RESIDENTIAL RESEARCH

Knight Frank

AUSTRALIAN RESIDENTIAL DEVELOPMENT REVIEW

H2 2019

A REVIEW OF KEY DRIVERS ACROSS LOW, MEDIUM & HIGH-DENSITY DEVELOPMENTS.

KEY FINDINGS

Residential development site sales tallied $5.1 billion across Australia in the 2018-19 financial year, down 38.2% on the previous year. Over this time, **offshore buyers** purchased 33.9% of all development sites, by value.

Across Australia, **high-density** site sales ranged significantly from an indicative $40,000 to $184,200/per apartment in June 2019; with an average of $84,300/per apartment. New apartment prices ranged from an indicative $5,500 to $13,600/sqm at this time; with an average of $8,200/sqm.

By value, the proportion of Australian **medium-density** development sites sold compared to all sites remained steady at 6.0% in 2018-19.

Almost 47,700 new **low-density** residential land lots were released across the major Australian capital cities in 2018, down 13.8% on the previous year. The weighted median price for a land lot stood at $320,500 in 2018; an annual increase of 6.8%.

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AUSTRALIAN RESIDENTIAL DEVELOPMENT

Overview

For most of 2019, land once earmarked for residential development has been challenged by increased demand in alternate asset classes (office, hotels, student living, aged care). In many cases, this has provided relief for developers with overcommitted landbanked sites and some have resorted to packaging off-the-plan bulk apartment sales in suburbs with pockets of oversupply. The strict lending criteria for buyers has now been loosened, but access to traditional finance is still difficult for many local and offshore developers. As a result of lack of construction starts, the pipeline of new apartments tapers back significantly over the next three years, potentially not supporting the population growth projected for major Australian cities.

In recent years, there has been substantially more land released for low-density in growth corridors. There has been an uptick in first home buyers coming through, although many renters are still opting to stay put, in order to live closer to work and play. There has recently been a pick-up in off-market development site activity with flight to quality sites. Many sales are being structured to be settled over 18-24 months, aligning with growth forecast in established capital values.

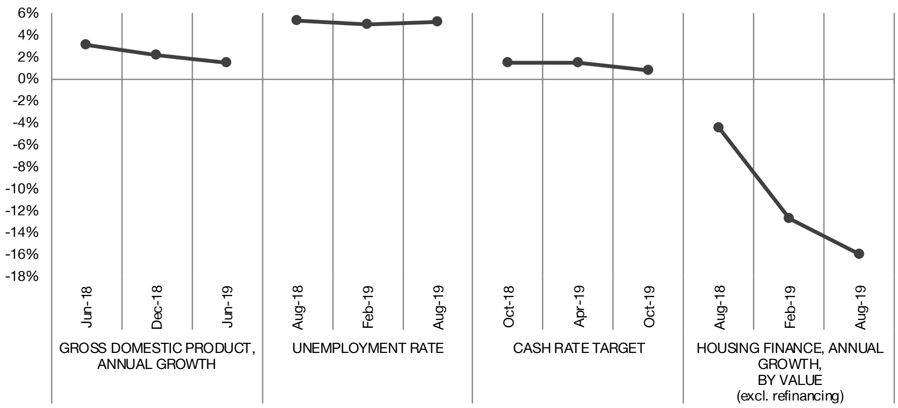
Site Sales Volume

The total volume of residential site sales was $5.1 billion in the 2018-19 financial year—this included sites suitable for low, medium and high-density development across Australia. Total residential site sales have fallen 38.2% with most states and territories recording similar, or less sales activity over the past year. An exception to this was South Australia (SA) with sale volume up four-fold to $77.6 million in this time.

In the year ending June 2019, New South Wales (NSW) recorded the highest volume with $2.7 billion of residential site sales (down 51% on the previous year), followed by Victoria with $1.9 billion (falling by 21%).

Residential site sales in Queensland totalled $569.95 million (down 25%), followed by Western Australia (WA) with $136.6 million (falling 35%) and the Australian Capital Territory (ACT) with $60.3 million (down 12%). Over this time, Tasmania and the Northern Territory (NT) didn't record any major sites sales suitable for residential development.

FIGURE 1
National Key Economic Indicators



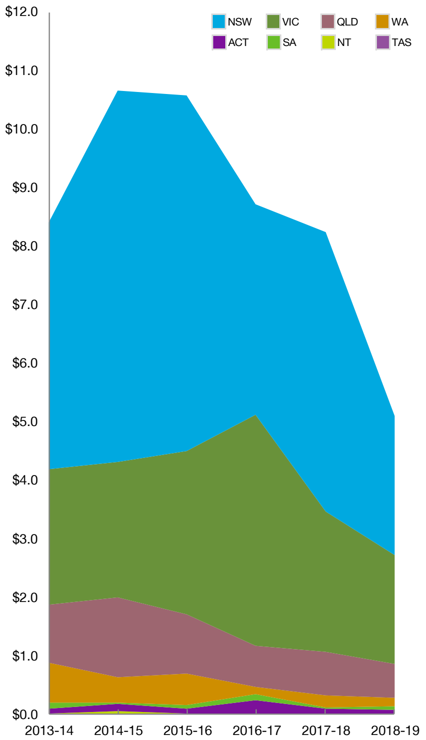
Source: Knight Frank Research, ABS, RBA

Definitions and geographies are located on page 16.

FIGURE 2

Total Residential Site Sales by State & Territory, Australia

$billion



Major sites suitable for low, medium and high-density development. All site sales $2m+, except for NSW & VIC sales being $5M+.

Source: Knight Frank Research

Developer Nationalities

Offshore developers and investors continue to invest in Australia. In the year ending June 2019, by value, this group purchased approximately 36.9% of sites sold suitable for residential development. This was lower than the 47% share recorded in the previous year, with more local developers buying up sites. China made up 54.6%, by value, of the offshore countries purchasing Australian residential development sites in the 2018-19 financial year. This was followed by Singapore (with 21%), Hong Kong (15.1%) and Malaysia (2.7%).

Greater Melbourne was still the most popular capital city for investment by offshore developers and investors with a 68.2% share of disclosed total residential sites sold in the year ending June 2019, followed by Greater Sydney with 27.3%. Over this time, offshore purchasers across Australia preferred to buy sites suitable for low-density development (59.5% share) followed by high-density (35.1%) then medium-density with a 5.4% share, by value.

Development Densities

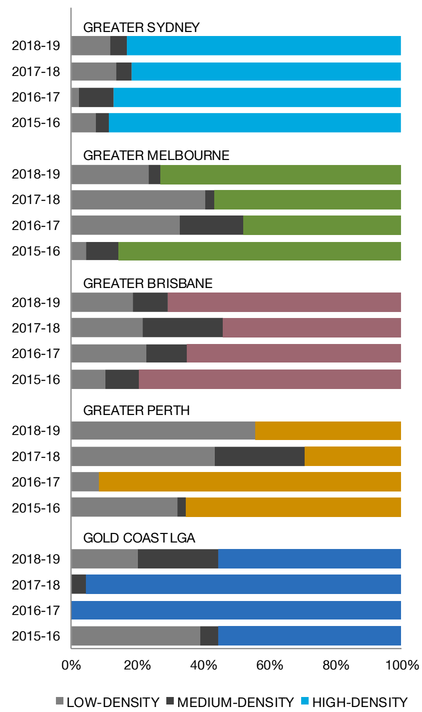
Across the major Australian cities, development sites suitable for high-density continue to be the overall preferred option for development. In the 2018-19 financial year, high-density sites comprised 73.1% of all residential development site sales by volume; the highest proportions recorded in Greater Sydney and Greater Melbourne.

Low-density sites comprised a share of 20.9% in the year ending June 2019, while medium-density sites much suited to the downsizing population and those priced out of the single dwelling market, last recorded a 6.0% share of sites being sold for residential development. The distribution of sales to each type density has remained relatively stable over the past year.

FIGURE 3

Development Site Sales by Potential Density, Major Australian Cities

Total volume, by value



All development site sales $2m+, except for Greater Sydney & Greater Melbourne sales being $5M+.

Source: Knight Frank Research

DEFINITIONS

The definition of density ranges across Australia. For consistency in reporting, definitions adopted include:

High-density
Projects with more than 25+ apartments and more than four storeys; as defined by Knight Frank Research.

Medium-density
Projects with one and two storeys semi-detached, row or terrace houses; plus flats, units or apartments in a one, two or three storey block; as defined by the Australian Bureau of Statistics (ABS).

