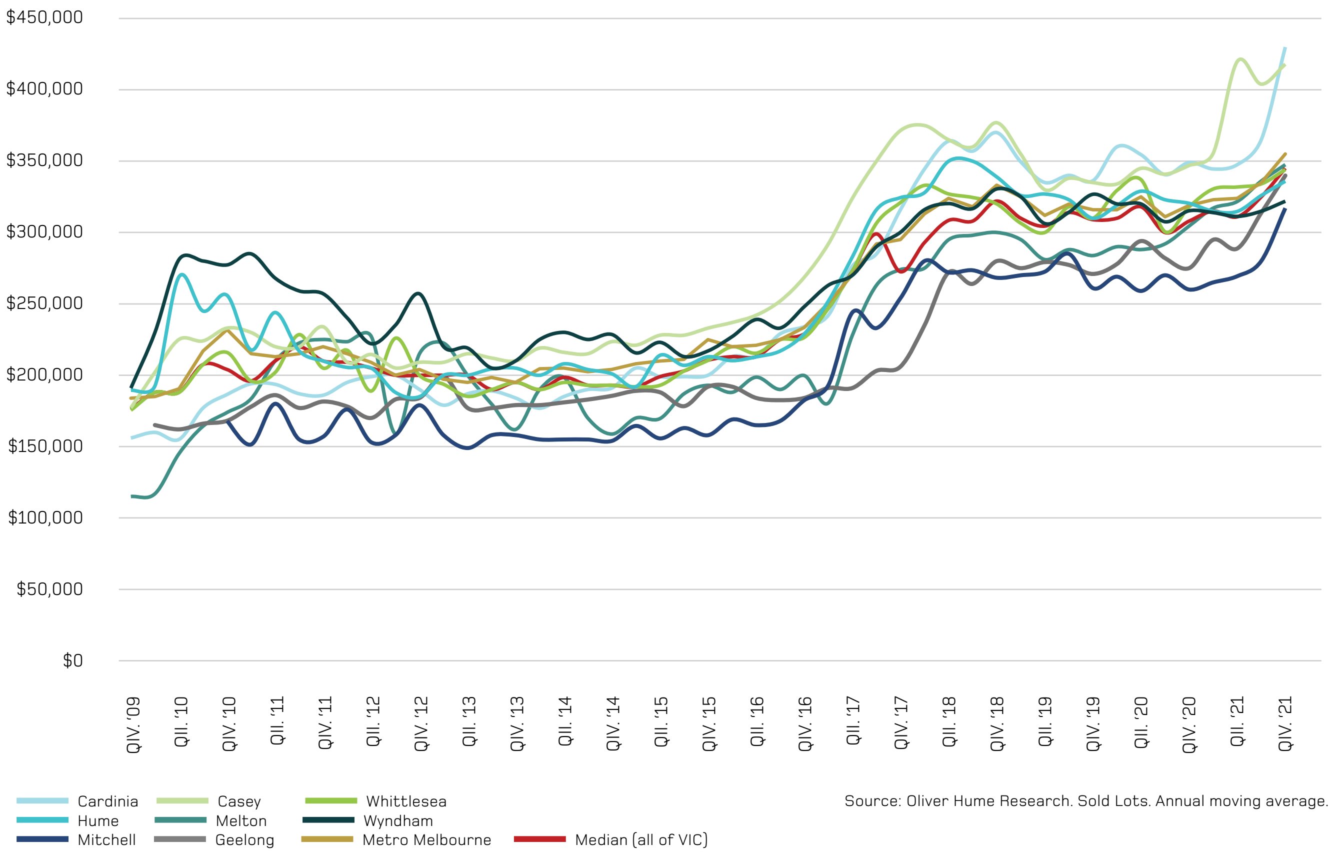
Prices

New residential land prices increased further in the December quarter 2021.

Land prices are now at record highs.

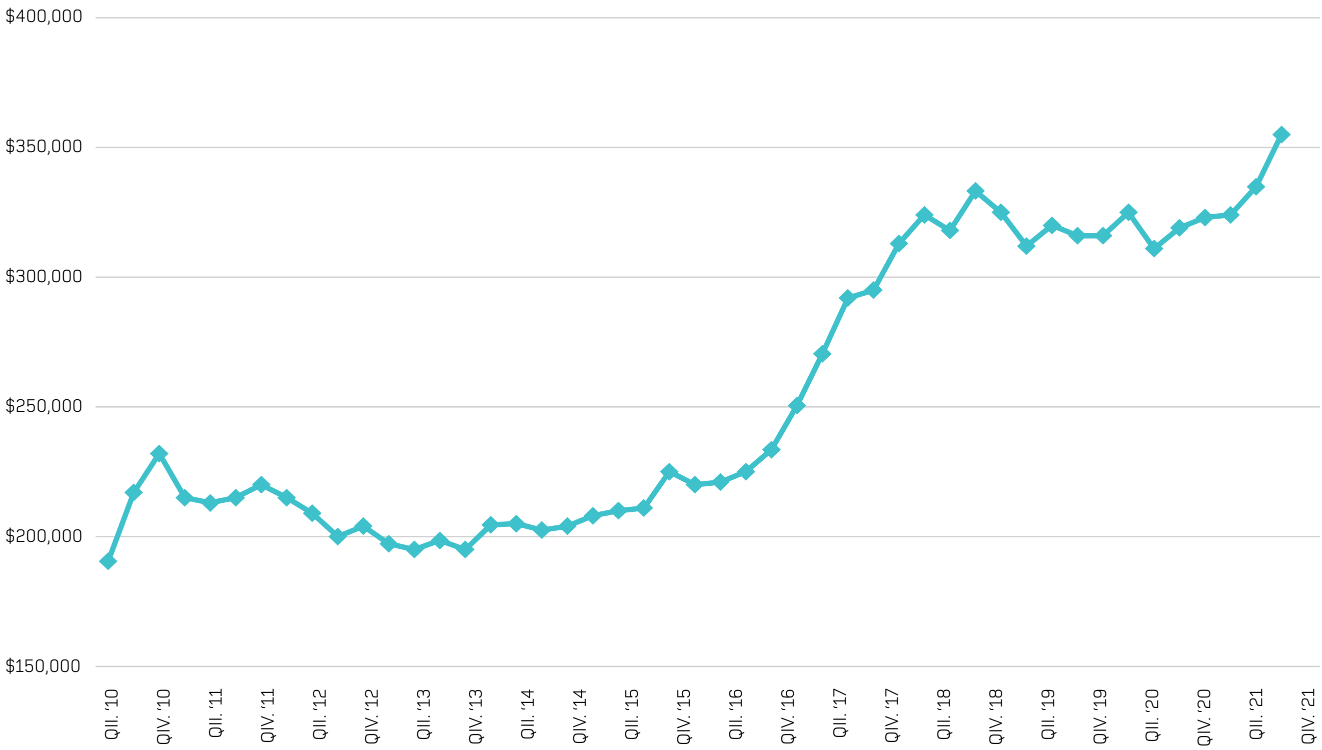
The median (gross) price of metropolitan Melbourne conventional lots rose from $334,900 to $355,000 in the December quarter 2021 (6.0% higher over the quarter and 11.3% higher over the year).

Victorian Growth Area Median Land Prices



Source: Oliver Hume Research. Sold Lots. Annual moving average.

Metropolitan Melbourne Growth Area Municipalities Median Land Prices



Source: Oliver Hume Research. Sold Lots.

Victorian Median Lot Prices

Municipality	QIV, '20	QI, '21	QII, '21	QIII, '21	QIV, '21	% Change (QoQ)	% Change (YoY)
Cardinia	$349,000	$344,500	$347,500	$365,000	$429,900	17.8%	23.2%
Casey	$347,000	$355,500	$419,833	$404,000	$418,000	3.5%	20.5%
Geelong	$275,000	$294,900	$288,767	$313,750	$339,900	8.3%	23.6%
Hume	$320,500	$315,000	$314,800	$326,000	$336,000	3.1%	4.8%
Melton	$304,500	$317,000	$321,667	$336,000	$347,500	3.4%	14.1%
Mitchell	$260,000	$265,000	$269,333	$280,000	$317,000	13.2%	21.9%
Whittlesea	$318,000	$330,450	$331,850	$334,000	$344,000	3.0%	8.2%
Wyndham	$315,200	$313,900	$311,250	$314,900	$321,900	2.2%	2.1%
Metro Melbourne (All Growth Areas) - Conventional	$319,000	$323,000	$324,000	$334,900	$355,000	6.0%	11.3%
Metro Melbourne (All Growth Areas) - All Lots	$319,000	$320,000	$321,667	$335,000	$355,000	6.0%	11.3%
Median (All of Victoria)	$308,000	$315,000	$311,000	$325,000	$345,000	6.2%	12.0%

Source: Oliver Hume Research. Sold Lots.

2.2

Land Market

Sales Volumes

Land sales slowed in the December quarter continuing recent trends.

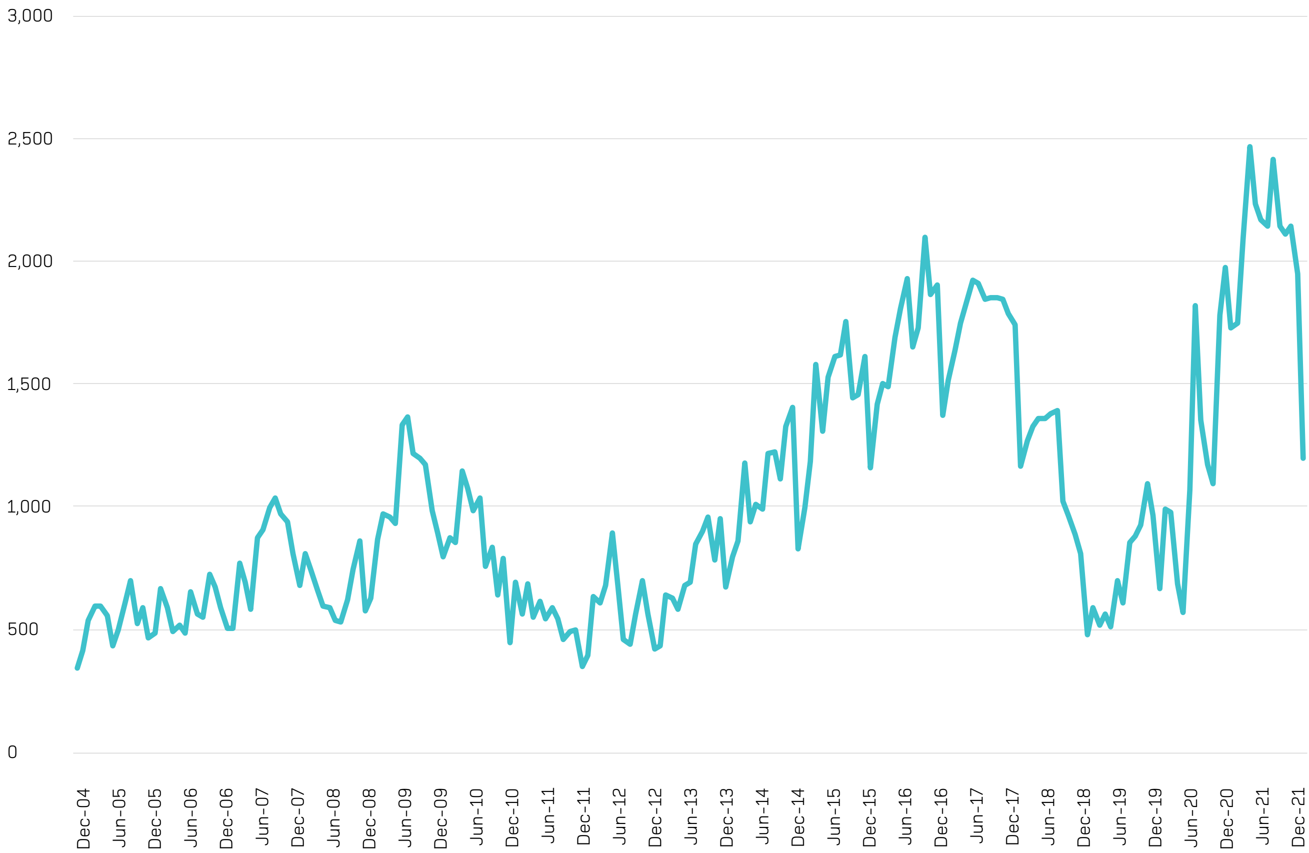
Although seasonal factors played a role (the traditional Christmas/New Year break) there are signs higher prices are impacting buyer demand.

