UDIA State of The Land 2022

National Residential Greenfield and Apartment Market Study

Released March 2022

Urban Development Institute of Australia
NATIONAL


The Terraces, Paddington by Presbyterian Aged Care & Cottee Parker Architects

STATE OF THE LAND REPORTING COVERAGE

UDIA’s State of the Land (SOTL) report has evolved into one of the most comprehensive annual accounts of new residential market activity across Australia’s major capital cities. The core housing data we showcase in this publication is provided exclusively by our Research Partners: Research4 (greenfield land) and CoreLogic (infill/multi-unit).

Between 2013 and 2021 the SOTL reporting has captured on average 56% of total national net dwelling additions.

In addition to SOTL core data reporting not currently covering Darwin, Hobart and all of Regional Australia, SOTL reporting also does not capture some development activity in national greenfield corridors (such as apartments and multi-units) or within the established urban areas (such as secondary dwellings and < 5 unit incremental infill developments).

Nevertheless, the strong national coverage featured in the SOTL, twinned with inputs from across the national development sector, strongly position’s UDIA to provide informed market performance forecasts and recommendations for policy reform and development.

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The increased demand for housing, however, has exposed historically thin supply pipelines, and together with pandemic-driven materials shortages, has resulted in a further deterioration of supply and affordability. In fact, the year that past saw an all-out assault on greenfield supply lines, with most markets ending the year with depleted levels of active supply.

- Maxwell Shifman UDIA National President

Gainsborough Greens by Mirvac

Welcome to 2022 annual **State of the Land** report

The Urban Development Institute of Australia (UDIA) State of the Land report is the industry's most comprehensive overview of new home markets across our capital cities.

State of the Land is an invaluable resource for industry to help understand market dynamics, particularly in response to the COVID-19 pandemic, and helps organisations confidently respond to market trends as we move towards post-pandemic economic recovery.

The Federal Government's stimulus over the past two years have helped support Australia's economy through the COVID-19 pandemic and have positioned the nation for a stronger post-pandemic recovery than would have otherwise taken place. Australia's health response has been excellent by global standards, with relatively few fatalities, and our economy has proved surprisingly resilient.

The development industry, as one of the key engine rooms of the economy, has played a pivotal role in helping Australians weather the crisis. Development and construction generated 9% of all national economic activity, supported 1.145 million jobs and boosted the economy by $360bn this past year.

With every dollar of investment, generating $2.90 for the wider economy, new home construction is best placed to help Australia kickstart the post-pandemic economic recovery. The strong momentum created by the industry in the last year is reflected in the data for State of the Land. After a significant early slump in demand at the outset of the pandemic, the early focus on the housing and construction sector paid dividends with the Commonwealth Government's housing stimulus package- HomeBuilder- serving as a centrepiece, particularly for detached housing.

This stimulus package provided much-needed support and generated substantial confidence which led to improved sales rates, a dynamic which followed even after the cessation of HomeBuilder, leading to an ongoing recovery this past year. National residential annual lot releases increased by 33% in 2021, with a total of 74,165 lots released across the capital city markets, and with prices lifting as demand strengthened.

The increased demand for housing, however, has exposed historically thin supply pipelines, and together with pandemic-driven materials shortages, has resulted in a further deterioration of supply and affordability. In fact, the year that past saw an all-out assault on greenfield supply lines, with most markets ending the year with depleted levels of active supply.

Whilst we saw a positive and confident year for the housing market, with a strengthening industry-led economic recovery it also holds creates an urgent need for governments to immediately now to ensure development-ready supply is brought on-line so the economic recovery is not held back and affordability does not become even worse.

Overall since 2017 there has been a steady decline in total housing supply. In fact, if 2022 sees similar activity levels to 2021, the result will be an acute supply shortage and a widespread further reduction of housing affordability.

This is why UDIA National's advocacy is so keenly focused on measures that boost supply pipelines across the entire housing spectrum, preparing for the population growth necessary for recovery and clearing away inefficient barriers to dwelling delivery.

Implementing these initiatives are the responsibility of all governments to ensure a home for all Australians.

We thank Research4 and CoreLogic as our valuable research partners for State of the Land. Their comprehensive evidence-led work is the hallmark of this report, and in this year's report we feature a greater level of outlook analysis from each of our research partners. We also deeply thank the broader UDIA team who compile, draft and manage the project.

We are happy to share our results with all Australia, and we look forward to working with the industry on the critical issues facing the nation in the year ahead.

Maxwell Shifman
UDIA National
President

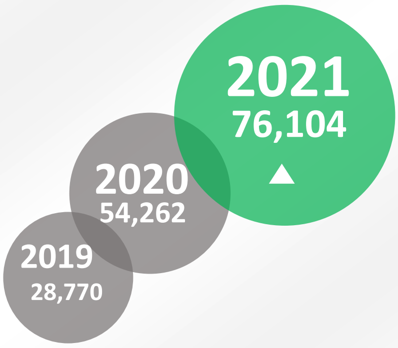
UDIA State of the Land 2022

Greenfield Summary

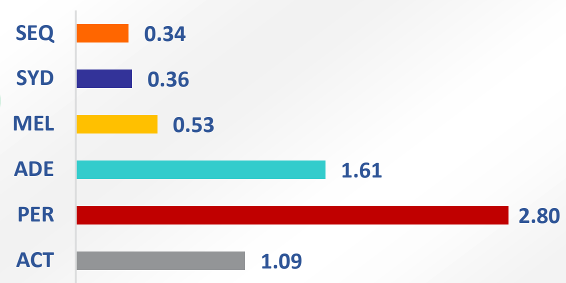
NEW RELEASES (2021)

		Annual Change
SEQ	16,371	▲ 31%
SYD	9,025	▲ 5%
MEL	32,016	▲ 84%
ADL	5,628	▲ 59%
PER	9,297	▼ 14%
ACT	1,828	▼ 31%

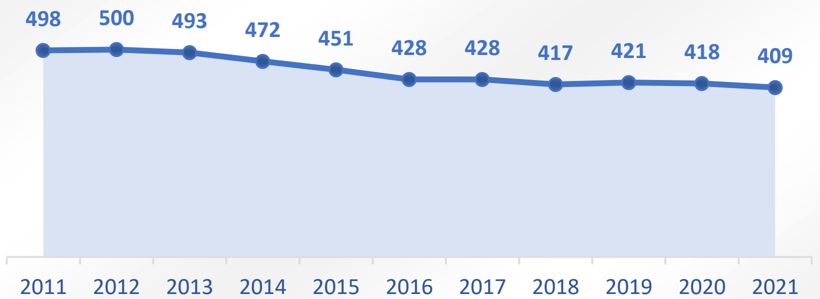
NATIONAL ANNUAL LOT SALES



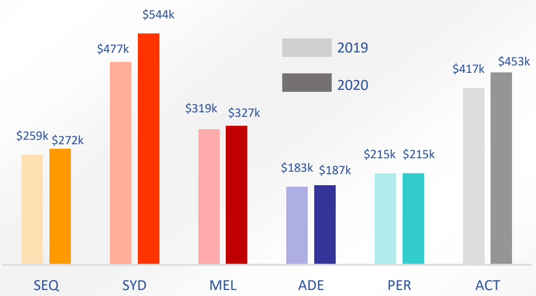
TRADING MONTHS OF STOCK (as at Q4 2021)