Low-density
Single residential allotments 'land lots' within the greenfield land market; as defined by UDIA National Land Survey Program.

Definitions and geographies are located on page 16.

Collective Site Sales

Sites sold collectively suitable for low, medium and high-density development across Australia made up 20.2% of total disclosed sales in 2018-19.

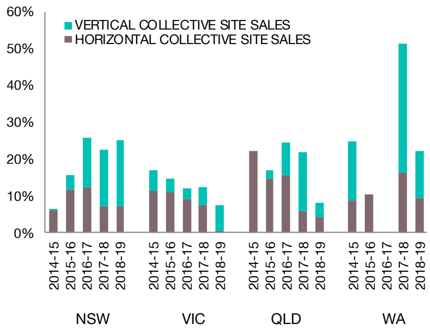
These collective sales include horizontal sites, with multiple homeowners banding together to form amalgamated residential super-lots; and vertically, with owners of individual apartments, office and industrial suites within a building.

Vertical site sales have been more prevalent in NSW with new legislation for strata properties coming into operation in late 2016—growing from a share of 0.4% in 2014-15, to 18.1% in 2018-19 of total site sales suitable for high-density.

FIGURE 4

Collective Site Sales

% portion of disclosed total sales for each state suitable for high-density development, by value



Residential site sales suitable for high-density development equivalent to 4+ storeys and 25+ apartments; site sale threshold of $5M+ for NSW and Victoria, and $2M+ in Qld and WA.

Source: Knight Frank Research

This reform provides owners of NSW freehold strata lots with an alternative way to end their strata scheme. This can be done by agreeing to a plan allowing for the collective sale, or redevelopment, of their strata complex in circumstances where at least 75% of owners agree.

A similar strata reform is proposed for Western Australia (WA), with the Strata Titles Amendment Bill 2018 currently with the Standing Committee on Legislation for review. In WA, although coming off a lower base, 12.7% of potential high-density sites were sold vertically in a collective manner in 2018-19. By comparison, without any planned legislation reform, Victoria and Queensland recorded vertical sales share of 7.1% and 3.8% respectively.

AUSTRALIAN HIGH-DENSITY DEVELOPMENT

Site Sale Values

The average value for a high-density site across Australia was $84,300/per apartment (excluding the CBDs across the cities)—down 5.3% in the year ending June 2019. At this time, site values ranged from an indicative $40,000/per apartment in Greater Adelaide, to an indicative $184,200/per apartment in Greater Sydney. Greater Melbourne achieved an indicative rate of $120,400/per apartment while Greater Perth and Greater Brisbane recorded $50,200 and $40,100/per apartment respectively. Outside the major capital cities, Canberra recorded the highest indicative value at $92,500/per apartment for high-density sites, followed by Greater Hobart with $89,000/per apartment, the Gold Coast LGA ($71,700/ per apartment) and Greater Darwin ($58,000/per apartment).

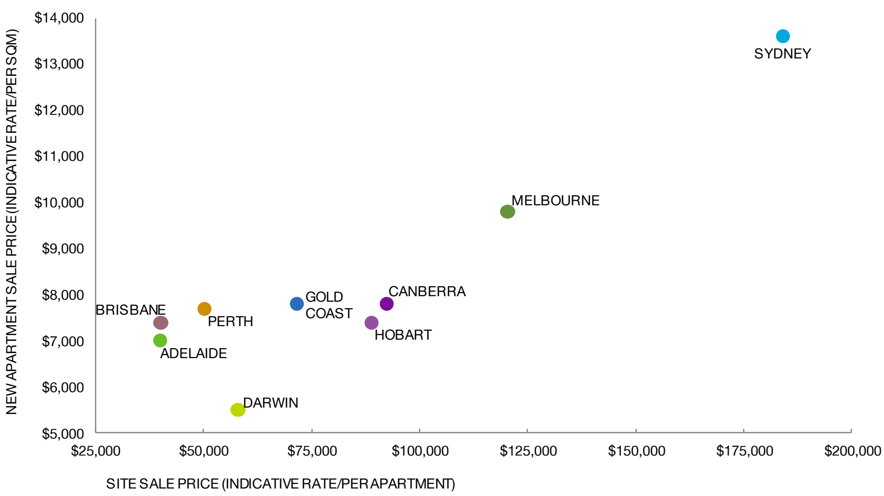
New Apartment Values

The price of a standard new apartment can range widely across Australian cities with the average value being $8,200/sqm at the end of June 2019. Starting from an indicative $5,500/sqm in Greater Darwin, to $9,800/sqm in Greater Melbourne; through to an indicative $13,600/sqm in Greater Sydney. The other cities indicative rates stretched between $7,000/sqm (Greater Adelaide) and $7,800/sqm (Gold Coast and Canberra). These being Greater Brisbane and Greater Hobart ($7,400/sqm) and Greater Perth ($7,700/sqm).

FIGURE 5

Site Sale & New Apartment Indicative Price Rates, Major Australian Cities

Sites based on potential high-density development (excl. CBD) and new apartments based on standard mainstream 2bed+2bath, as at 30 Jun 2019



For consistency across the cities, the site sales average rate/per apartment is calculated as the purchase price divided by the potential number of apartments, at the time of sale. Note: the Gold Coast new apartment rate is based on GFA.

Source: Knight Frank Research

Definitions and geographies are located on page 16.

AUSTRALIAN MEDIUM-DENSITY DEVELOPMENT

Over the 2018-19 financial year, the volume of building approvals for medium-density development (semi-detached/terrace/townhouses and 1-3 storey apartments) and sites for medium -density development trended down across the major states of Australia.

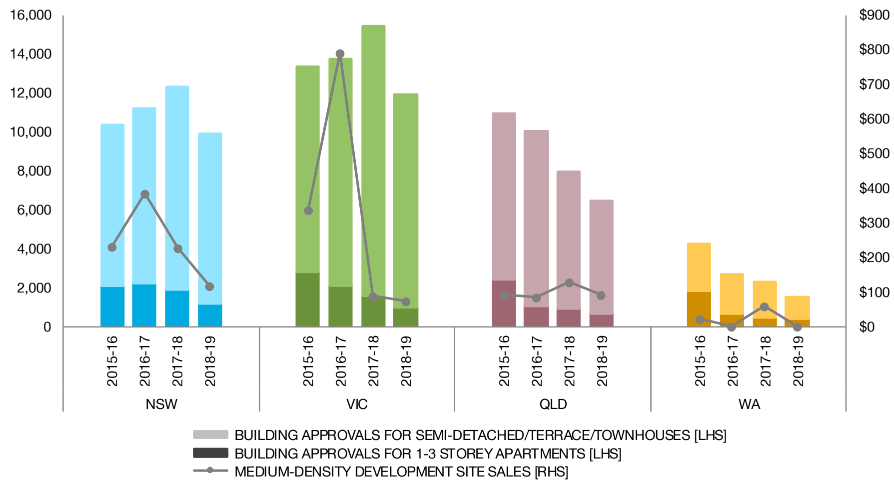
Victoria recorded the highest number of building approvals for semi-detached/ terrace/townhouses (10,950) in the year ending June 2019, although NSW saw the highest number of building approvals for 1-3 storey apartments (1,150).

Over this time, the highest volume of medium-density site sales was achieved in NSW ($118 million) followed by Queensland ($92 million).

FIGURE 6

Medium-Density Building Approvals & Development Site Sales, Major Australian States

Total number of approvals [LHS] &
$ million, site sales with potential for medium-density development, by value [RHS]



All medium-density site sales represented were $2m+ except for NSW & VIC site sales being $5m+.

Source: Knight Frank Research, ABS

AUSTRALIAN LOW-DENSITY DEVELOPMENT

There were 47,670 new residential land lots were released in 2018 across the major metropolitan areas of Australia. This was down 13.8% on the previous year, according to the UDIA State of the Land National Land Survey Program.

The median land lot size was 420 sqm in 2018; 16% smaller than recorded in 2014. Lots ranged from a size of 375 sqm in Greater Perth, to 507 sqm in Canberra. Across Australia, the median price for a single land lot stood at $320,500 in 2018; up 6.8% when compared to 2017. Greater Sydney continued to command the highest lot price of the major capital cities by the end of 2018, at a median of $489,000, whilst Greater Adelaide was the most affordable at $176,000.