The pull-forward of demand, due to record low interest rates and the successful HomeBuilder incentive, may also be playing a role in the retreat from record highs.

Buyer interest remains strong overall, however, and continues to be underpinned by a range of factors including record low interest rates, fear of missing out, expectations of future price growth and improving consumer confidence.

Upgrader buyers remain especially active, buoyed by strong capital gains over the last year, while investors are also increasingly active.

Monthly Land Sales – Metropolitan Melbourne



Source: Oliver Hume Research.

Monthly Land Sales – City of Greater Geelong

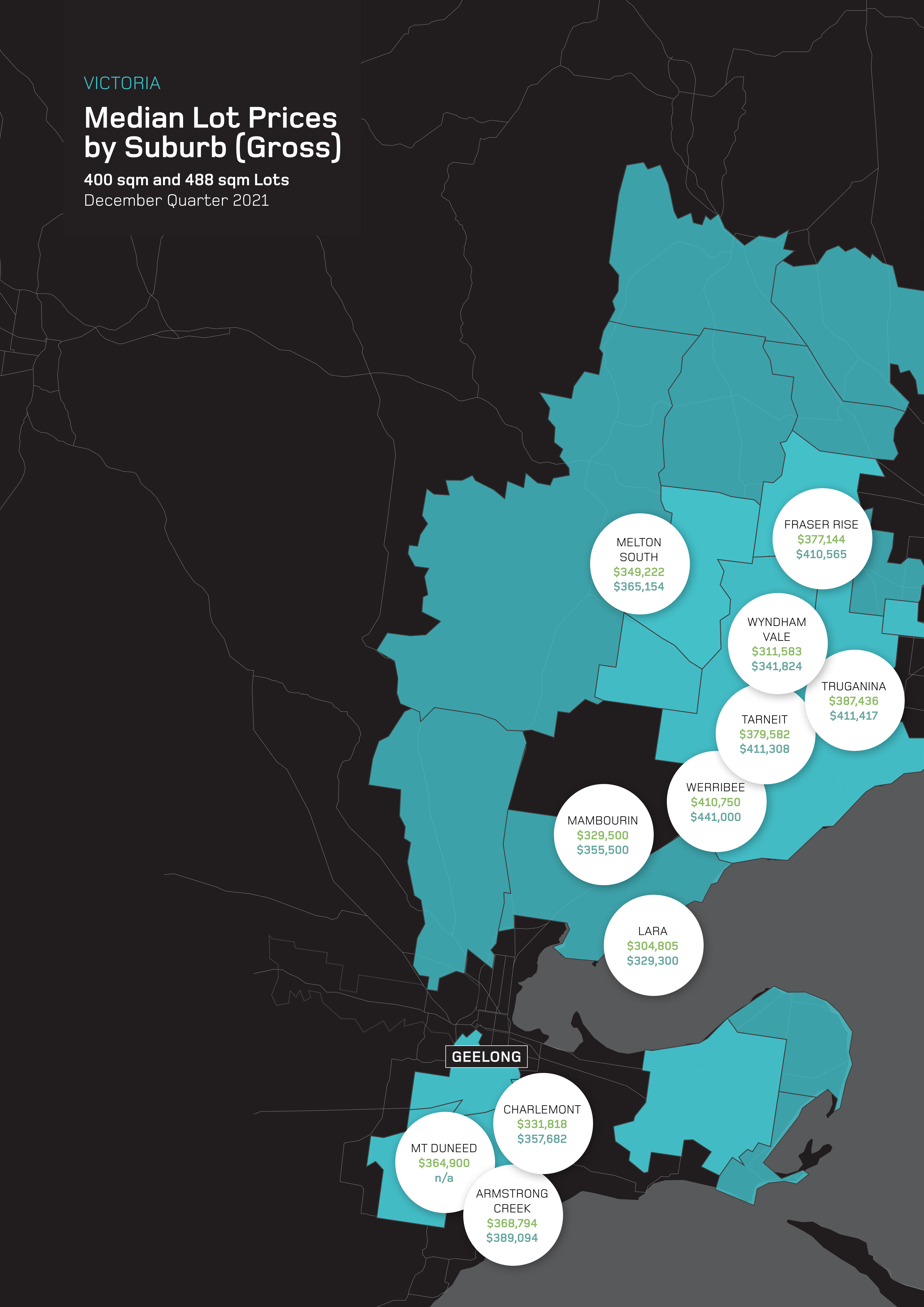
Source: Oliver Hume Research.

VICTORIA

Median Lot Prices by Suburb (Gross)

400 sqm and 488 sqm Lots

December Quarter 2021




400 sqm Median Price
448 sqm Median Price
Source: Oliver Hume Research. Sold.
WALLAN
$297,000
$320,000
KALKALLO
$375,429
$393,750
MICKLEHAM
$413,639
$443,643
BEVERIDGE
$321,357
$350,375
CRAIGIEBURN
$426,500
$457,250
WOLLERT
$393,000
$428,673
GREENVALE
$488,200
$485,000
MELBOURNE
BERWICK
$553,500
$595,571
OFFICER
$449,078
$472,282
CRANBOURNE EAST
$360,100
n/a
CLYDE
$413,148
$441,536

VICTORIA

Metropolitan Melbourne

December Quarter 2021

COMMONLY SOLD LOTS

12.5m x 28m

12.5m x 32m

14m x 32m

MEDIAN PRICE

$355,000

MEDIAN SIZE

392 sqm

MEDIAN VALUE RATE

$960 per sqm

Apartments and Townhouses

Apartments

The apartment market has been especially challenged over the last two years in contrast to the detached housing market.

However, conditions in this market are slowly changing.

Investors, a traditionally important buyer segment for the apartments, are playing an increasingly important role across the broader residential property market including, although to a lesser extent, in the apartment sector.

Investors are attracted by the relative affordability of apartments compared to detached houses (the value of detached houses has surged relative to apartments recently).

Apartment market fundamentals continue to improve.

Vacancy rates are declining for inner city and CBD markets and remain well below the highs observed in 2020.

While the reopening of interstate borders is supporting apartment demand, the reopening of international borders is of key importance given the popularity of apartments for international students, tourists and other visitors.

On a long-term basis several major trends and drivers, some of which have accelerated in recent years, are expected to have a major impact on the apartment market.

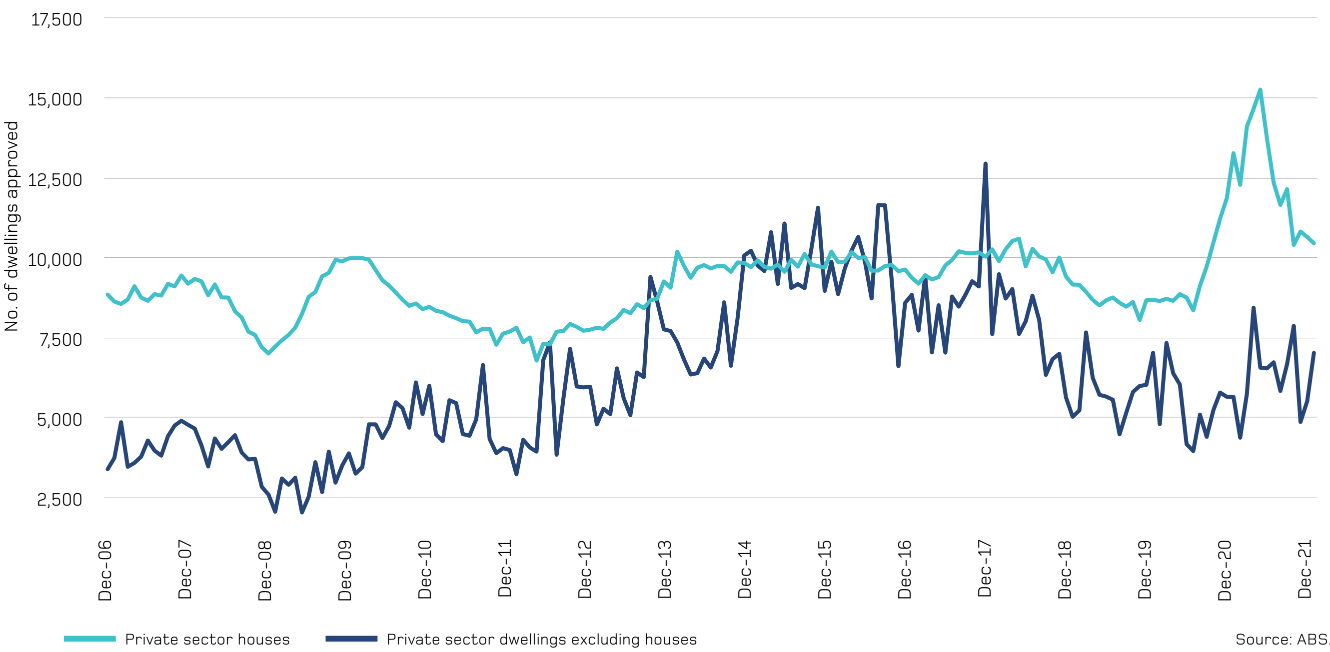
These trends include the increasing supply of build-to-rent apartments, working-from-home and the delivery of new infrastructure projects.

The limited supply of new apartments currently in the pipeline, both in Melbourne and many other key markets, is also of key importance.

The new apartment supply pipeline was heavily impacted by COVID-19 and the closure of international borders.

Nationally, approvals for private sector dwellings excluding houses, which includes apartments, remain well below long-term average levels suggesting continued weakness in the supply of these dwellings over the short to medium term.

National dwellings approved, by building type, seasonally adjusted



Source: ABS.

2.3

Apartments and Townhouses

Townhouses

Townhouses continue to attract buyer interest across several markets including outer suburbs and greenfield locations.

The relative affordability of townhouses is a key reason for increased demand.

In Melbourne, the median house price now exceeds $1 million, making the dream of home ownership increasingly difficult for potential owner-occupiers.

Townhouses are also attracting investors seeking a landed product (in addition to a competitively priced dwelling) or who are struggling to find new appropriate apartment stock.

New townhouse design has changed significantly in recent years and will continue to evolve considering various trends.