COMBINED CAPITAL CITIES ANNUAL MEDIAN LOT SIZE (sqm)



MEDIAN LOT PRICES (2020 v 2021)

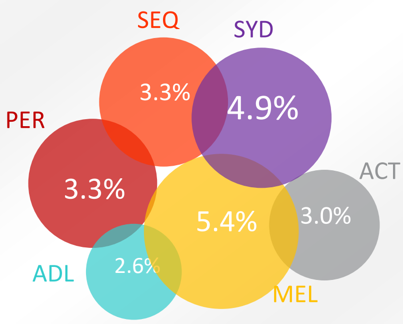


Multi-Unit Summary

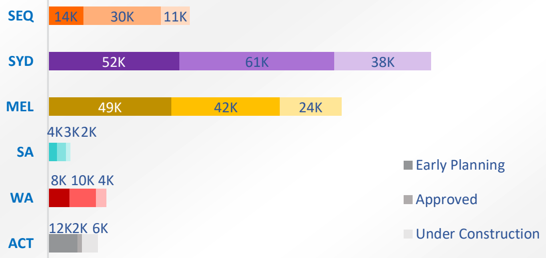
NEW UNIT COMPLETIONS (2021)

		Annual Change
SEQ	7,446	▼ 22%
SYD	15,417	▼ 34%
MEL	15,960	▼ 23%
ADL	2,026	▼ 12%
PER	2,501	▼ 15%
ACT	3,056	▲ 50%

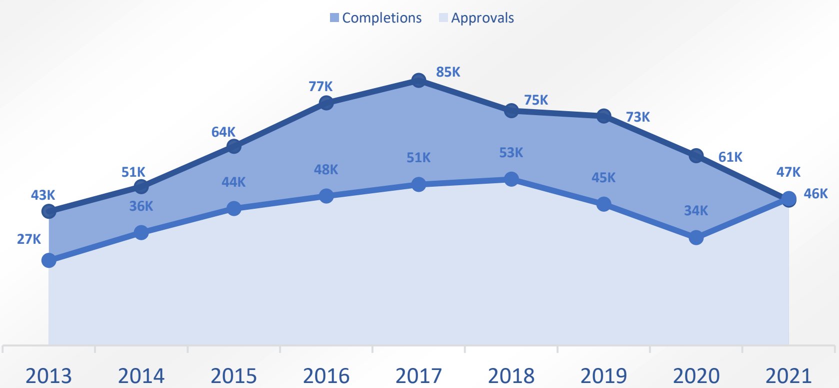
VACANCY RATES (as at Q4 2021)



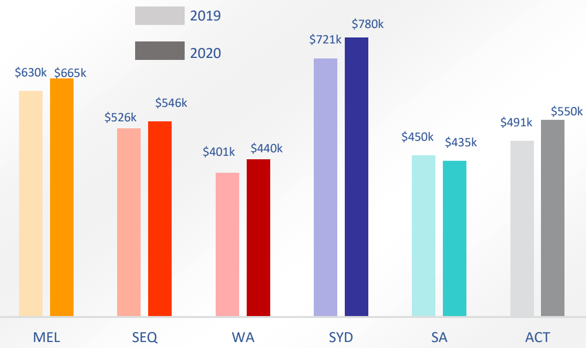
UNITS PIPELINE (as at Q4 2021)



ANNUAL NATIONAL NEW UNIT COMPLETIONS AND APPROVALS



MEDIAN SALE PRICE OF NEW UNITS (2020 v 2021)



UDIA State of the Land 2022

Capital City Market Performance Dashboard – Annual Change (2020 – 2021)

Market	Indicator	SEQ	Greater Sydney	Greater Melbourne	Greater Adelaide	Greater Perth	ACT
	Total New Dwellings Completed	10% ↑	-21% ↓	-11% ↓	19% ↑	39% ↑	64% ↑
Greenfield Market	Greenfield Lot Sales	31% ↑	3% ↑	125% ↑	40% ↑	-22% ↓	-14% ↑
Greenfield Market	Greenfield Lot Releases	31% ↑	5% ↑	84% ↑	59% ↑	-14% ↓	-31% ↓
Greenfield Market	Greenfield Median Lot Price	5% ↑	14% ↑	3% ↑	2% ↑	0% ⇆	9% ↑
Greenfield Market	Greenfield Median Lot Size	401sqm ↓	362sqm ↓	371sqm ↓	450sqm ↓	375sqm ⇆	493qm ↓
Multi-Unit | Infill Market	Multi-Unit Sales Volume (New)	93% ↑	25% ↑	32% ↑	-32% ↓	16% ↑	50% ↑
Multi-Unit | Infill Market	Multi-Unit Completions	-22% ↓	-34% ↓	-23% ↓	-12% ↓	-15% ↓	50% ↑
Multi-Unit | Infill Market	Multi-Unit Median Sale Price (New)	4% ↑	8% ↑	9% ↑	-6% ↓	9% ↑	15% ↑
Multi-Unit | Infill Market	Under Construction	21% ↑	7% ↑	-19% ↓	-17% ↓	-8% ↓	3% ↑

NATIONAL RESIDENTIAL MARKET OVERVIEW

NATIONAL GREENFIELD PERFORMANCE SNAPSHOT, 2021

- Across Australia, the greenfield development sector moved to full capacity in 2021 with a 100% upswing in sales in the September and December quarters from the ‘pre-COVID’ trading period.
- Responding to the demand inflection, a record 74,165 lots were released across 2021, a 33% increase on 2020 and a 44% increase on the 7-year average.
- The surge in demand for new land underpinned a 6.0% increase in the national median lot price to $322,379 between June and December across the major capitals.
- UDIA estimates that there were approximately 76,104 completions of detached houses in the nation’s greenfield release areas in 2021, representing 36% annual growth on 2019. The role of the greenfield market to respond to aggregate housing demand increased by between 15% and 55% across each of our surveyed capital city markets.