TABLE 1

Residential Land Lots

Single allotments, 2018

Year Ending	Newly Released Lots (No.)	Annual Net Lot Sales (No.)	Median Lot Size (sqm)	Annual Change in Median Lot Size (%)	Median Lot Price ($)	Annual Change in Median Lot Price (%)	Median Lot Price ($/sqm)
Greater Sydney	7,187	5,708	379	-4.3	489,000	2.7	1,290
Greater Melbourne	18,466	15,811	400	-1.5	339,000	21.1	848
South East Queensland	11,148	10,609	433	-3.3	267,000	1.1	618
Greater Perth (incl. Peel)	6,674	4,811	375	0.0	222,000	-1.8	591
Greater Adelaide	3,114	2,392	426	-5.3	176,000	5.4	412
Canberra	1,080	790	507	1.4	462,000	4.8	911
Total	**47,669**		**420**	**-0.5**	**320,500^**	**6.8**	**798^**

Source: Knight Frank Research, UDIA National Land Survey Program

^weighted average

Definitions and geographies are located on page 16.

Population in Greater Sydney was estimated at 5.1 million persons in June 2018, with annual **population growth** of 2.0%. The **population projection** is forecast at 1.6% per annum until 2041 (ABS).

New South Wales (NSW) **economic growth** was 3.4% in 2018 with a similar forecast of 3.4% in 2022 (Oxford Economics). Greater Sydney **unemployment** stood at 4.0% as at August 2019, trending 30 bps lower than a year earlier (ABS).

The value of NSW **housing finance** commitments fell by 19.6% in the year ending August 2019; down from -7.9% recorded for the previous year (ABS).

Greater Sydney apartment **capital values** decreased 7.2% over the past year ending June 2019, down 0.4% in the last quarter to a median of $688,500. The average apartment was **on the market** for 92 days in June 2019, up from 63 days one year earlier. The **volume of sales** tallied 22,029 apartments (down 31.8%) in the year ending June 2019 (APM).

Apartment **gross rental yields** remained steady at 4.00% for the June 2019 quarter. **Median rents** stood at $525 per week, falling 4.5% over the year ending June 2019 (APM).

Total vacancy was 3.4% in Greater Sydney, as at June 2019; recording 3.4% in the Inner Suburbs (0-10km from the CBD), 3.4% in the Middle Suburbs (10-25km) and 3.5% in the Outer Suburbs (25km+) (REINSW).

SYDNEY APARTMENTS

Site Sales Volume

The volume of sales for development sites suitable for high-density apartments in Greater Sydney was 50% lower in the year ending June 2019, with a total of $1.97 billion.

Developer Nationalities

Analysing the disclosed purchasers of high-density developments sites by value, resulted with offshore buyers making up 11.1% of the mix in the 2018-19 financial year. The most prominent nationalities of offshore developers were from China (68%) and Singapore (28%).

Site Values

Across Greater Sydney, the average sales rate for high-density residential sites was an indicative $184,200/per apartment at the end of June 2019, excluding CBD sites. This indicative rate has decreased 12% over the past year.

In the inner suburbs of Sydney, the range of development site values extended from $175,000 to $600,000/per apartment with an indicative rate of $353,300/per apartment in June 2019. At this time, middle suburbs ranged from $125,000 to $280,000/per apartment, with an indicative rate of $167,000. Site values in the outer suburbs ranged from $40,000 to $180,000/per apartment (indicative of $78,800).

Apartment Pipeline

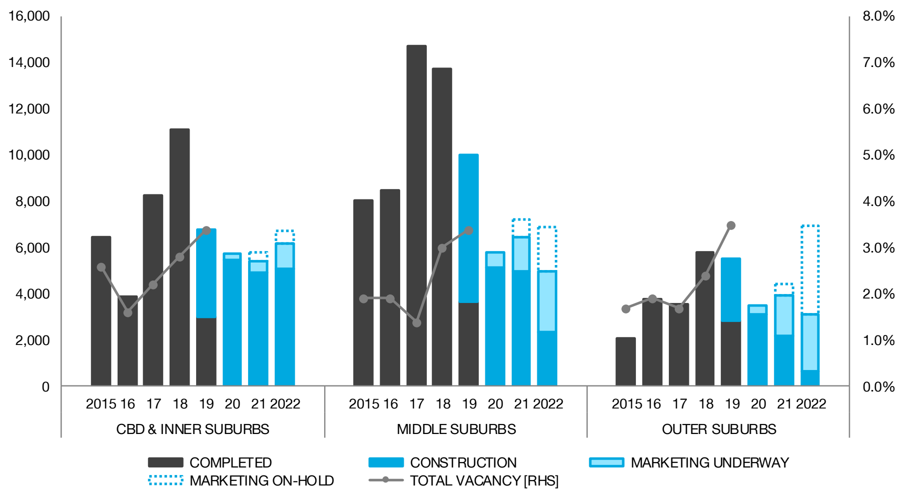
In mid-2019, there had been 40,100 new apartments added to Sydney's housing supply since the start of 2018, with a further 46,700 apartments currently under construction due by the end of 2022. There are a further 11,200 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The inner suburbs saw 14,100 new apartments completed in 2018 and H1 2019 with a further 19,250 under construction and 1,800 being marketed due for completion by the end of 2022. By mid-2019, the middle suburbs saw the number of new apartments grow by 17,350 since January 2018. By the end of 2022, this is forecast to grow by another 18,800 apartments at construction stage, and another 4,750 being marketed. In the outer suburbs, 8,650 new apartments completed in the eighteen months ending June 2019, and by the end of 2022, another 12,250 currently under construction or being marketed.

FIGURE 7

New Apartment Pipeline & Total Residential Vacancy, Greater Sydney

Number of potential apartments each year, includes projects with 4+ storeys with 25+ apartments & % total residential vacancy [RHS], as at 30 Jun 2019



Source: Knight Frank Research, REINSW

Definitions and geographies are located on page 16.

ESTIMATED PIPELINE OF MAJOR PROPOSED INFRASTRUCTURE PROJECTS—GREATER SYDNEY

Bedroom Split

In Greater Sydney, the distribution of bedrooms in apartments completed since 2015 have been weighted towards 2-bedrooms with 46% of the total share, followed by 1-bedrooms (36%), 3+ bedrooms (10%) and studios (8%).

Currently under construction and due by the end of 2022, there is a trend towards a lesser share of studios (2%) and 1-bedrooms (28%) being built and more 2-bedrooms (57%) and 3+ bedrooms (13%).

Construction Costs

The cost of construction in Greater Sydney increased by an estimated 2.0% in the year ending June 2019. In 2019, it's estimated the cost to build an apartment to a medium standard (with a balcony) ranges from $2,970/sqm to $3,515/sqm (plus GST), according to Rawlinsons.

New Apartment Values

Prices for new mainstream apartments in Greater Sydney have fallen from an indicative $14,100/sqm in June 2018 to $13,600/sqm in June 2019, to currently range between an average of $5,500 and $27,000/sqm (excludes prime and CBD projects). Prices vary significantly across Greater Sydney; ranging from $14,000 to $27,000/sqm in the inner suburbs (indicative $17,000/sqm) as at June 2019.

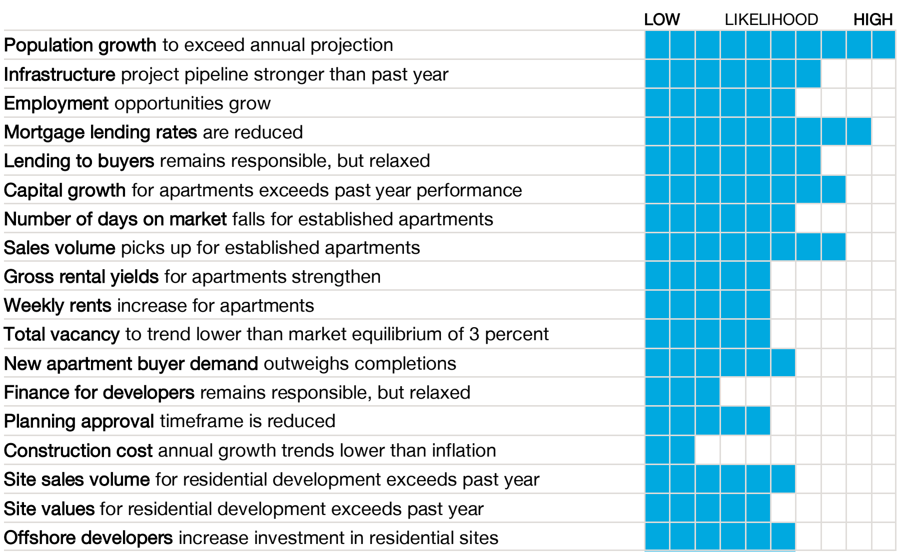
New apartments in the middle suburbs of Sydney, were priced at an indicative $10,900/sqm (ranging from $8,000 to $15,000/sqm), whilst in the outer suburbs, an apartment could be purchased for an indicative $7,000/sqm (ranging from $5,500 to $11,000/sqm).