The first trend is demographic change, such as ageing, and the ongoing need to ensure townhouses can meet an increasingly diverse range of buyers.

Secondly, COVID-19 has reshaped many aspects of society, the economy and the property market and its long-term impact remains unclear.

An increasing shift to working-from-home is perhaps one of the most important trends to emerge over the last two years.

The future of all housing, including townhouses, is likely to be characterised by greater thinking on how design can better facilitate working-from-home.

Thirdly, the delivery of new transport infrastructure presents new residential development opportunities and could reshape the geography of cities and regional areas.

For example, transit-orientated-developments (TOD), including both apartments and townhouses, could catalyse new residential development in locations while also leveraging various local competitive advantages (such as amenities and proximity to employment).

2.4

Development Sites

Peter Vassallo

Managing Director | Development Sites
p.vassallo@oliverhume.com.au

Development site values in Victoria remain at record levels, having increased over the last year, while transaction activity also remains high.

Momentum remains positive and there are currently few signs of a slowdown with competition for sites remaining strong.

The second half of 2021 saw a shift in sentiment in the development site market as an increasing number of buyers sought to acquire sites.

Sites which are zoned and ready to be developed are, as always, attracting the greatest interest.

Metropolitan and regional areas are both seeing strong demand.

However, developers have been turning increasingly to regional locations, buoyed by various factors including higher buyer interest, higher retail prices, the ongoing working-from-home shift and regional locations' relative affordability.

Although regional, the City of Greater Geelong remains in a class of its own. This is due to a range of reasons, including the continued economic integration with Greater Melbourne, infrastructure improvements and Geelong's strategic location (especially proximity to Melbourne).

Going forward, several trends will be important for the development site market.

First, as observed in previous cycles, residential development site values can be volatile and can increase or decrease quickly and significantly depending on consumer and buyer sentiment several factors.

These factors include sentiment, the economy, costs and inflation, broader greenfield market conditions (including especially in development financing), government policy (fiscal, monetary, housing etc) and the pool of available buyers (which is traditionally quite limited).

Second, the sector has been recently buoyed by a high volume of capital seeking a higher return.

Although interest rates are likely to remain low overall for some time, they are likely to increase from current record lows and this could affect capital flows into the sector.

For example, some capital could easily consider another asset class (or residential sub-sector such as apartments) were interest rates and other market conditions to change.

Third, the rigour of assumptions being made when acquiring sites needs to be thoroughly assessed on a continual basis.

Any unexpected changes to the cost of finance, or costs more broadly, could materially affect forecast hurdle rates and therefore project viability.

This is of special importance given the prospect of higher inflation and rising construction costs.

Fourth, the issue of higher inflation and costs is but one of the many factors that could significantly influence the residential greenfields development site market going forward.

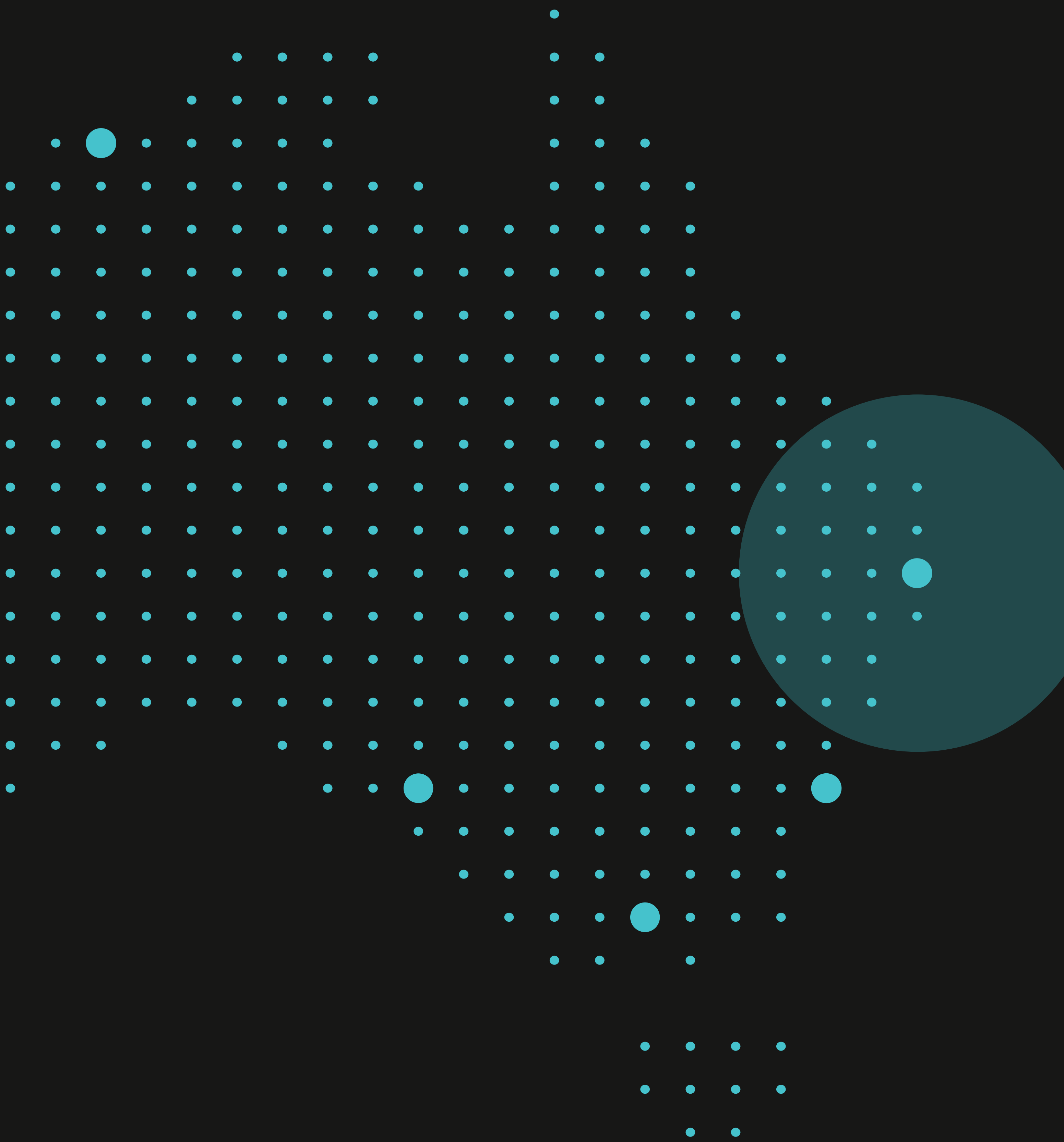
COVID-19 is a timely reminder that the future remains unknown and projections can differ from reality.

While some aspects of the 'post COVID-19' world will continue the same trajectory observed before COVID-19, it is possible that many trends could be very different.

As such, developers need to be constantly assessing and making judgements about the future of the market.

This is especially the case for larger projects, being delivered over the medium to long-term, where even minor changes in market conditions can significantly affect project costs and revenues and, therefore, viability.

The second half of 2021 saw a shift in sentiment in the development site market as an increasing number of buyers sought to acquire sites.



3.0

Queensland

Queensland at a Glance

December Quarter 2021

STATE FINAL DEMAND (Sep Qtr 21)

↑ **6.1%**

RETAIL TRADE (Nov 21)

↑ **0.9%**

BUILDING APPROVALS (Nov 21)

↑ **20.0%**

BUSINESS INVESTMENT (Sep Qtr 21)

↑ **8.5%**

EXPORTS (GOODS OVERSEAS) (Nov 21)

$74.4b

INFLATION (CPI) (Sep Qtr 21)

↑ **3.9%**

EMPLOYMENT GROWTH (Dec 21)

↑ **0.2%**

EMPLOYMENT PERSONS (Dec 21)

2.67m

UNEMPLOYMENT RATE (Dec 21)

↑ **4.7%**

POPULATION (Jun Qtr 21)

5.22m

Source: Queensland Government Statistician's Office.

3.1

Market Drivers

Sebastian Ozturk

Queensland Research Analyst
s.ozturk@oliverhume.com.au

Economy

The outlook for the Queensland economy continues to improve buoyed by the broader improvement in the national economy and the reopening of interstate borders.

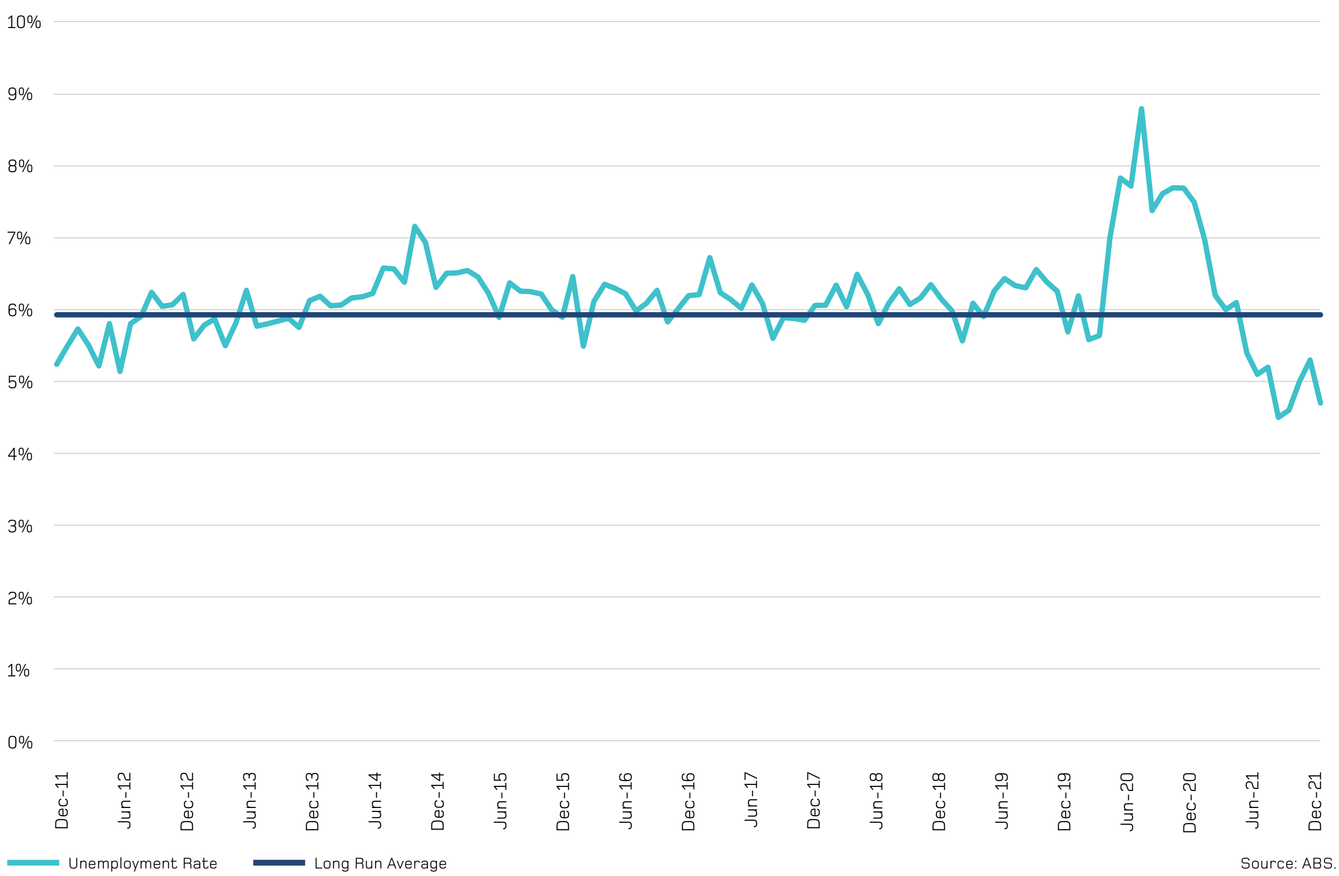
The State economy has remained resilient throughout the pandemic despite the challenges faced by the tourism industry.