NATIONAL MULTI-UNIT PERFORMANCE SNAPSHOT, 2021

- The national new-build multi-unit apartment sector experienced a more subdued 2021 than greenfield release areas, with settled sales for new apartments and townhouses up 25% on 2020 and 32% below the decade average.
- Momentum has continued to unwind in the multi-unit sector with total sales across the combined capital cities totalling just 26,260 in 2020, down 60% from peak sales volumes in mid-2015.
- Pricing for new apartments grew 6.7% across the combined capital cities to a median sale price of $569,260.
- Underpinning the weak multi-unit sales performance has been the on-going retreat of investors and substantial construction cost increases, however the second half of 2021 saw modestly heightened levels of sales transactions and unit value growth stemming from an uptick in consumer sentiment and record low interest rates.

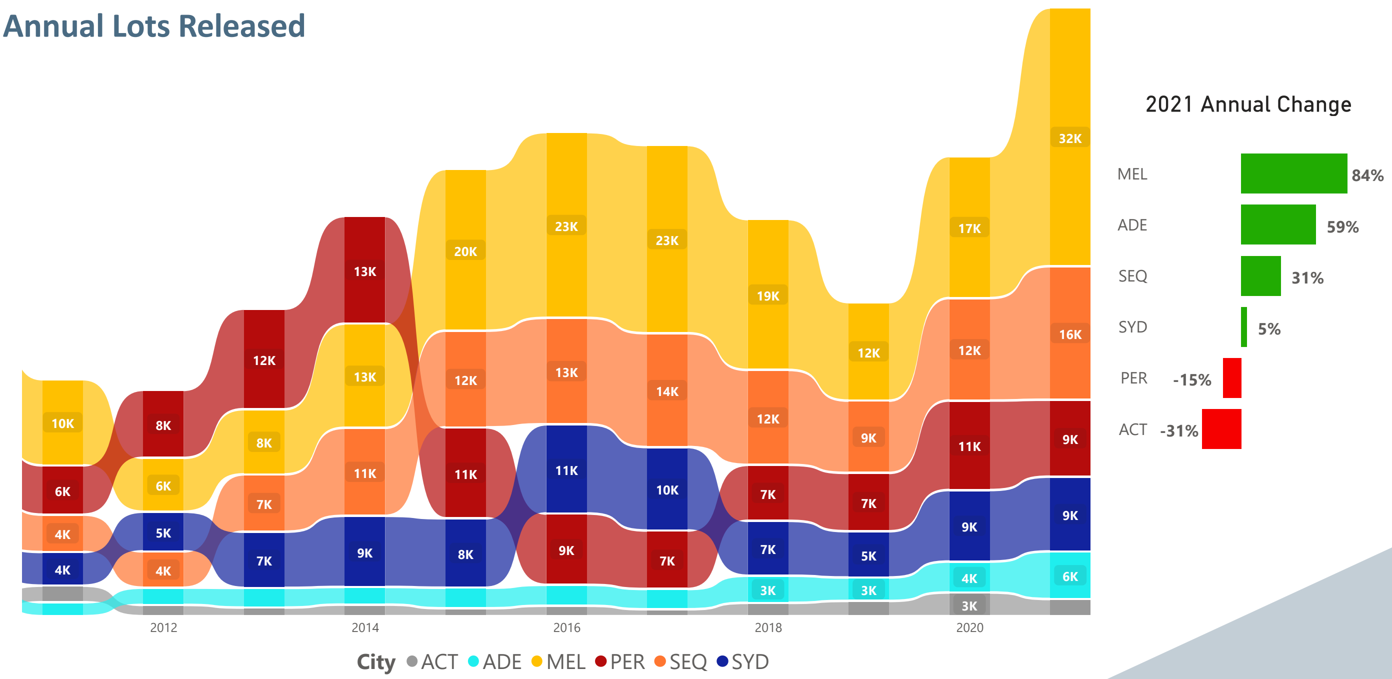
GREENFIELD MARKET ANALYSIS – CAPITAL CITY OVERVIEW

The State of the Land harnesses data from Research4's Core Database (which is based on long-running surveys covering the nation's major residential greenfield markets)[1] as the core greenfield data for reporting on market activity. The following analysis reflects data up until the end of the December 2021 quarter.

Lot Releases

- **National** residential annual lot releases increased by 33% in 2021, with a total of 74,165 lots released across the capital city markets.
- **Melbourne** reasserted its prominent role as the nation's largest greenfield market with a total release to market of 32,016, lots across the year, up 84% from 2020 and 85% on the decade average.
- **SEQ** recorded a 31% uplift in lot releases in 2021 with a total of 16,371 lots released, to comfortably retain the mantle of the second largest greenfield market in the country. This was 49% above the decade average.
- The **Perth** greenfield market slightly decreased in 2021 with a 14% fall in lot production to total 9,297 lots which was 1% lower than the decade average.
- **Sydney** also recorded an uplift in output up 5% with 9,025 lots released to market across the year with further production limited by industry capacity and supply availability rather than demand.
- **Adelaide's** developers released 59% more lots in 2021, with a total of 5,628 released to the market equating to 104% higher than the decade average.
- The **ACT**, however bounded back with a 31% lowered in lot release activity with 1,828 lots released to market, which represents a 46% higher than decade average.

Annual Lots Released



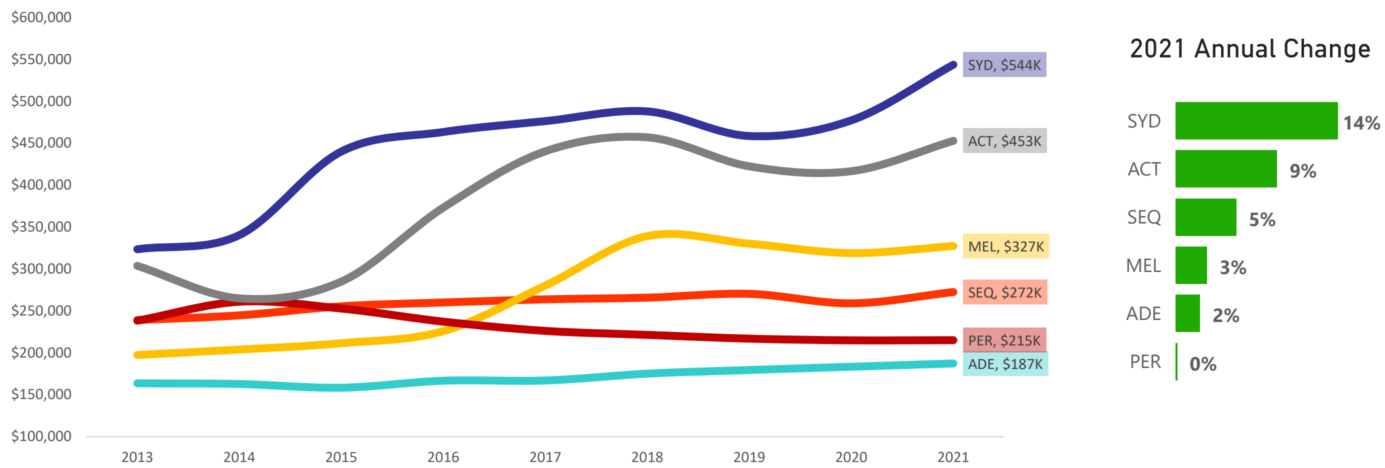
Source: UDIA; Research4

1 http://www.researchfour.com/#what-we-do

Lot Prices ($)