Offshore Buyers

Offshore buyers pay a duty surcharge for NSW apartments. This equates to 8% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.

FIGURE 8

One Year Outlook, 18 Key Development Drivers, Greater Sydney



Source: Knight Frank Research

TOP 10 SYDNEY SUBURBS FOR NEW APARTMENTS

COMPLETED IN 2018 + H1 2019

Pagewood
Penrith
Epping
Parramatta
Wolli Creek
Wentworth Point
Macquarie Park
Ryde
Waterloo
Liverpool

UNDER CONSTRUCTION DUE BY END 2022

Sydney
Mascot
St Leonards
Erskineville
Lidcombe
Zetland
Waterloo
Rouse Hill
Sydney Olympic Park
Randwick

Source: Knight Frank Research

Definitions and geographies are located on page 16.

Population in Greater Melbourne was estimated at 4.8 million persons in June 2018, with annual **population growth** of 2.7%. The **population projection** is forecast at 1.9% per annum until 2041 (ABS).

Victoria **economic growth** was 4.6% in 2018 with a forecast of 3.5% in 2022 (Oxford Economics). Greater Melbourne **unemployment** stood at 5.2% as at August 2019, trending 30 bps higher than a year earlier (ABS).

The value of Victorian **housing finance** commitments fell by 16.9% in the year ending August 2019; down from 2.5% recorded for the previous year (ABS).

Greater Melbourne apartment **capital values** decreased 0.7% over the past year ending June 2019, but rose 2.0% in the last quarter to a median of $501,000. The average apartment was **on the market** for 81 days in June 2019, up from 74 days one year earlier. The **volume of sales** tallied 13,622 apartments (down 36.6%) in the year ending June 2019 (APM).

Apartment **gross rental yields** remained steady at 4.60% for the June 2019 quarter. **Median rents** stood at $420 per week, increasing 2.4% over the year ending June 2019 (APM).

Total vacancy was 2.2% in Greater Melbourne, as at June 2019; recording 1.9% in the Inner Suburbs (0-10km from the CBD), 3.4% in the Middle Suburbs (10-25km) and 1.7% in the Outer Suburbs (25km+) (REIV).

MELBOURNE APARTMENTS

Site Sales Volume

In the year ending June 2019, the volume of sales for development sites suitable for high-density apartments in Greater Melbourne was 1.6% higher, with a total of $1.37 billion.

Developer Nationalities

Analysing the disclosed purchasers of high-density developments sites, by value, resulted with offshore buyers making up 41.8% of the mix in the 2018-19 financial year. The most prominent nationalities of offshore developers were from Hong Kong (57%), China (19%) and Malaysia (15%).

Site Values

The average sales rate for Greater Melbourne high-density residential sites was an indicative $120,400/per apartment at the end of June 2019, excluding CBD sites. This indicative rate has decreased 5.1% over the past year. The range of development site values extended from $50,000 to $225,000/per apartment in Melbourne's inner suburbs with an indicative rate of $139,400/per apartment in June 2019. At this time, middle suburbs ranged from $70,000 to $193,300/per apartment, with an indicative rate of $90,000. Site values in the outer suburbs ranged from $25,000 to $50,000/per apartment (indicative of $40,000).

Apartment Pipeline

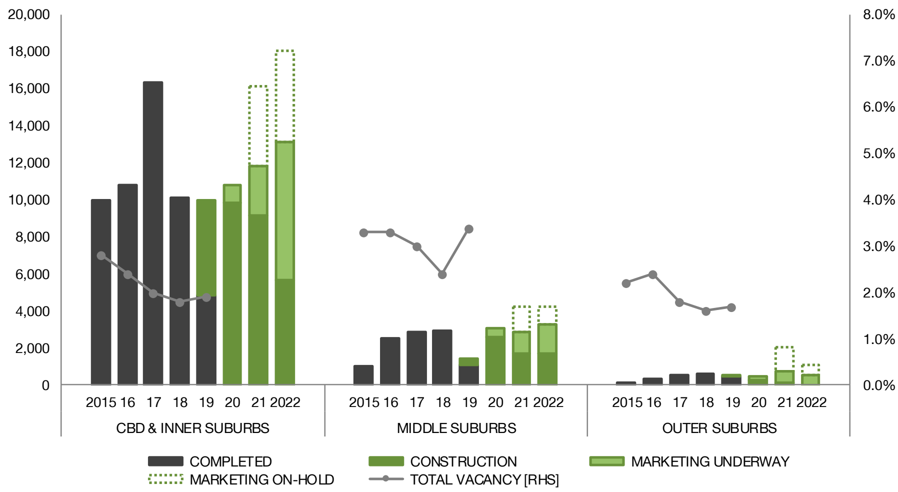
By mid-2019, there had been 20,050 new apartments added to Melbourne's housing supply since the start of 2018, with a further 36,550 apartments currently under construction due by the end of 2022. There are a further 15,700 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The inner suburbs saw 14,950 new apartments completed in 2018 and H1 2019 with a further 29,800 under construction and 11,050 being marketed due for completion by the end of 2022. In mid-2019, the middle suburbs saw the number of new apartments grow by 4,050 since January 2018. By the end of 2022, this is forecast to grow by another 6,250 apartments at construction stage, and another 3,200 being marketed. In the outer suburbs, 1,050 new apartments completed in the eighteen months ending June 2019 and by the end of 2022, another 1,900 currently under construction or being marketed.

FIGURE 9

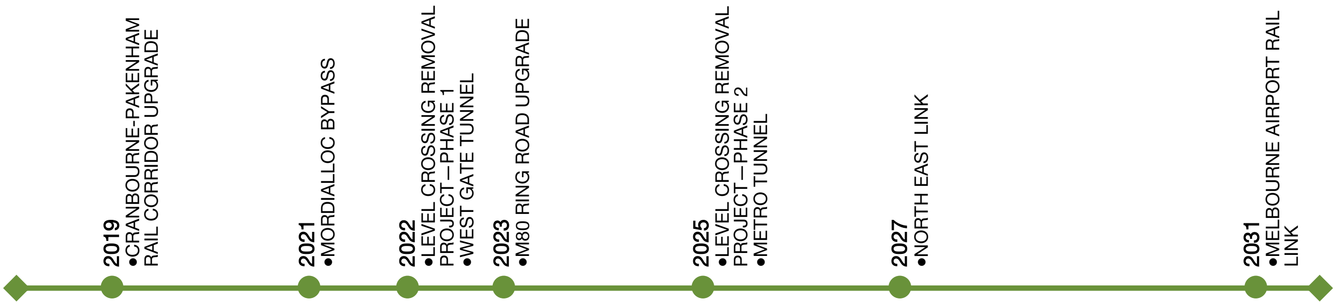
New Apartment Pipeline & Total Residential Vacancy, Greater Melbourne

Number of potential apartments each year, includes projects with 4+ storeys with 25+ apartments & % total residential vacancy [RHS], as at 30 Jun 2019



Source: Knight Frank Research, REIV

Definitions and geographies are located on page 16.



ESTIMATED PIPELINE OF MAJOR PROPOSED INFRASTRUCTURE PROJECTS—GREATER MELBOURNE

Bedroom Split

The distribution of bedrooms in Greater Melbourne apartments completed since 2015 have been weighted towards 1-bedrooms with 40% of the total share, followed by 2-bedrooms (39%), 3+ bedrooms (18%) and studios (2%). Currently under construction and due by the end of 2022, there is a trend towards a lesser share of 1-bedrooms (35%) and 3+ bedrooms (17%) being built, and more 2-bedrooms (41%) and studios (7%).

Construction Costs

The cost of construction in Greater Melbourne increased by an estimated 3.5% in the year ending June 2019. In 2019, it's estimated the cost to build an apartment to a medium standard (with a balcony) ranges from $2,930/sqm to $3,495/sqm (plus GST), according to Rawlinsons.

New Apartment Values

Greater Melbourne new mainstream apartment prices have increased from an indicative $9,700/sqm in June 2018 to $9,800/sqm in June 2019, to currently range between an average of $6,500 and $15,000/sqm (excludes prime and CBD projects).