Retail spending, housing construction and population growth have been some of the drivers of growth.

Interstate migration remains at a high level and the state continues to attract more residents than any state or territory.

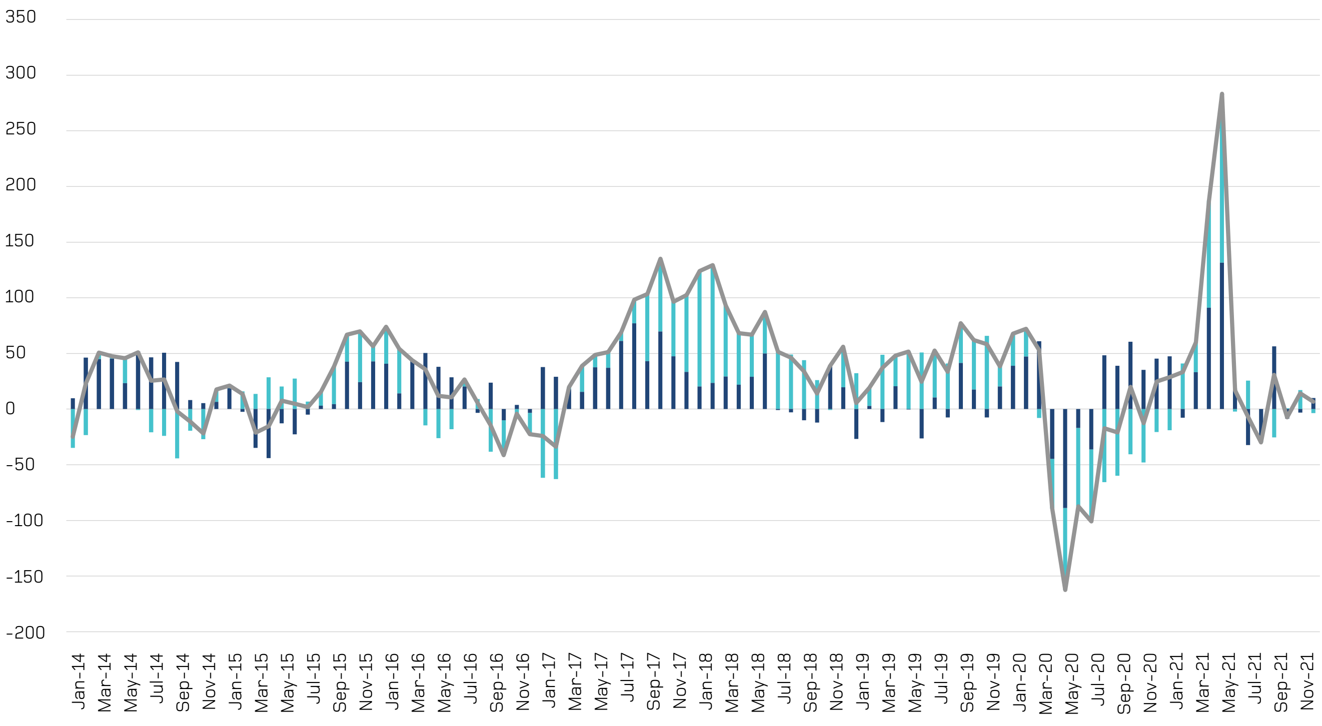
The housing sector remains a key driver of growth with various indicators, including home loan commitments and dwelling starts, continuing to increase.

Queensland Unemployment Rate



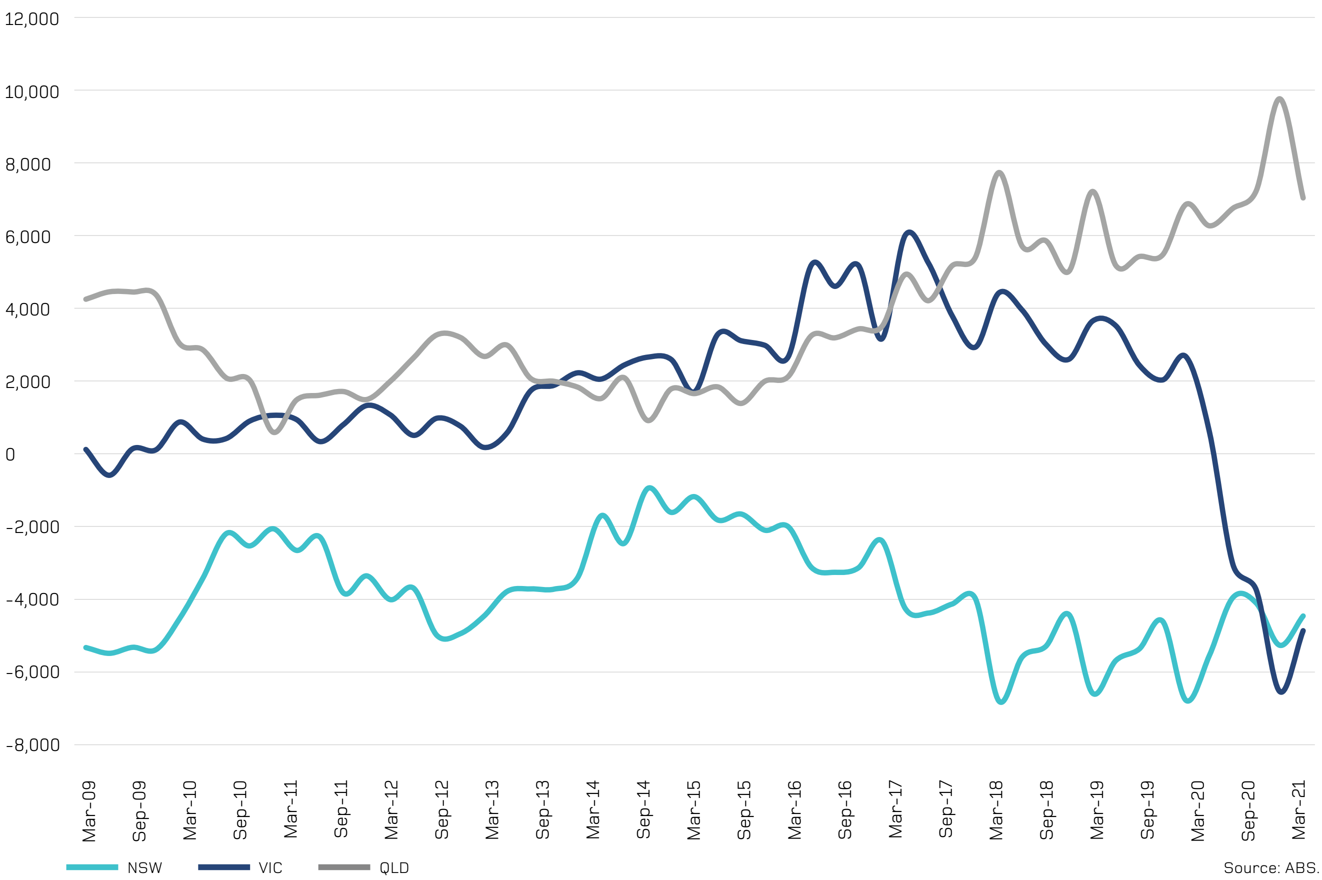
Source: ABS.

Queensland Employment Growth



Source: ABS.

Net Interstate Migration (Quarterly)



Source: ABS.

Land Market

Land Market

The South East Queensland land market remains resilient but continues to be constrained by a lack of stock.

Although sales moderated over the quarter, buyer enquiry levels remain at all-time highs.

Robust demand has seen time on market decline across all growth markets while prices increased over the quarter.

Most of the stock released during October and November had been fully absorbed by the end of December 2021.

It is not expected that stock levels will be fully replenished until mid-2022.

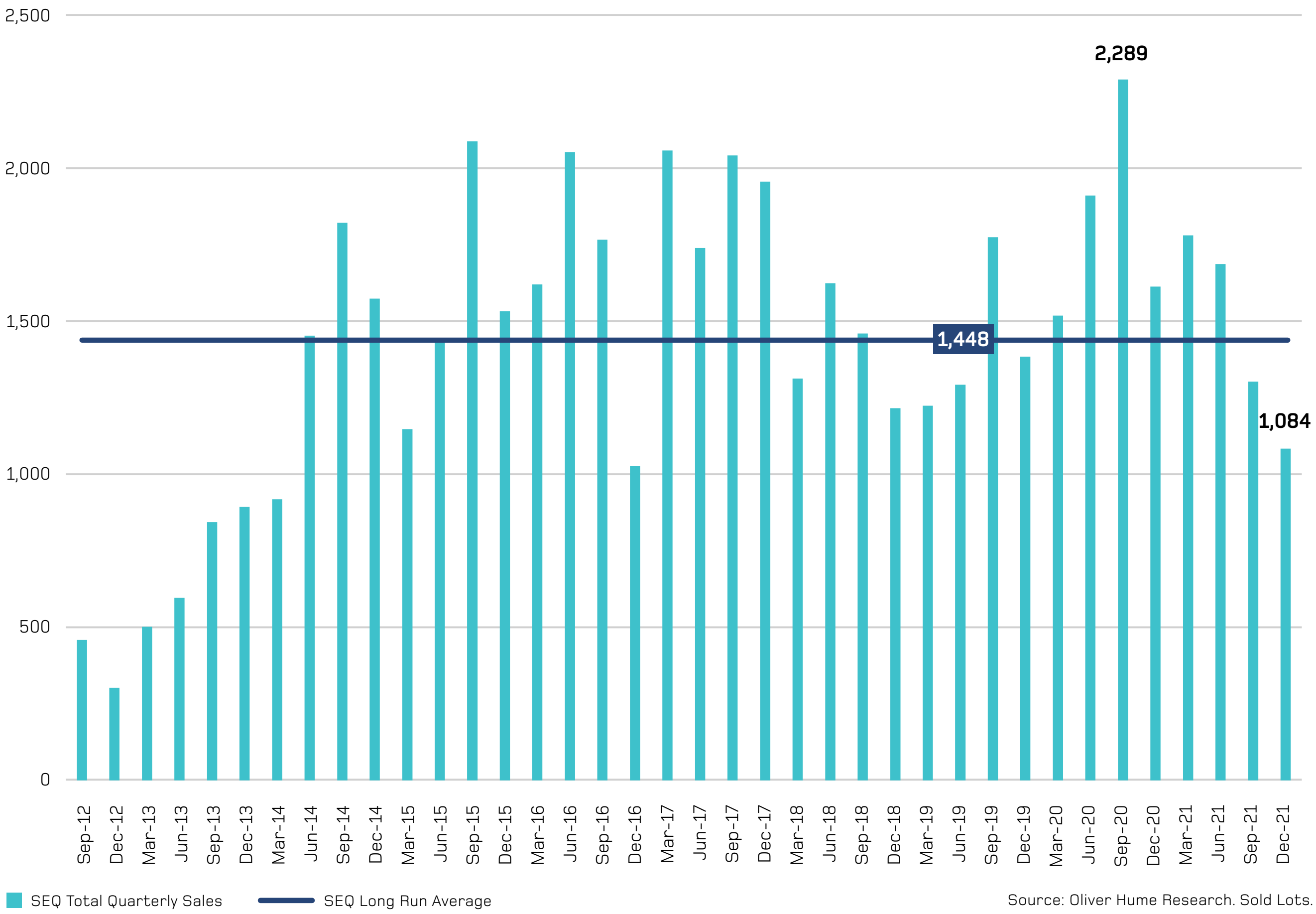
Lot availability continues to be one of the key drivers of sale volumes with markets having more stock to sell also dominating sales.