- The most expensive greenfield market, **Sydney**, recorded a 14% increase in median pricing in 2021 with a year-end lot price of $543,750. This median lot pricing increase was largely driven by a spike in September quarter pricing to $585,000 a lot.
- After a two-year decline, **Melbourne** recorded an annual increase in median lot pricing, rising by 14%, to finish the year at $327,475.
- **SEQ** recorded a 5% annual price uplift to $272,375. At this median price-point level SEQ continues to hold an affordability advantage over the other two major east coast housing markets, being 50% cheaper than Sydney and 17% cheaper than Melbourne.
- **Perth's** median lot pricing grew a modest 1% to $215,2000 (which is the first price increase after six years) and the ACT also saw median pricing rise by 9% to $453,000.
- **Adelaide** recorded a 2% annual price increase in 2020 to $187,250 and remains Australia's most affordable market by some margin.

Median Lot Price



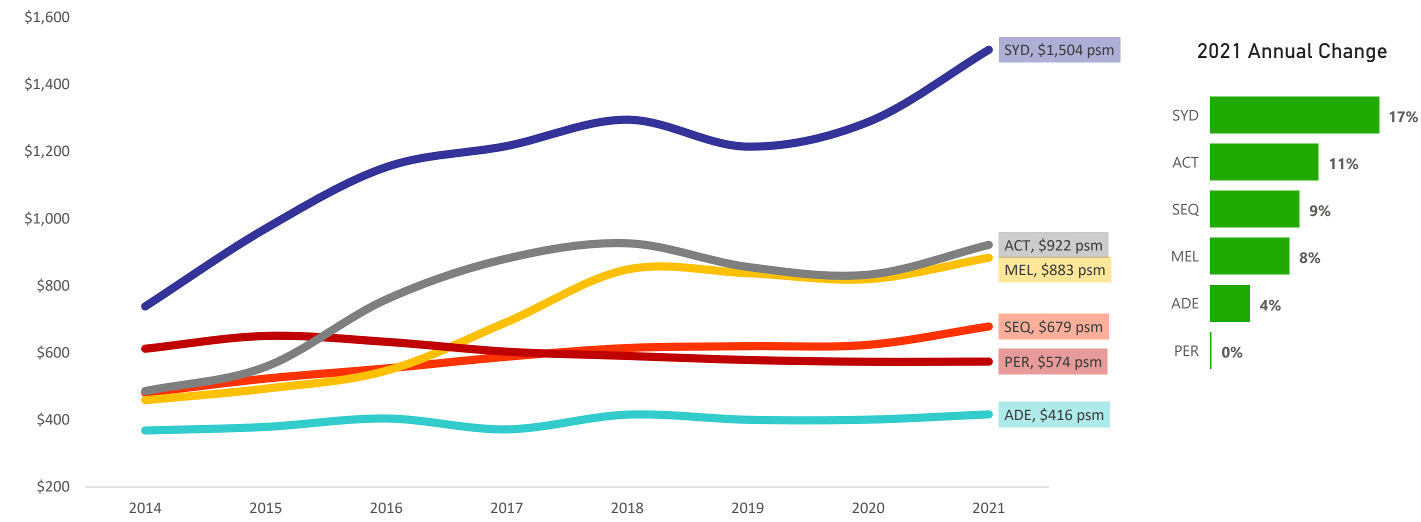
Source: UDIA; Research4

Land Price ($/sqm)

The increase in lot prices coupled with the minimal rise in lot sizing has delivered further slight increases in the price of land on a per square metre basis across most markets.

- **Sydney's** land price recorded the most substantive growth with a 17% increase to $1,504 per sqm.
- **Melbourne's** land price also increased 8% in 2021 to $883 per sqm.
- **ACT** recorded an 11% rise in land price to $922 per sqm.
- **SEQ** recorded 9% growth in land pricing to $679 per sqm.
- **Perth's** land price increased by a modest 1% to $574 per sqm.
- **Adelaide** recorded a modest growth to the metropolitan land rate with an uplift at $416 per sqm.