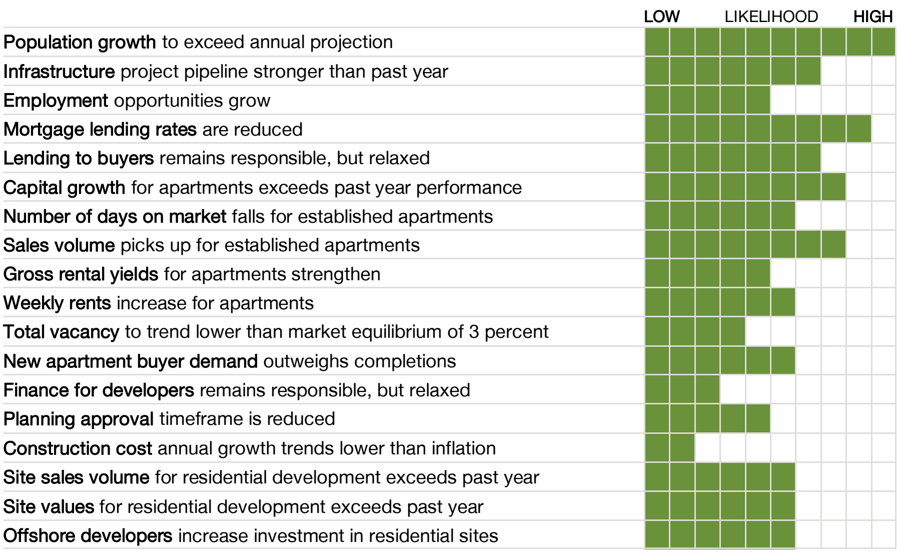
Prices across Greater Melbourne range from $8,300 to $14,500/sqm in the inner suburbs (indicative $10,000/sqm) as at June 2019.

New apartments in the middle suburbs of Melbourne, were priced similarly given access still possible to Port Phillip Bay, at an indicative $10,000/sqm (ranging from $8,000 to $15,000/sqm), whilst in the outer suburbs, an apartment could be purchased for an indicative $7,500/sqm (ranging from $6,500 to $8,000/sqm).

Offshore Buyers

Offshore buyers pay a duty surcharge for apartments in Victoria. This equates to 7% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.

FIGURE 10
One Year Outlook, 18 Key Development Drivers, Greater Melbourne



Source: Knight Frank Research

TOP 10 MELBOURNE SUBURBS FOR NEW APARTMENTS

COMPLETED IN 2018 + H1 2019

Southbank
Moonee Ponds
Melbourne
Docklands
Doncaster
Brunswick
North Melbourne
Richmond
South Yarra
Brunswick East

UNDER CONSTRUCTION DUE BY END 2022

Melbourne
Southbank
Footscray
West Melbourne
Box Hill
Carlton
Docklands
Glen Waverley
South Yarra
Abbotsford

Source: Knight Frank Research

Definitions and geographies are located on page 16.

Population in Greater Brisbane was estimated at 2.4 million persons in June 2018, with annual population growth of 2.0%. The population projection is forecast at 1.7% per annum until 2041 (ABS).

Queensland economic growth was 3.6% in 2018 with a forecast of 4.0% in 2022 (Oxford Economics). Greater Brisbane unemployment stood at 6.1% as at August 2019, trending 40 bps lower than a year earlier (ABS).

The value of Queensland housing finance commitments fell by 13.3% in the year ending August 2019; down from –7.0% recorded for the previous year (ABS).

Greater Brisbane apartment capital values decreased 8.9% over the past year ending June 2019, down 3.1% in the last quarter to a median of $368,500. The average apartment was on the market for 130 days in June 2019, up from 126 days one year earlier. The volume of sales tallied 9,541 apartments (down 29.6%) in the year ending June 2019 (APM).

Apartment gross rental yields were up 20 bps to 5.40% for the June 2019 quarter. Median rents stood at $380 per week, increasing 2.7% over the year ending June 2019 (APM).

Total vacancy was 2.8% in the Brisbane LGA, as at June 2019; recording 3.2% in the Inner Suburbs (0-5km from the CBD), 2.5% in the Middle Suburbs (5-20km) and 2.0% in the Outer Suburbs (20km+) (REIQ).

BRISBANE APARTMENTS

Site Sales Volume

The volume of sales for development sites suitable for high-density apartments in Greater Brisbane was 36.2% higher in the year ending June 2019, with a total of $334.3 million.

Developer Nationalities

Analysing the disclosed purchasers of high-density developments sites by value, resulted with offshore buyers making up 18% of the mix in the 2018-19 year. The most prominent nationalities of offshore developers were from China (78.8%) and Singapore (9.2%).

Site Values

Across Greater Brisbane, the average sales rate for high-density residential sites was an indicative $40,100/per apartment at the end of June 2019, excluding CBD sites. This has decreased 0.5% compared to one year earlier.

In Brisbane's inner suburbs, the range of site values extended from $32,500 to $75,000/per apartment with an indicative rate of $44,400/per apartment in June 2019. At this time, middle suburbs recorded $20,000 to $32,500/per apartment, with an indicative rate of $29,000. Site values in the outer suburbs ranged from $25,000 to $32,500/per apartment (indicative of $27,500/per apartment).

Apartment Pipeline

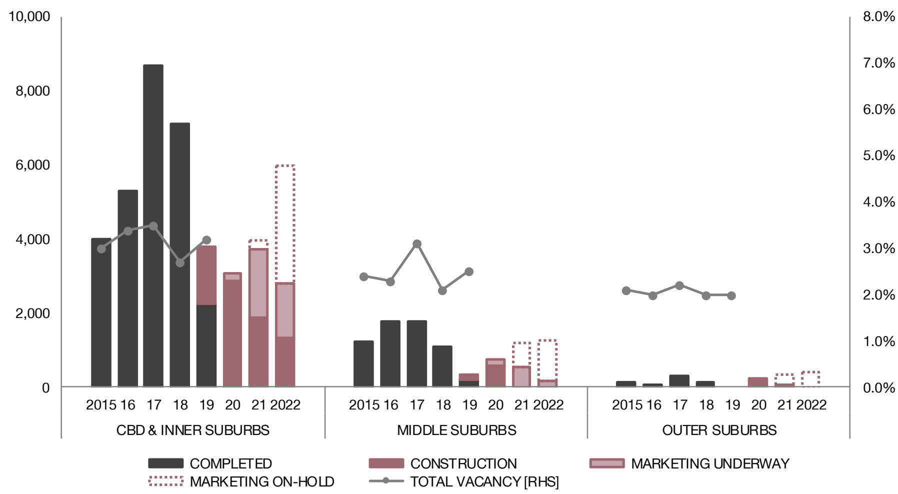
In mid-2019, there had been 10,800 new apartments added to Brisbane's housing supply since the start of 2018, with a further 8,600 apartments currently under construction due by the end of 2022. There are a further 4,450 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The inner suburbs saw 9,350 new apartments completed in 2018 and H1 2019 with a further 7,650 under construction and 3,500 being marketed due for completion by the end of 2022. By mid-2019, the middle suburbs saw the number of new apartments grow by 1,300 since January 2018. By the end of 2022, this is forecast to grow by another 720 apartments at construction stage and another 880 being marketed. In the outer suburbs, 130 apartments completed in the eighteen months ending June 2019 and by the end of 2022, another 290 currently under construction or being marketed.

FIGURE 11

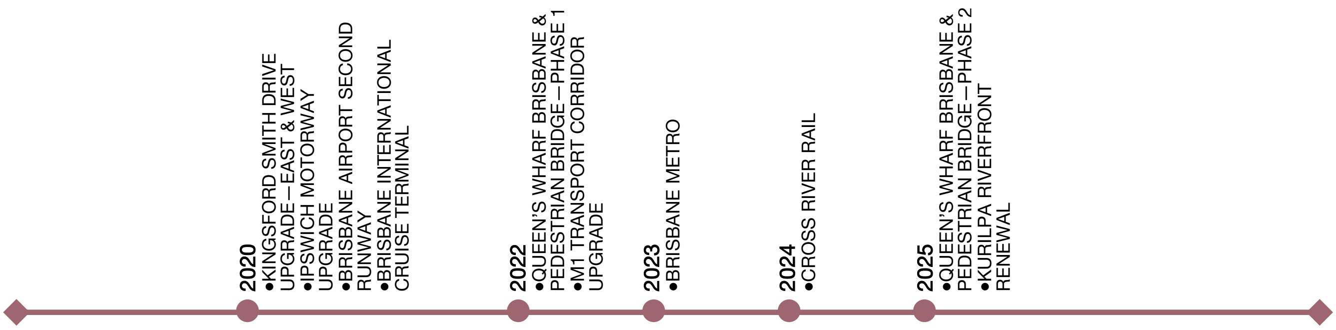
New Apartment Pipeline & Total Residential Vacancy, Greater Brisbane

Number of potential apartments each year, includes projects with 4+ storeys with 25+ apartments & % total residential vacancy [RHS], as at 30 Jun 2019



Source: Knight Frank Research, REIQ

Delineations and geographies are located on page 15.