At the end of 2021, five of the six South East Queensland growth corridors recorded fewer than 100 lots available. Stock availability has dropped significantly over the year across the broader South East Queensland market.

The largest decline occurred in the Brisbane market .

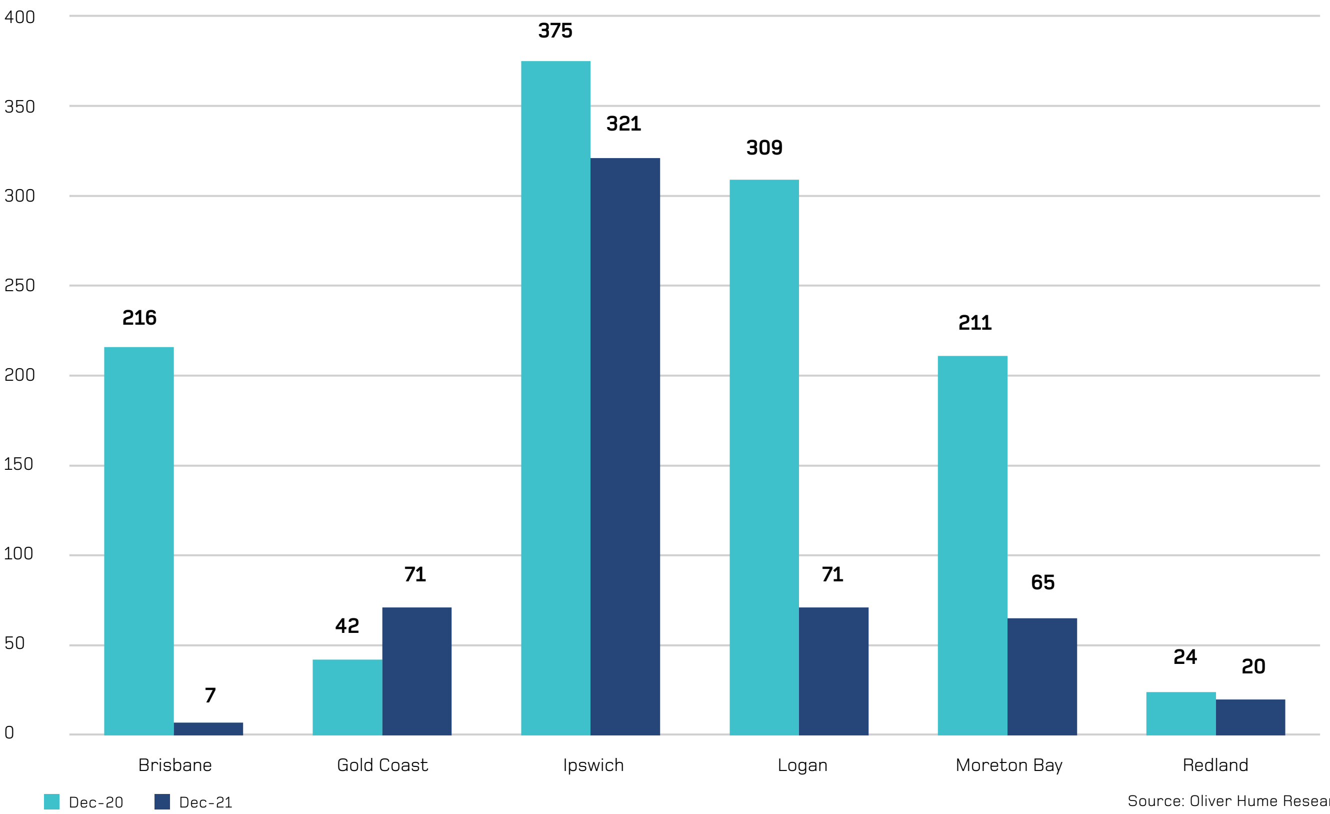
The lack of stock for sale is expected to further exacerbate pent-up demand.

South East Queensland Project Land Sales



Source: Oliver Hume Research. Sold Lots.

Available Stock – Growth Corridors



Source: Oliver Hume Research.

3.2

Land Market

Market Share

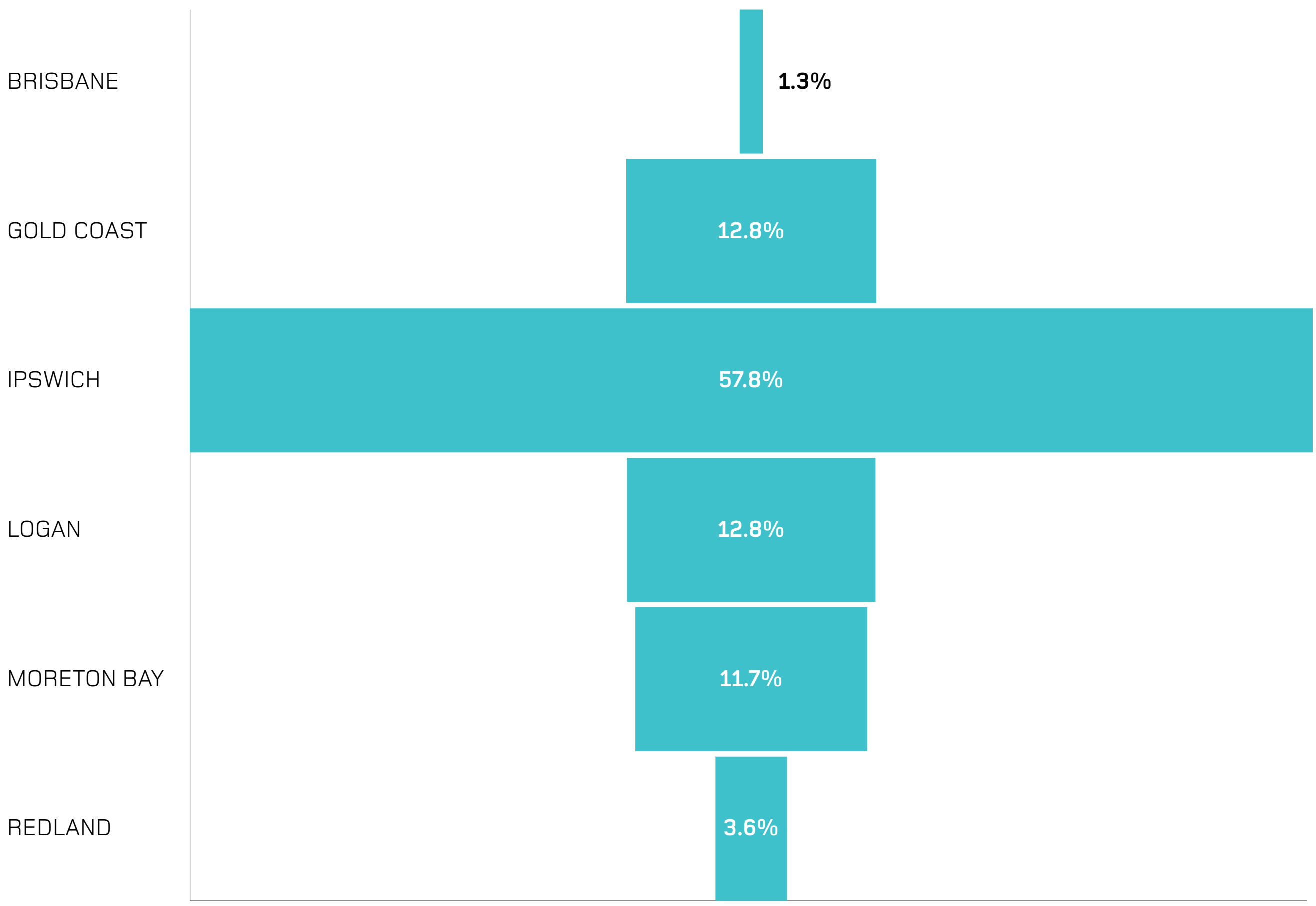
The Ipswich LGA recorded the highest market share accounting for around 58% of all sales in the December quarter.

Growth Corridor Sales Market Share

Quarter	Brisbane Sales	Gold Coast Sales	Ipswich Sales	Logan Sales	Moreton Bay Sales	Redland Sales
Dec. '21	1.3%	12.8%	57.8%	12.8%	11.7%	3.6%
Sep. '21	10.5%	9.5%	27.7%	30.8%	17.0%	4.4%
Dec. '20	13.9%	5.0%	25.0%	33.9%	21.3%	0.1%

Source: Oliver Hume Research.