Median Land Price

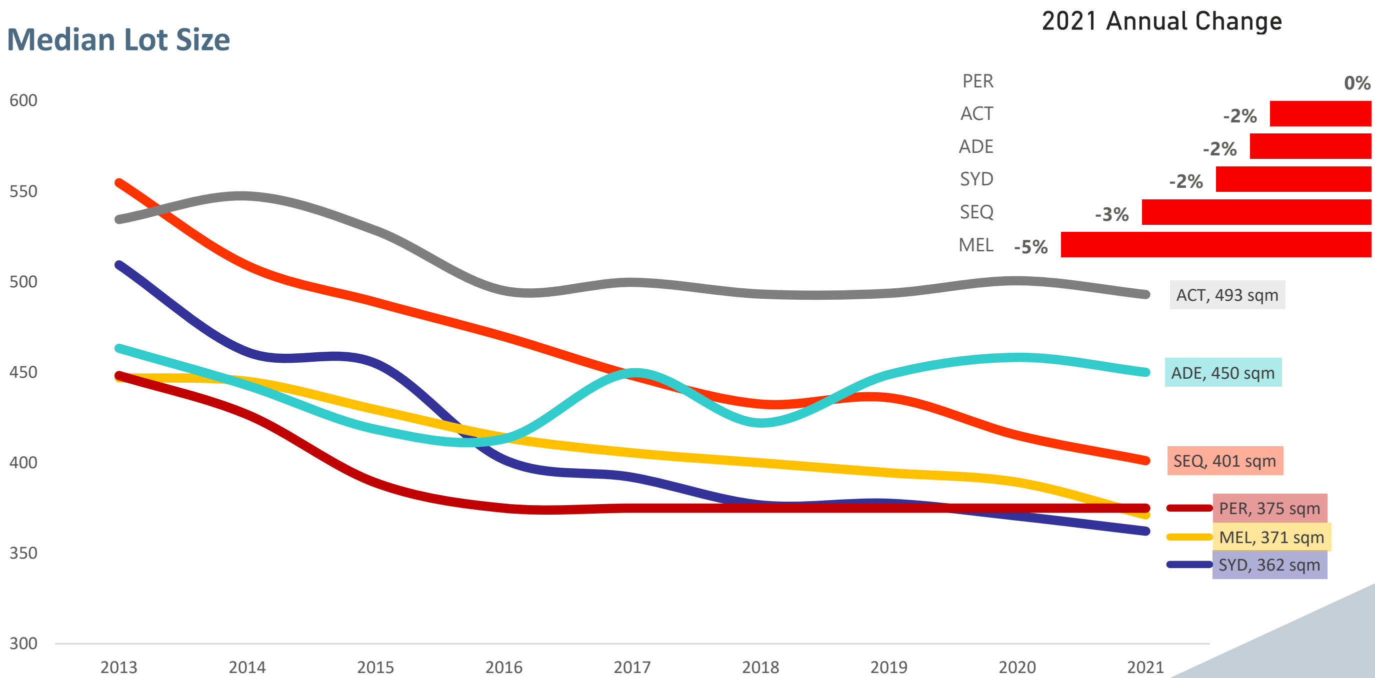


Source: UDIA; Research4

Lot Sizes (sqm)

- The trend of declining lot sizes highlighted in previous State of the Land reports has continued in 2021 on the large east coast capitals but held steady for the smaller cities.
- The median lot size for **SEQ** dropped 3% to 401 sqm, while Sydney's dropped 2% to 362 sqm, which now makes **Sydney's** median lot size the smallest in Australia for the second year in a row.
- The largest median lot sizes are still found in the nation's capital with the **ACT** recording a 2% decrease in lot sizing to finish 2021 at 493 sqm, the smallest the median lot size has been in the nation's capital since 2018.

Median Lot Size



Source: UDIA; Research4

MULTI-UNIT MARKET ANALYSIS – CAPITAL CITY OVERVIEW

CoreLogic is once again this year's State of the Land exclusive provider of apartment and multi-unit data and market intelligence.

The term 'multi-unit' in this report refers to the following residential typologies: apartments/flats/units/row/terrace/townhouse. Other categories of multi-unit development including aged care, retirement and student housing are excluded from the analysis.

New Multi-Unit Sales Activity

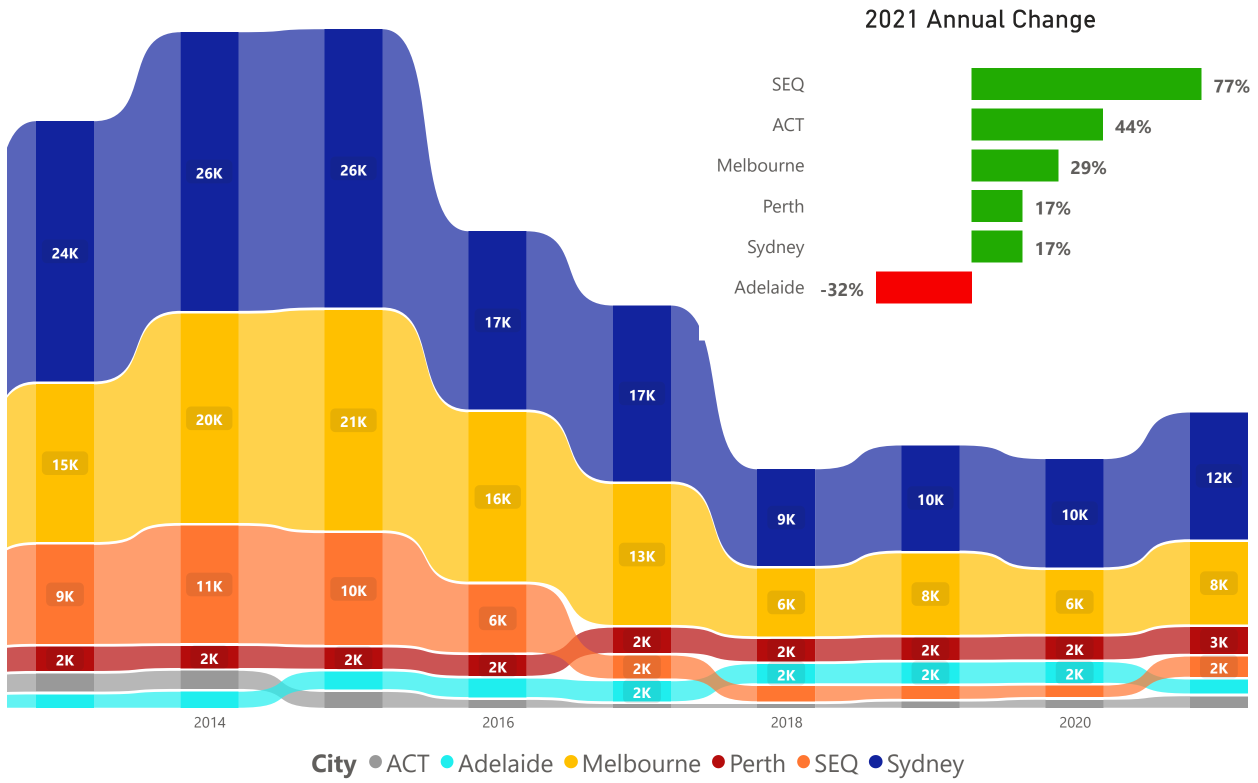
Multi-unit sales volumes of new supply remained subdued across the capital cities in 2021.

- **Sydney** new unit sales transactions for 2021 were down 30% on the decade average to 11,598 sales and maintains the soft volumes consistently recorded since the September quarter 2018.
- **Melbourne's** annual new multi-unit settled sales annual volumes increased 32% across the year to 7,808 sales, which is 34% below the decade average yearly sales.
- **SEQ** recorded a significant rising year in new apartment transactions with 1,985 settled sales for the year, up 93% on 2020 volumes and down 62% from the decade average.
- **Perth's** multi-unit sector experienced an uptick in sales in the September quarter reflecting broader housing market momentum, to record 2,446 sales for 2021, 16% growth on 2020 and 21% above the decade average.
- **Adelaide's** new multi-unit market recorded 1,329 sales across 2021, 15% lower than the decade average and down 32% on 2020 volumes.
- **ACT** multi-unit sales experienced an uplift at just 1,094 annual settled sales which is 6% lower than the decade average.