ESTIMATED PIPELINE OF MAJOR PROPOSED INFRASTRUCTURE PROJECTS—GREATER BRSIBANE

Bedroom Split

In Greater Brisbane, the distribution of bedrooms in apartments completed since 2015 have been weighted towards 1-bedrooms with 40% of the total share, followed by 2-bedrooms (39%), 3+ bedrooms (11%) and studios (10%).

Currently under construction and due by the end of 2022, there is a trend towards a lesser share of studios (5%) and 1-bedrooms (34%) being built and more 2-bedrooms (39%) and 3+ bedrooms (22%).

Construction Costs

The cost of construction in Greater Brisbane increased by an estimated 3.5% in the year ending June 2019. In 2019, it's estimated the cost to build an apartment to a medium standard (with a balcony) ranges from \$2,910/sqm to \$3,480/sqm (plus GST), according to Rawlinsons.

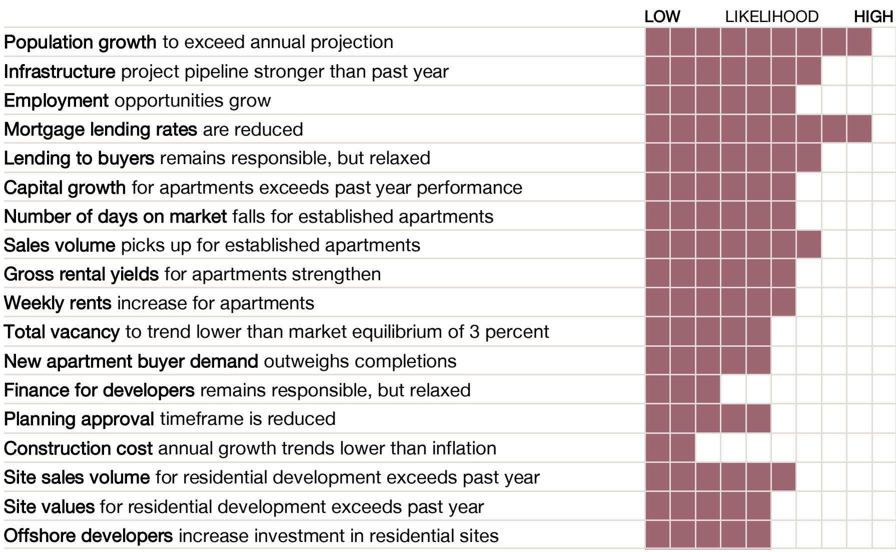
New Apartment Values

Prices for new mainstream apartments in Greater Brisbane have increased from an indicative \$7,300/sqm in June 2018 to \$7,400/sqm in June 2019, to currently range between an average of \$3,900 and \$9,400/sqm (excludes prime and CBD projects). Greater Brisbane prices range from \$6,400 to \$9,400/sqm in the inner suburbs (indicative \$8,400/sqm) as at June 2019. New apartments in the middle suburbs of Brisbane, were priced at an indicative \$4,900/sqm (ranging from \$4,800 to \$5,200/sqm), whilst in the outer suburbs, an apartment could be purchased for an indicative \$4,000/sqm (ranging from \$3,900 to \$5,050/sqm).

Offshore Buyers

Offshore buyers pay a duty surcharge for Queensland apartments. This equates to 7% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.

FIGURE 12
One Year Outlook, 18 Key Development Drivers, Greater Brisbane



Source: Knight Frank Research

TOP 10 BRISBANE SUBURBS FOR NEW APARTMENTS

COMPLETED IN 2018 + H1 2019
Woolloongabba
West End
South Brisbane
Brisbane
Toowong
Indooroopilly
Chermside
Hamilton
Greenslopes
Ascot

UNDER CONSTRUCTION DUE BY END 2022
Fortitude Valley
West End
Brisbane
South Brisbane
Newstead
Kangaroo Point
Hamilton
Yeronga
Cleveland
Nundah

Source: Knight Frank Research

Definitions and geographies are located on page 16.

PERTH APARTMENTS

Population in Greater Perth was estimated at 2.1 million persons in June 2018, with annual **population growth** of 1.0%. The **population projection** is forecast at 1.6% per annum until 2041 (ABS).

Western Australia (WA) **economic growth** was 0.9% in 2018 although with a forecast of 4.5% in 2022 (Oxford Economics). Greater Perth **unemployment** stood at 5.8% as at August 2019, 50 bps lower than a year earlier (ABS).

The value of WA **housing finance** commitments fell by 13.2% in the year ending August 2019; down from –10.3% recorded for the previous year (ABS).

Greater Perth apartment **capital values** decreased 7.7% over the past year ending June 2019, down 1.6% in the last quarter to a median of $343,000. The average apartment was **on the market** for 146 days in June 2019, up from 131 days one year earlier. The **volume of sales** tallied 2,656 apartments (down 26.5%) in the year ending June 2019 (APM).

Apartment **gross rental yields** rose 20 bps to 5.10% for the June 2019 quarter. **Median rents** stood at $310 per week, rising 3.3% over the year ending June 2019 (APM).

Total vacancy was 2.9% in Greater Perth, as at June 2019; falling from 5.0% recorded one year earlier (REIWA).

Site Sales Volume

The volume of sales for development sites suitable for high-density apartments in Greater Perth was 1.3% lower in the year ending June 2019, with a total of $60.6 million.

Developer Nationalities

Analysing the disclosed purchasers of high-density developments sites by value, resulted with offshore buyers making up 19.9% of the mix over the two years ending June 2019. The most prominent nationality of offshore developers were from Malaysia (68.5%).

Site Values

The average sales rate for Greater Perth high-density residential sites was an indicative $50,200/per apartment at the end of June 2019, excluding CBD sites. This indicative rate has decreased 0.2% over the past year.

The range of development site values extended from $45,000 to $95,000/per apartment in Perth's inner suburbs with an indicative rate of $60,100/per apartment in June 2019. At this time, middle suburbs recorded $15,000 to $75,000/per apartment, with an indicative rate of $46,700. Site values in the outer suburbs ranged from $10,500 to $28,000/ per apartment (indicative of $20,800/per apartment).

Apartment Pipeline

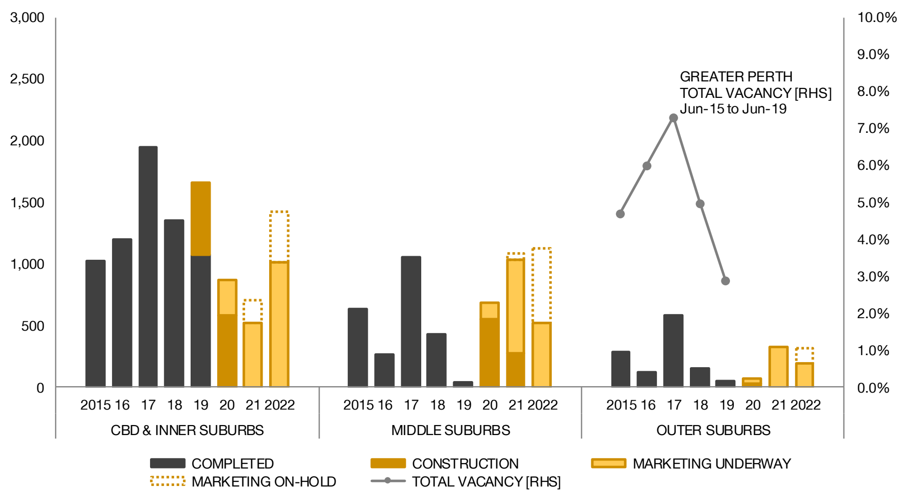
By mid-2019, there had been 3,100 new apartments added to Perth's housing supply since the start of 2018, with a further 2,025 apartments currently under construction due by the end of 2022. There are a further 3,800 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The inner suburbs saw 2,430 apartments completed in 2018 and H1 2019 with a further 1,170 under construction and 1,800 being marketed due for completion by the end of 2022. By mid-2019, the middle suburbs saw the number of new apartments grow by 470 since January 2018. By the end of 2022, this is forecast to grow by another 830 apartments at construction stage and another 1,400 being sold off-the-plan. In the outer suburbs, 200 apartments completed in the eighteen months ending June 2019 and by the end of 2022, another 590 currently under construction or being marketed.