South East Queensland Project Land Sales | Market Share



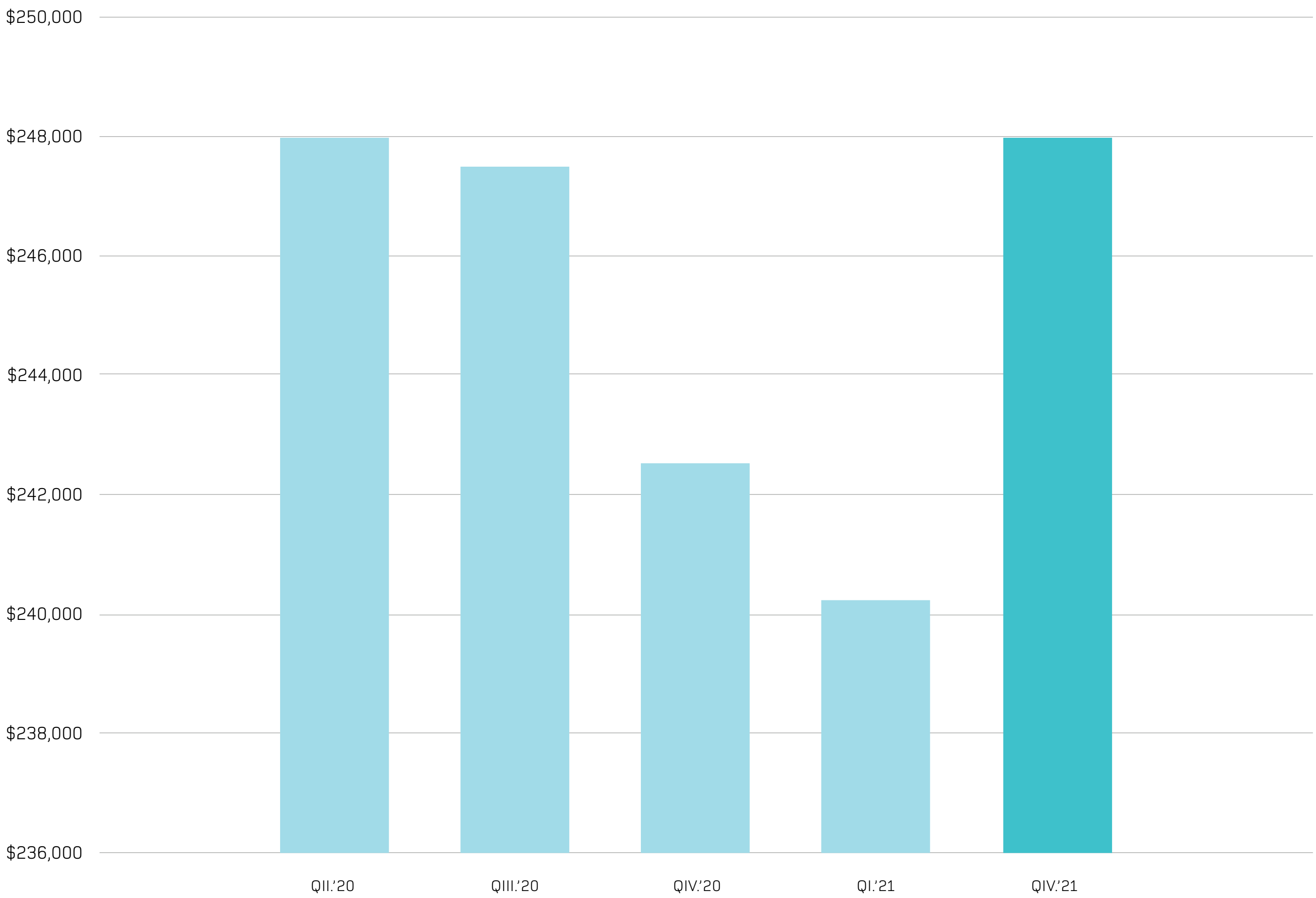
Source: Oliver Hume Research.

Median Price

The median price for the broader South East Queensland market increased by 4.0% over the quarter to be up 2.3% over the year.

All municipalities recorded increased median prices over the quarter.

New Residential Land Median Prices – South East Queensland



Source: Oliver Hume Research.

3.2

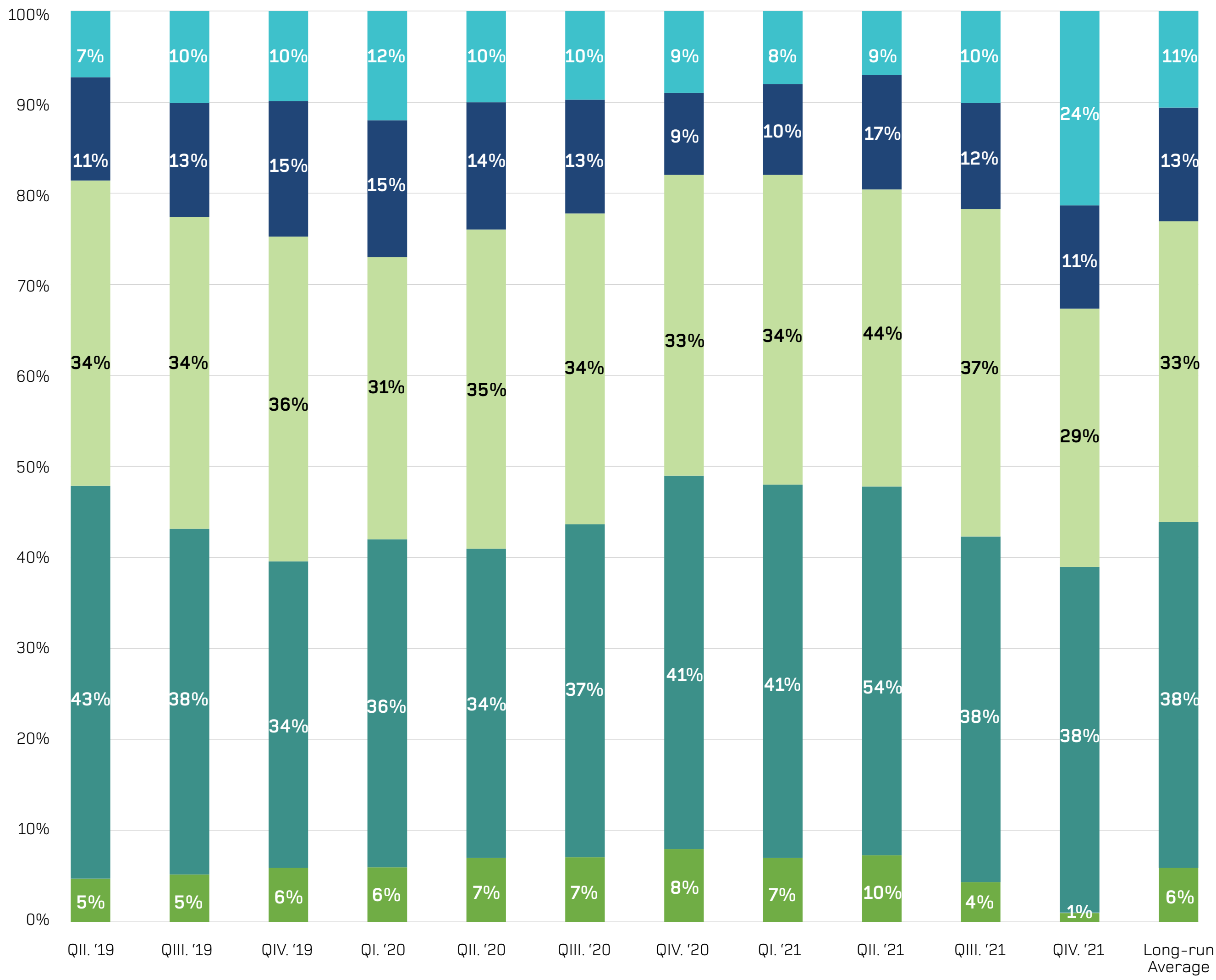
Land Market

Median Lot Size

Lots sized 301-400 sqm were the most common sold lot (38% of all lot sales) across the broader South East Queensland market in the December quarter 2021.

Over the year the Brisbane and Ipswich markets experienced the largest change in median size of lots sold. This was partly attributed to the launch of several projects with slightly larger block sizes.

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



Source: Oliver Hume Research.

South East Queensland Median Lot Sizes by Local Government Area (sqm)

LGA	QIV. '21	QIII. '21	QIV. '20	QoQ	YoY	5 yr Change
Brisbane (C)	425	412	391	-2.3%	8.7%	-10.6%
Gold Coast (C)	448	426	444	5.4%	0.9%	25.7%
Ipswich (C)	435	418	406	3.6%	7.1%	-3.8%
Logan (C)	400	397	390	0.0%	2.6%	-5.3%
Moreton Bay (R)	448	421	434	-0.4%	3.2%	50.2%
Redland (C)	414	437	448	2.7%	-7.6%	30.4%
SEQ	482	408	419	19.6%	15.0%	31.8%

Source: Oliver Hume Research.

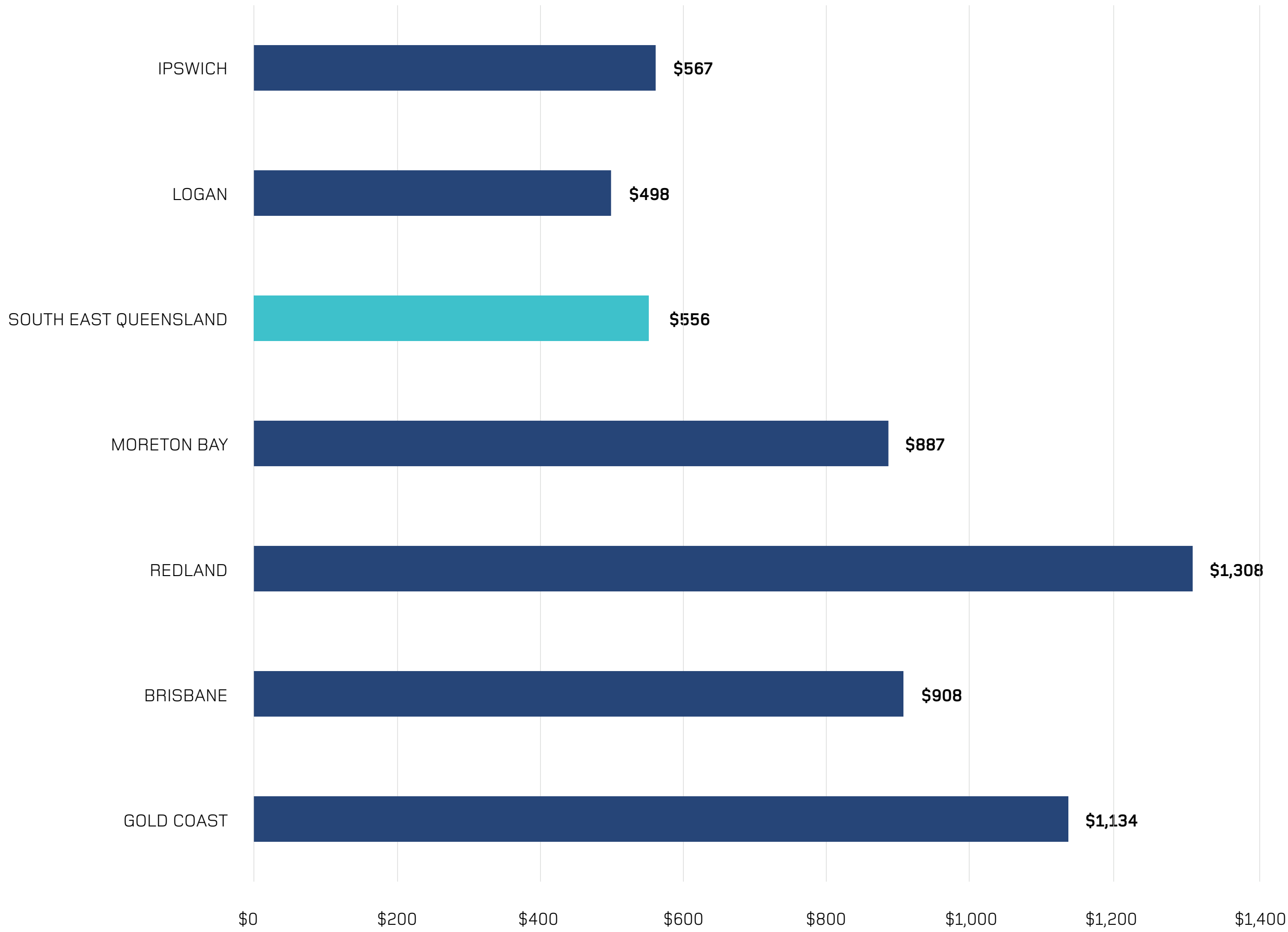
3.2

Land Market

Value Rates

The South East Queensland value rate decreased by 8.5% over the quarter due to larger lots coming to the market over the December quarter 2021. With price growth continuing we anticipate this reduction to be short lived.