New Multi-Unit Pricing

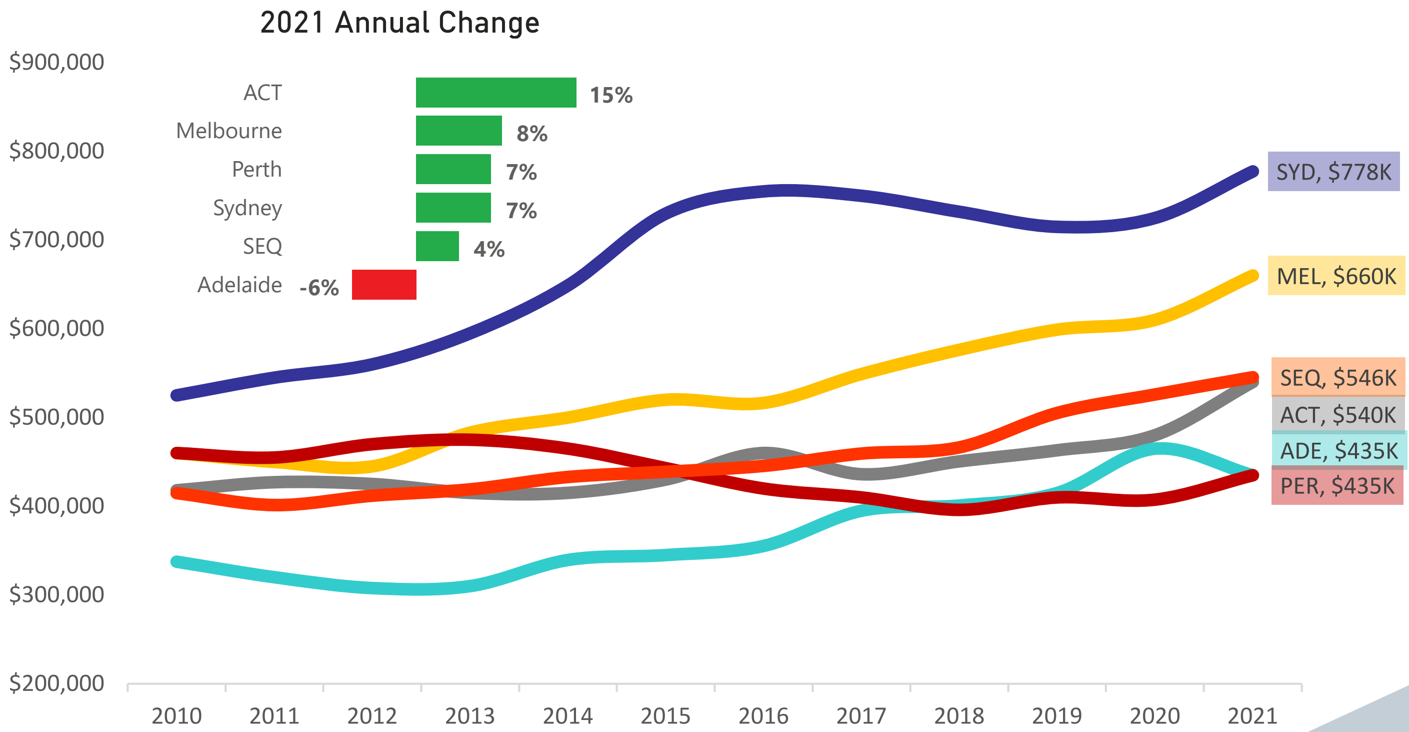
- **Sydney** recorded an 8% annual growth of new unit pricing across 2021 to $780,000, which is 37% higher than the combined capital city new unit average of $569,260.
- **Melbourne** recorded 9% annual price growth in 2021 to record a new unit median price of $665,000, which was 15% lower than Sydney and 17% above the combined capital city average.
- **SEQ** new unit prices rose by 4.2% over the year, recording a median new unit sale price of $551,602.
- **Perth's** new units recorded 8.6% pricing growth across 2021 to finish the year at $440,000, which still reflects an 8% reduction of median new unit stock pricing achieved in the peak of 2014.
- **ACT** unit pricing recorded a constant rise across the year increasing to $550,000, which is now 3% lower than the combined capital city average median pricing.
- **Adelaide's** new unit pricing was the only capital city recording a decrease of 6% in 2021 to $435,000, which is the lowest capital city sale price achieved across the year.