FIGURE 13

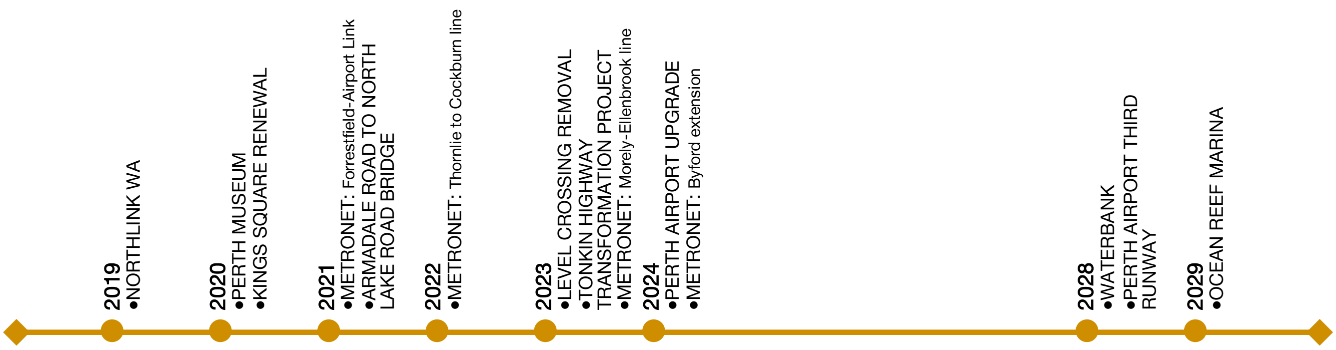
New Apartment Pipeline & Total Residential Vacancy, Greater Perth

Number of potential apartments each year, includes projects with 4+ storeys with 25+ apartments & % total residential vacancy [RHS], as at 30 Jun 2019



Source: Knight Frank Research, REIWA

Definitions and geographies are located on page 16.



ESTIMATED PIPELINE OF MAJOR PROPOSED INFRASTRUCTURE PROJECTS—GREATER PERTH

Bedroom Split

The distribution of bedrooms in Greater Perth apartments completed since 2015 have been weighted towards 2-bedrooms with 52% of the total share, followed by 1-bedrooms (35%), 3+ bedrooms (12%) and studios (1%).

Under construction and due by the end of 2022, there has been a trend towards a lesser share of 3+ bedrooms (11%) and studios (0%) being built and more 1-bedrooms (37%) and similar share of 2-bedrooms (52%).

Construction Costs

The cost of construction in Greater Perth increased by an estimated 1.5% in the year ending June 2019. In 2019, it's estimated the cost to build an apartment to a medium standard (with a balcony) ranges from $3,080/sqm to $3,655/sqm (plus GST), according to Rawlinsons.

New Apartment Values

Greater Perth new mainstream apartments have remained steady over the year ending June 2019 at an indicative $7,700/sqm, currently ranging between an average of $5,900 and $11,300/sqm (excludes prime and CBD projects).

Prices range from $6,000 to $11,300/sqm in the inner suburbs (indicative $8,300/sqm) as at June 2019. New apartments in the middle suburbs, were priced at an indicative $7,200/sqm (ranging from $6,300 to $8,900/sqm), whilst in the outer suburbs, an apartment could be purchased for an indicative $6,100/sqm (ranging from $5,900 to $6,400/sqm).

Offshore Buyers

Offshore buyers pay a duty surcharge for Western Australian apartments. This equates to 7% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.

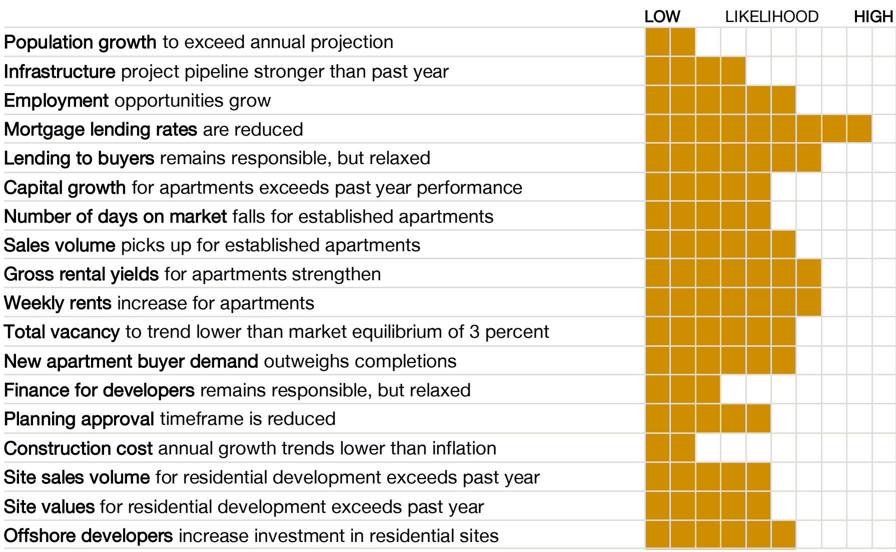
TOP 10 PERTH SUBURBS FOR NEW APARTMENTS

COMPLETED IN 2018 + H1 2019
Perth
Claremont
Subiaco
West Perth
South Perth
Burswood
East Perth
Mount Pleasant
Menora
Scarborough

UNDER CONSTRUCTION DUE BY END 2022
Perth
Rivervale
Mount Pleasant
Applecross
Claremont
Victoria Park
East Victoria Park
Scarborough
Leederville
Ascot

Source: Knight Frank Research

FIGURE 14
One Year Outlook, 18 Key Development Drivers, Greater Perth



Source: Knight Frank Research

Definitions and geographies are located on page 16.

Population in the Gold Coast LGA was estimated at 576,900 persons in June 2018, with annual **population growth** of 2.4%. The **population projection** is forecast at 2.1% per annum until 2041 (ABS).

Queensland **economic growth** was 3.6% in 2018 with forecast of 4.0% in 2022 (Oxford Economics). Gold Coast LGA **unemployment** stood at 4.7% as at March 2019, trending 10 bps higher than a year earlier (ABS).

The value of Queensland **housing finance** commitments fell by 13.3% in the year ending August 2019; down from –7.0% recorded for the previous year (ABS).

Gold Coast LGA apartment **capital values** remained stable over the past year ending June 2019, although down 0.7% in the last quarter to a median of $427,000. The average apartment was **on the market** for 134 days in June 2019, up from 100 days one year earlier. The **volume of sales** tallied 6,833 apartments (down 19.6%) in the year ending June 2019 (APM).

Apartment **gross rental yields** rose 4 bps to 5.90% for the June 2019 quarter. **Median rents** were $430 per week, remaining stable over the year ending June 2019 (APM).

Total vacancy was 2.8% in the Gold Coast LGA, as at June 2019. This was up from 2.0% one year earlier (REIQ).

GOLD COAST APARTMENTS

Site Sales Volume

In the year ending June 2019, the volume of sales for development sites suitable for high-density apartments in the Gold Coast LGA was 81.3% lower, with a total of $54.8 million.

Developer Nationalities

Analysing the disclosed purchasers of high-density developments sites, resulted with offshore buyers making up 73.5% of the mix over the two years ending June 2019, by value. China was the most prominent nationality of offshore developers, represented in every offshore sale.

Site Values

The average sales rate for a high-density residential site in the Gold Coast LGA was an indicative $71,700/per apartment at the end of June 2019. This indicative rate has remained steady over the past year.

The range of development site values extended from $70,000 to $175,000/per apartment for a site with a beachfront or was beachside along the light rail spine, with an indicative rate of $130,000/per apartment in June 2019.

High-density development sites located in the Gold Coast suburban area achieved closer to an indicative of $42,500/per apartment; a range from $20,000 to $50,000/per apartment.

Apartment Pipeline

By mid-2019, there had been 3,900 new apartments added to the Gold Coast LGA's housing supply since the start of 2018, with a further 3,300 apartments currently under construction due by the end of 2022.