South East Queensland Project Land Sales (December Quarter 2021) | Median Value Rate ($ per sqm)

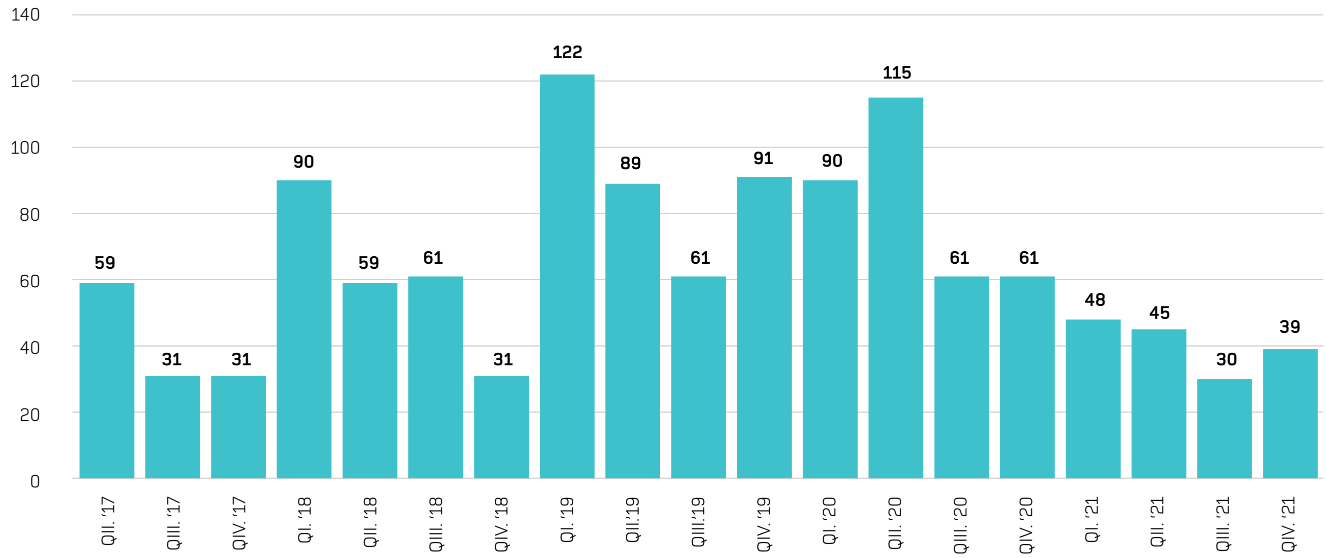


Source: Oliver Hume Research.

Time on Market

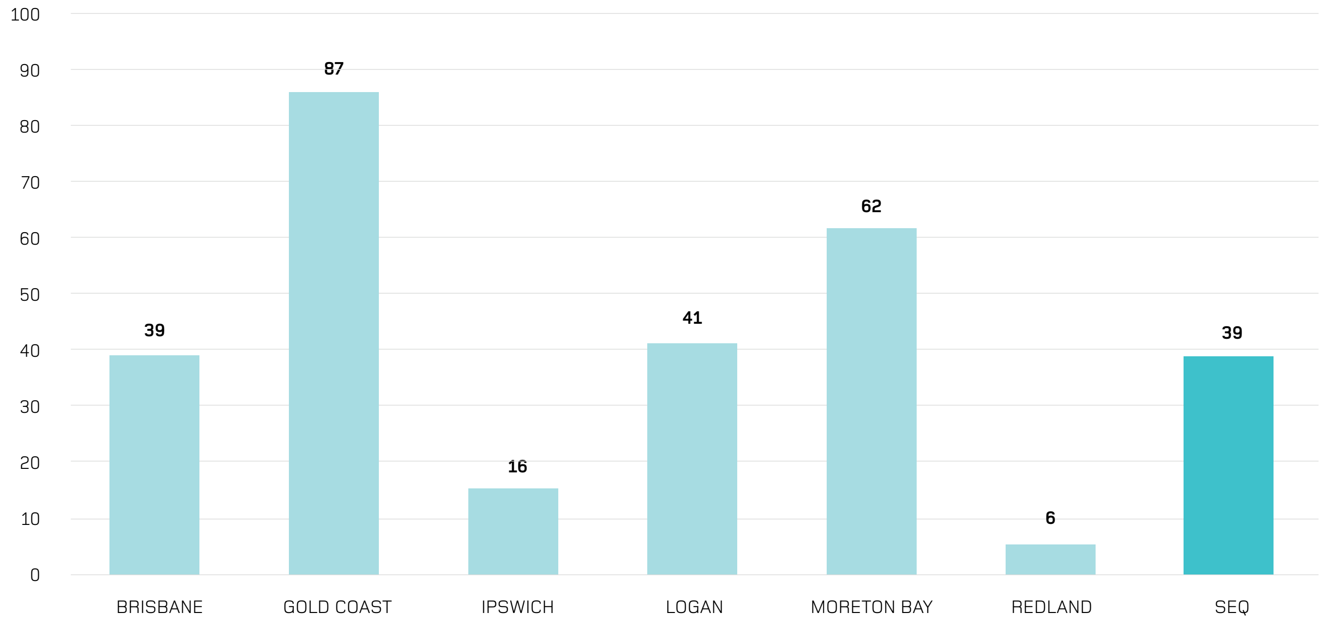
Lots remained on the broader South East Queensland market an average of 39 days during the December quarter 2021. Although slightly higher over the quarter, the average time on market remains low, buoyed by a growing population demand and limited stock.

South East Queensland New Residential Land – Median Time on Market (Days)



Source: Oliver Hume Research. Median data.

South East Queensland New Residential Land – Median Time on Market (Days)



Source: Oliver Hume Research.

QUEENSLAND

South East Queensland

December Quarter 2021

COMMONLY SOLD LOTS

12.5m x 30m
12.5m x 28m
14m x 30m

MEDIAN PRICE

$248,000

MEDIAN SIZE

482 sqm

MEDIAN VALUE RATE

$556 per sqm

3.3

Apartments and Townhouses

Brisbane

The Brisbane unit market had another strong quarter to finish 2021 on a positive note.

Price growth continued in the December quarter 2021 with the median unit price increasing by 4.1% over the quarter to surpass $451,000. Brisbane unit prices are 12.7% higher over the year.

Sales activity is trending above long-term average levels with demand continuing to outstrip supply.

Vacancy rates across the broader Brisbane market are approaching previous lows, driven by increased interstate migration, limited stock and growing rental demand. These factors have contributed to robust rental growth over the year.

More owner-occupiers are making the move into the apartment market with the gap between detached and attached dwelling prices widening to record levels.

International and state border reopening, continued employment growth, the delivery of new infrastructure and the 2032 Olympics Games are expected to underpin buyer interest in the Brisbane property market going forward.

Gold Coast

Apartment sales on the Gold Coast have hit an all-time high making the local real estate market one of the most sought in 2021.

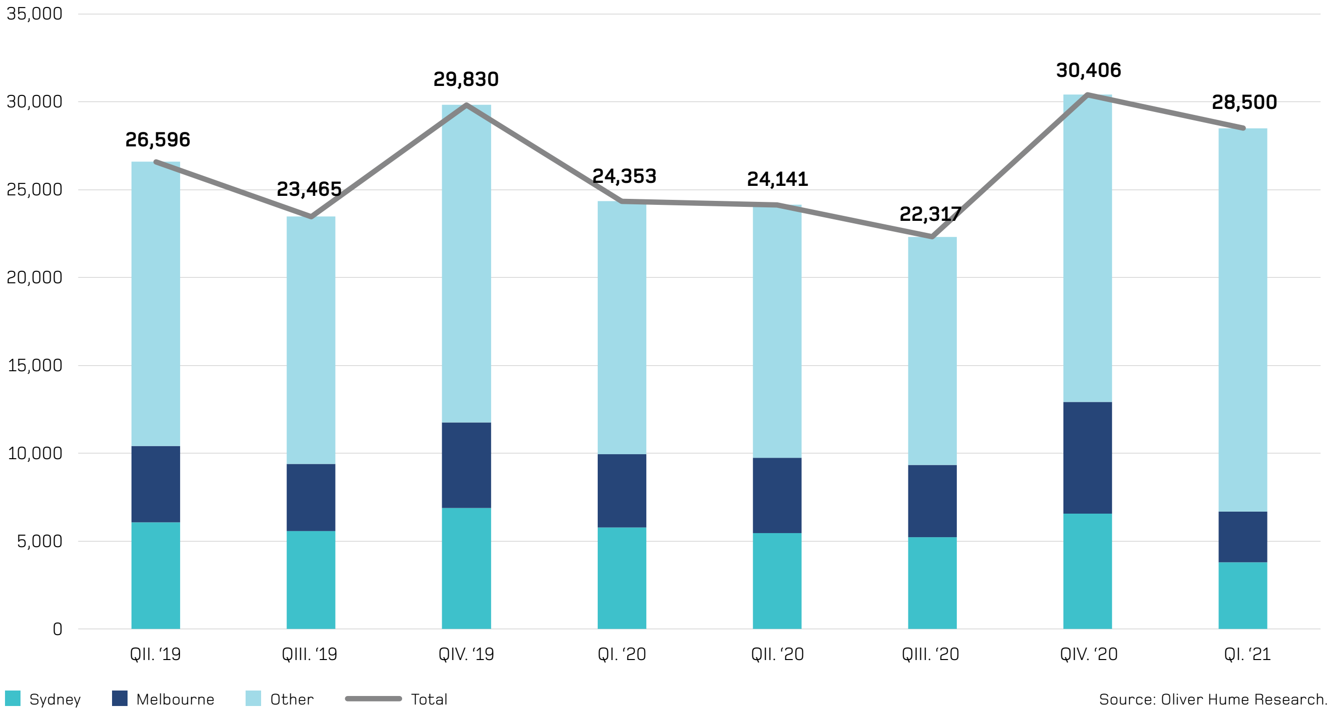
Strong demand, combined with limited supply, has led to a lack of apartments, declining vacancy rates and rising prices and rents.

Gold Coast median unit prices now exceed $582,500 having increased by over 26% over the last year. Various sub-markets have experienced even stronger growth over the last year (for example, Currumbin Waters, Burleigh Heads and Mermaid Waters).

Several areas across the Gold Coast continue to face undersupply issues and the trend is expected to continue.