Annual Median New Multi-Unit Sales Volumes



Source: UDIA; CoreLogic

Annual Median New Multi-Unit Sale Price



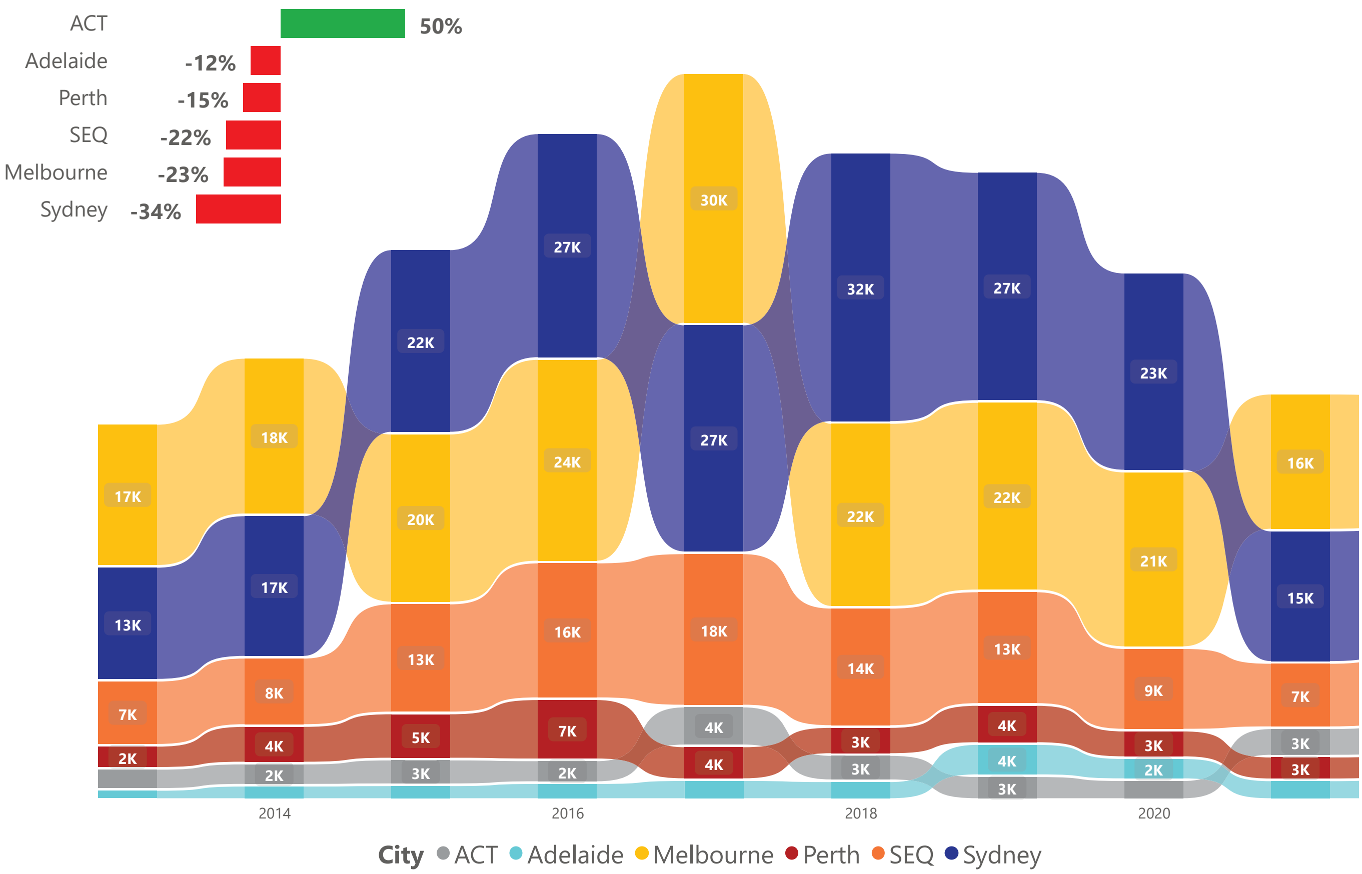
Source: UDIA; CoreLogic

Construction Activity

There was a 23% annual contraction in total multi-unit dwelling completions in 2021 across the combined capital cities, with a total supply yield of 46,412 units. This quantum of new build apartment and townhouse supply is down 45% on the peak supply achieved in 2017.

- **Sydney** recorded 33% of the capital city apartment completions in 2021, however annual volumes dropped 34% to total 15,417 units, which is 52% below the peak supply achieved in 2018.
- **Melbourne** remained the other focal point for new multi-units with 15,960 completed in 2021, reflecting 34% of new capital city supply. Annual completions dropped by 22% on 2020, and 46% on the peak achieved in 2017.
- **SEQ** registered 7,446 new unit completions in 2021 which was down 22% from 2020 and 58% below the peak of 2017.
- **Perth's** new multi-unit completions dropped by 12% across the year to 2,501 units which the lowest volume of new units completed in the last 10 years.
- **Adelaide's** multi-unit annual completions fell 5% in 2021 to 2,026, with the ACT also producing a similar new supply quantum of 3,056.

Annual Median New Multi-Unit Completions



Source: UDIA; CoreLogic

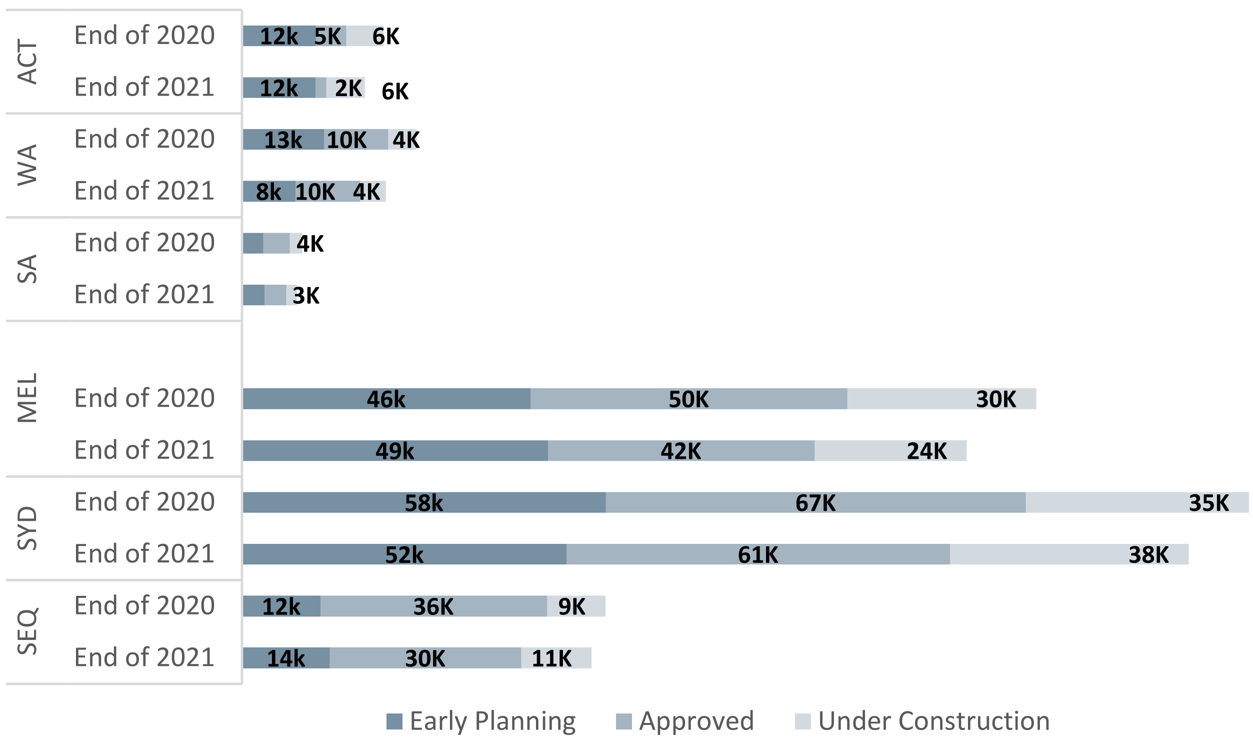
Multi-Unit Pipeline Analysis

CoreLogic has produced point-in-time estimates of the multi-unit pipeline based on a December 2021 and December 2020 snapshot of the market leading Cordell Construction database.

Key Findings

- The forward pipeline for new multi-unit supply (comprising units in the 'Under Construction', 'Approved' and 'Early Planning' categories) across the combined capital cities reduced by 10% across the year, with pipeline contraction recorded in every city.
- The large east coast markets experienced the smallest reductions of forward pipeline supply, led by **Sydney** down 6% and **Melbourne** down 9%. **Sydney** and **Melbourne** are the nation's key apartment markets (holding 77% of new supply), with further erosion on forward pipeline supply maintaining the concerning trend identified in last year's State of the Land report.
- The **Greater Brisbane** pipeline contracted by 20% across the year led by a 25% decrease of units in 'Early Planning' and an 30% increase of units under construction.
- The ongoing weakness in the **Perth** multi-unit sector was reflected in a 17% decrease in pipeline volume, while the **Adelaide** pipeline decreased by 9% over the year.