There are a further 1,905 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

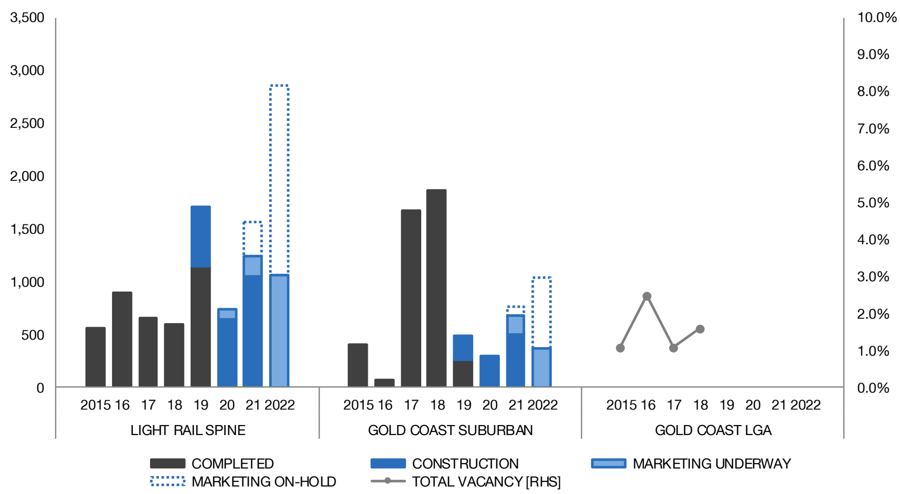
The suburbs along the light rail spine saw 1,750 new apartments completed in 2018 and H1 2019 with a further 2,250 under construction and 1,350 being marketed due for completion by the end of 2022.

In mid-2019, the remainder suburbs in the Gold Coast LGA saw the number of new apartments grow by 2,125 since January 2018. By the end of 2022, this is forecast to grow by another 1,025 apartments at construction stage and another 550 being marketed.

FIGURE 15

New Apartment Pipeline & Total Residential Vacancy, Gold Coast LGA

Number of potential apartments each year, includes projects with 4+ storeys with 25+ apartments & % total residential vacancy [RHS], as at 30 Jun 2019



Source: Knight Frank Research, REIQ

Definitions and geographies are located on page 16.

ESTIMATED PIPELINE OF MAJOR PROPOSED INFRASTRUCTURE PROJECTS—GOLD COAST LGA

Bedroom Split

In the Gold Coast LGA, the distribution of bedrooms in apartments completed since 2015 have been weighted towards 2-bedrooms with 49% of the total share, followed by 1-bedrooms (32%), 3+ bedrooms (15%) and studios (4%).

Currently under construction and due by the end of 2022, there is a trend towards a lesser share of 1-bedrooms (27%) and studios (0%) being built and more 2-bedrooms (51%) and 3+ bedrooms (22%).

Construction Costs

Drawing comparison to the closest capital city, the cost of construction in Greater Brisbane increased by an estimated 3.5% in the year ending June 2019. In 2019, it's estimated the cost to build an apartment to a medium standard (with a balcony) ranges from $2,910/sqm to $3,480/sqm (plus GST), according to Rawlinsons.

New Apartment Values

Gold Coast new mainstream apartment prices have increased from an indicative $7,600/sqm in June 2018 to $7,800/sqm in June 2019, to currently range between an average of $5,200 and $15,000/sqm (excludes prime and CBD projects).

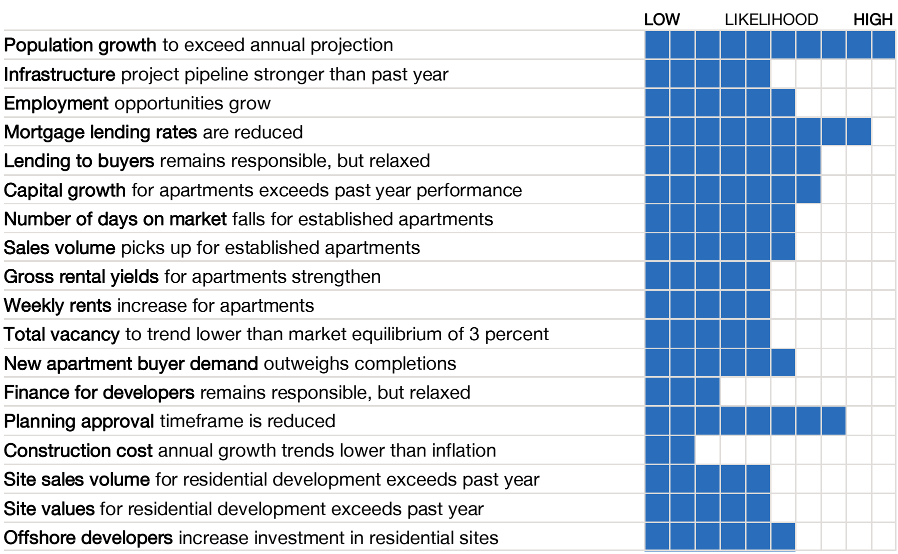
Gold Coast new apartment prices ranged from $9,000 to $15,000/sqm along the beachfront; with an indicative of $13,000/sqm in June 2019. At this time, new apartments on the riverfront could be purchased for an indicative $8,000/sqm; ranging from $6,500 to $10,000/sqm while those with an ocean view and/or beach walk had a wider range from $6,500 to $11,000/sqm (indicative of $8,000/sqm).

New apartments located in the wider suburban area recorded an indicative rate of $5,700/sqm; a range from $5,200 to $6,200/sqm.

Offshore Buyers

Offshore buyers pay a duty surcharge for Queensland apartments. This equates to 7% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.

FIGURE 16
One Year Outlook, 18 Key Development Drivers, Gold Coast LGA



Source: Knight Frank Research

TOP 5 GOLD COAST LGA SUBURBS FOR NEW APARTMENTS

COMPLETED IN 2018 + H1 2019
Varsity Lakes
Carrara
Broadbeach
Surfers Paradise
Robina

UNDER CONSTRUCTION DUE BY END 2022
Broadbeach
Palm Beach
Mermaid Beach
Southport
Benowa

Source: Knight Frank Research

Delineations and geographies are located on page 16.

Definitions

The definition of density ranges across Australia. For consistency in reporting, definitions adopted include:

High-density covers projects with more than 25 apartments in a complex and more than four storeys in height; as defined by Knight Frank Research.

Medium-density covers projects with one and two storeys semi-detached, row or terrace houses; plus flats, units or apartments in a one, two or three storey block; as defined by the Australian Bureau of Statistics (ABS).

Low-density covers single residential allotments 'land lots' within the greenfield land market; as defined by UDIA National Land Survey Program.

Collective site sales have the potential for residential development and include more than one vendor coming together to form a group in order to sell their property, in one line, to a purchaser. This includes properties with Strata title (and with potential to meet requirements for Strata subdivision), Torrens title, Community title or state equivalent. **Horizontal** examples include the sale of multiple single dwellings, or land owners grouping together to form an amalgamated residential super-lot with the intention for redevelopment. **Vertical** examples include the sale of an entire complex with two or more levels, comprising multiple owners of residential, office or industrial suites with the intention for redevelopment.

Geographies

Sydney draws a radius from the Sydney CBD; Inner Suburbs are located within 10km, Middle Suburbs are within a 10-25km ring and Outer Suburbs are located beyond 25km but within the Greater Sydney boundary.

Melbourne draws a radius from the Melbourne CBD; Inner Suburbs are located within 10km, Middle Suburbs are within a 10-20km ring and Outer Suburbs are located beyond 20km but within the Greater Melbourne boundary.

Brisbane draws a radius from the Brisbane CBD; Inner Suburbs are located within 5km, Middle Suburbs are within a 5-20km ring and Outer Suburbs are located beyond 20km but within the Greater Brisbane boundary.

Perth cover the Inner Suburbs being within the LGAs of Perth, South Perth, Victoria Park, Vincent, Subiaco, Cambridge, Nedlands, Claremont, Cottesloe, Peppermint Grove, Mosman Park, Fremantle and East Fremantle. Middle Suburbs are within the LGAs of Stirling, Bayswater, Bassendean, Belmont, Canning and Melville. Outer Suburbs are those remaining but located within the Greater Perth boundary.

Gold Coast Development Sites cover Light Rail Spine suburbs located along the G:Link from Main Beach to Palm Beach. Gold Coast Suburban are those suburbs outside the Light Rail Spine but within the Local Government Area (LGA) boundary.

Gold Coast New Apartments cover Beachfront from Main Beach to Burleigh Heads. Riverfront from Southport to Burleigh Waters. Ocean View/Beach Walk from Main Beach to Burleigh Heads; both sides of Gold Coast Highway. Gold Coast Suburban are all remaining areas within the LGA boundary.

Note: Unless stated, all references to dollars or $ refer to Australian dollars (AUD).

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