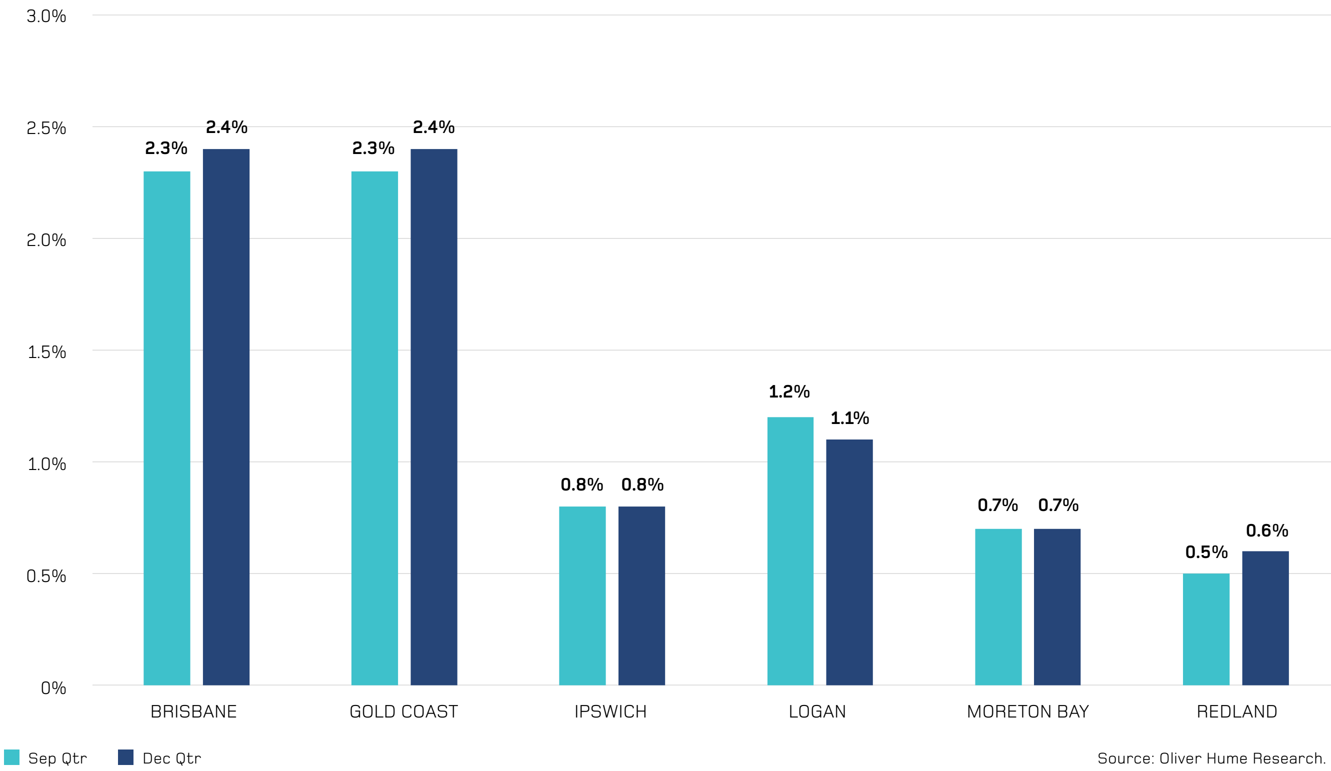
With strong population growth expected to continue, including from interstate migration, the outlook for the Gold Coast market is expected to remain strong throughout 2022.

Interstate Arrivals to Queensland



Source: Oliver Hume Research.

South East Queensland Vacancy Rates (2021)



Source: Oliver Hume Research.

4.0

Feature Article

Sunbury and the Future of Melbourne

Trends in the 'post-COVID' era

Identifying and understanding long-term trends is an important although rare skill.

Getting a handle on underlying trends in times of rapid change is especially difficult.

When the world is moving fast it can often lead us to question what we know and our assumptions about the future.

COVID-19 is the latest example of how one event, largely unforeseen by most, can lead us to new questions and a different outlook.

COVID-19 has already generated considerable discussion about what the future might hold.

Perhaps one of the most interesting and important areas of discussion is how our cities, towns and regions will change in the 'post-COVID' world.

COVID-19 appears to have had both permanent and temporary impacts on various trends underway. Many of these trends have been shaping our urban and regional geographies for decades or longer.

Some of these trends have accelerated.

An example is working from home and the rise of the digital economy.

It appears inevitable now in hindsight, perhaps, after almost two years of lockdowns and other restrictions, that our homes were always going to be places where more work would be undertaken.

Going forward, where people will spend an increasing amount of their working time will have an impact on local economies, residential development and other areas.

Other trends appear to have slowed or even, temporarily perhaps, reversed.

An example is globalisation.

Globalisation accelerated in recent decades.

The modern era of globalisation essentially began after the Second World War through increasing flows of information, trade, capital and people around the world.

Some analysts have argued that COVID-19 has merely disrupted globalisation. Others have argued that globalisation in the future will be very different to what has been observed in the past.

In this new type of globalisation, it is argued, regional and bilateral trading arrangements, not multilateralism, will dominate.

As we have seen only too clearly with COVID-19, what happens in other parts of the world can have an impact on Australia, either immediately or over time.

Over the long-term, changes in global production and trading patterns will affect Australia, especially, as we are an open trading economy.

These changes will create both winners and losers across the spectrum of Australian society and the economy.

While the fate and fortunes of industries and businesses will be shaped in the coming years, so too will that of our cities, towns and regions.

Understanding these shifts - and how they might apply to cities, towns and regions – is a valuable but rare skill.

COVID-19 appears to have had both permanent and temporary impacts on various trends underway. Many of these trends have been shaping our urban and regional geographies for decades or longer.

Sunbury at the Epicentre

At Oliver Hume, we are constantly scanning the horizon, on the lookout for the places where our clients can identify and capitalise upon new opportunities.

Central to this process is understanding how current and emerging trends will shape the residential property market and, in particular, which locations will see increased demand.

One of the locations we are closely watching is Sunbury and the surrounding region (around 40 km from Melbourne's CBD).

Although Sunbury is already experiencing significant population growth and residential development, the pace of change is likely to accelerate in the coming decade as the broader region responds to the many shifts underway.

These shifts include, but are not limited to, those related to the rebalancing of Melbourne and the areas of affordability, lifestyle and liveability, infrastructure and employment.

As a result, Sunbury and the surrounding region will emerge as an increasingly important option for prospective buyers.

Rebalancing of Melbourne

Since Melbourne's founding, the city's growth and expansion has been mostly towards the southeast.

In recent years, however, we have seen a reversal with the city's growth flipping to the north and west.

The expansion of the northern and western regions, driven by large development growth corridors, now account for a significant share of the metropolitan economy and population. The share is set to increase significantly going forward.

At the epicentre of Melbourne's 'great rebalancing' is Sunbury.

Sunbury is in the northern local government area of Hume and, specifically, in the northern growth corridor. However, Sunbury also borders Melbourne's western region and the western growth corridor.

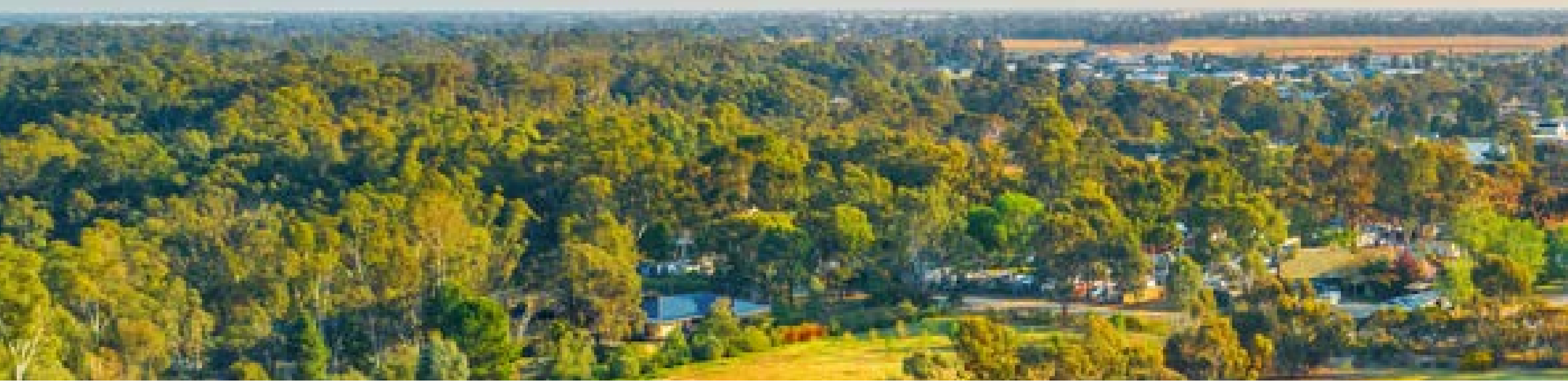
This is a strategic location.

Both the northern and western growth corridors and regions are expected to experience amongst the fastest population growth in Australia.

Over the coming decades this will mean Sunbury will be the epicentre of a region undergoing tremendous growth.

FEATURE ARTICLE

Sunbury and the Future of Melbourne



Affordability

Affordability remains a key challenge for many buyers trying to enter the market.

Melbourne's north and west offer some of the most affordable residential properties in the broader metropolitan area.

Sunbury offers tremendous value for a range of buyer groups including upgrader buyers and those looking for more land.

Sunbury also offers opportunities for first home buyers and those looking to enter the property market.

With the median Melbourne house price now well over $1 million and set to head higher over the medium to long term, many buyers will continue to look to Sunbury where they can still buy a new house and land package from just under $400,000.

Authenticity and Lifestyle

Besides its ideal location, Sunbury also offers lifestyle and liveability.

Sunbury is a heritage-rich city that retains its charm for such a large town that is relatively close to the Melbourne CBD.

Sunbury's heritage and history are especially unique. The Ashes urn originated in the town and Sunbury is home to the state's oldest homestead.

The town offers several health, education, community and other facilities.

The Sunbury wine region, home to several historic and family-owned vineyards, is the closest wine region to Melbourne. Sunbury also offers several other attractions including craft and farmers markets and historic homes and gardens.

Beyond Sunbury lies the Macedon Ranges which is internationally renowned for its natural scenery, native forests, charming towns and dynamic tourist, food and wine industries.

Infrastructure and Employment

Employment growth and new and improved infrastructure are amongst the most important drivers of residential property markets over the long-term.

Again, Sunbury's location is strategic.

Sunbury is only 20 km from Melbourne Airport- one of Australia's international gateways and a major employer.

Together with Melbourne Airport, the surrounding business and industrial parks support thousands of transport, logistics, distribution and other jobs.

While many Sunbury residents already work at the airport and the surrounding region, the continued growth and expansion of the airport is expected to support a growing workforce, many of whom could look to Sunbury as their new home.

Melbourne airport is set to become to a major contributor, once again, to Victoria's economy and local residential demand as travel resumes and global supply chains are restored.

As Sunbury and the rest of Melbourne have expanded and grown in recent decades, infrastructure and connectivity have also improved.

Many Sunbury residents work in the local area and other parts of the state including, especially, Melbourne's northern region and central Melbourne.

Significant infrastructure investment, currently underway, is set to significantly improve Sunbury's connectivity.

The $2.1 billion upgrade of the Sunbury train line will increase its capacity by 113,000 passengers per week.

Importantly, the upgrade is a major element of creating an end-to-end Sunbury to Pakenham / Cranbourne rail line.

The rail line will be linked by the Metro Tunnel, a city-shaping project for Melbourne, that will untangle the City Loop and allow more trains to run more often across the metropolitan area.

Looking forward

As Melbourne enters 2022 and a new era of growth and optimism, Sunbury's numerous competitive advantages and strengths will help ensure that, this once satellite city, will take centre-stage as one of the most compelling residential locations for property buyers and those looking for a special place to call home.

OLIVER HUME

NATIONAL HEAD OFFICE
Level 2
4 Riverside Quay
Southbank, VIC 3006

+613 9669 5999

BRISBANE OFFICE
Shop 9, Gasworks Precinct
26 Reddacliff Street
Newstead, QLD 4006

+617 3216 1666

DARWIN OFFICE
129 Asche Street
Muirhead
NT 0810

1 300 7373 598

GOLD COAST OFFICE
Suite 19C, Level 19
50 Cavill Avenue
Surfers Paradise, QLD 4217

+617 5564 3200

www.oliverhume.com.au

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