Capital Cities Multi-Unit Pipeline by Status



Source: UDIA; CoreLogic

NATIONAL RESIDENTIAL MARKET OVERVIEW

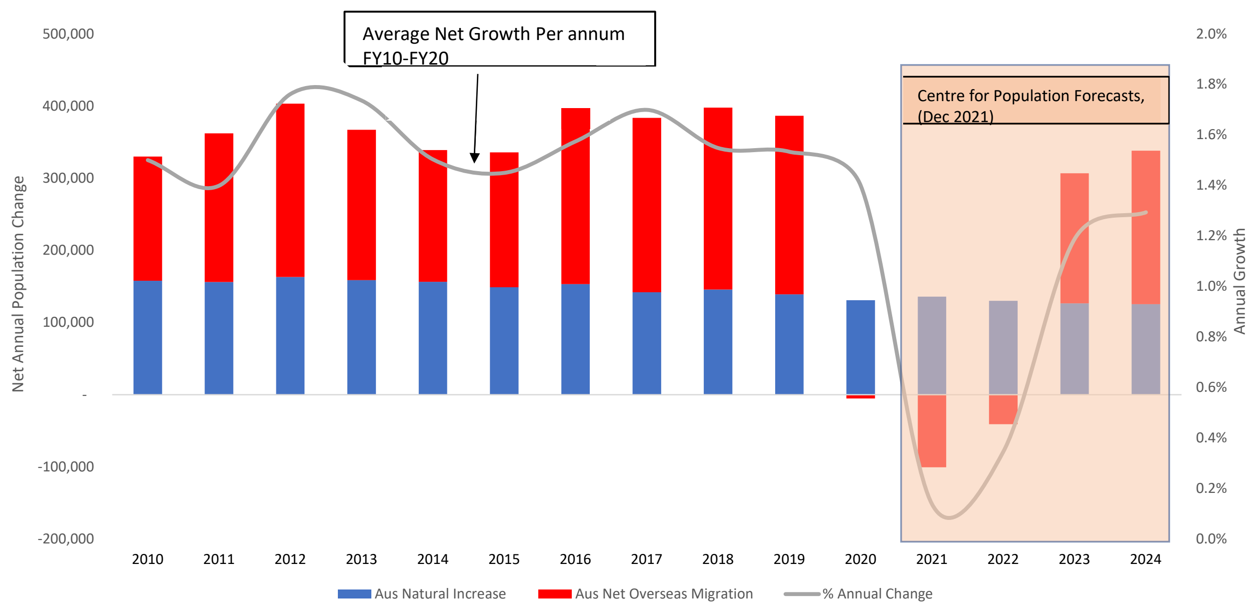
THE ECONOMIC STATE OF PLAY 2022

The Top Seven Factors Shaping Forward Housing Market Performance

1. Population Growth and Net Overseas Migration

- Population growth is the primary driver of underlying demand for new dwellings in Australia, with net overseas migration (NOM) historically responsible for around 56% of demand.
- The closure of Australia's international borders in March 2020 exposed capital city housing markets to a unique and re-set demand profile for new residential products.
- The evaporation of NOM as a central driver of underlying demand for new housing, had many industry analysts gravely concerned for housing market stability and forward pipeline sustainability.
- However, as highlighted throughout this report, the COVID era has continued to surprise and confound expectations. This is underscored by the unprecedented level of expressed market demand for greenfield lots and new detached housing evidenced across the second half of 2020 and most of 2021. Part of the expressed demand uplift has been the drawdown from a deep pool of pent-up demand in the established housing market, combined with a pull-forward of demand stimulated by HomeBuilder and other government incentives.
- The Australian Government's Centre for Population latest population projections (December 2021) forecasts the return to pre-pandemic NOM of circa 235,000 by 2024/25. This return of overseas migration is set to help buttress the overall forward demand profile as the COVID era demand bubble unwinds and the expected interest rate hikes from Q3-2022 put a damper on purchaser capacity and market sentiment.

Annual Components of Population Change



Source: UDIA; Centre for Population; ABS

- NSW and Victoria are the largest beneficiaries of new overseas arrivals (accounting for approximately 70% of the national share) with NOM expected to lift pre-pandemic levels across the Eastern Seaboard and potentially higher by 2024/25.
- NOM is also important for all of the capital cities population growth and a key component of new dwelling demand.
- As international borders re-open and overseas arrival numbers begin to normalise the most immediate impact on housing markets is likely to be seen in rental demand, especially in inner ring areas of Melbourne and Sydney.

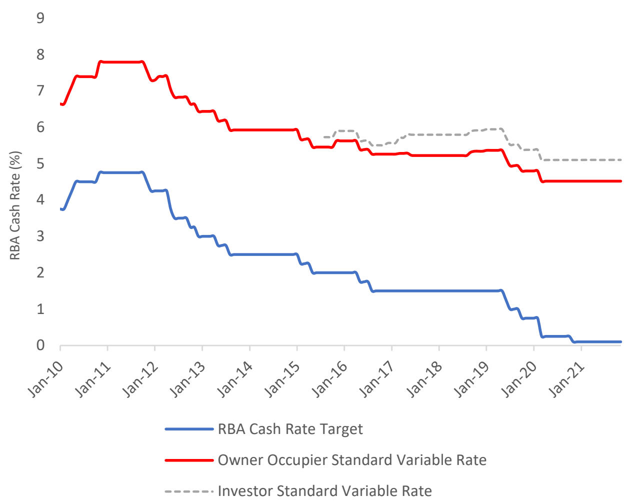
Net Population Change by Component, FY 21 - FY 24 Forecasts

Source: UDIA; Centre for Population; ABS

2. Access to Housing Credit

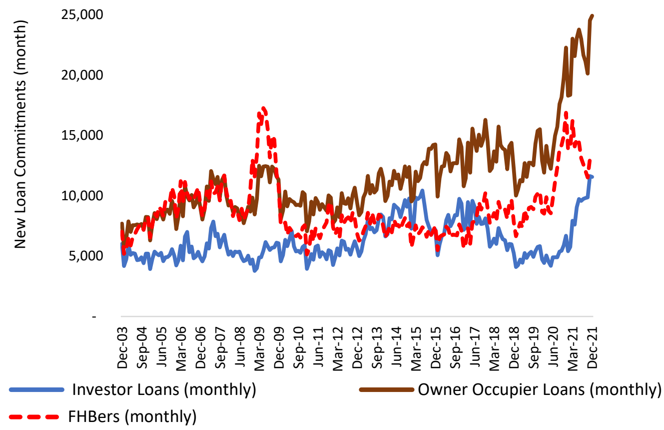
- Record low lending rates for home purchasers has been a major supportive factor to on-going housing demand across 2021. Low interest rates make it easier for households to service their debt and sway the "rent or buy" trade-off towards the latter.

RBA Cash Rate & Indicator Lending Rates



Source: UDIA; RBA

Monthly Home Loans by Purchaser Class, Australia



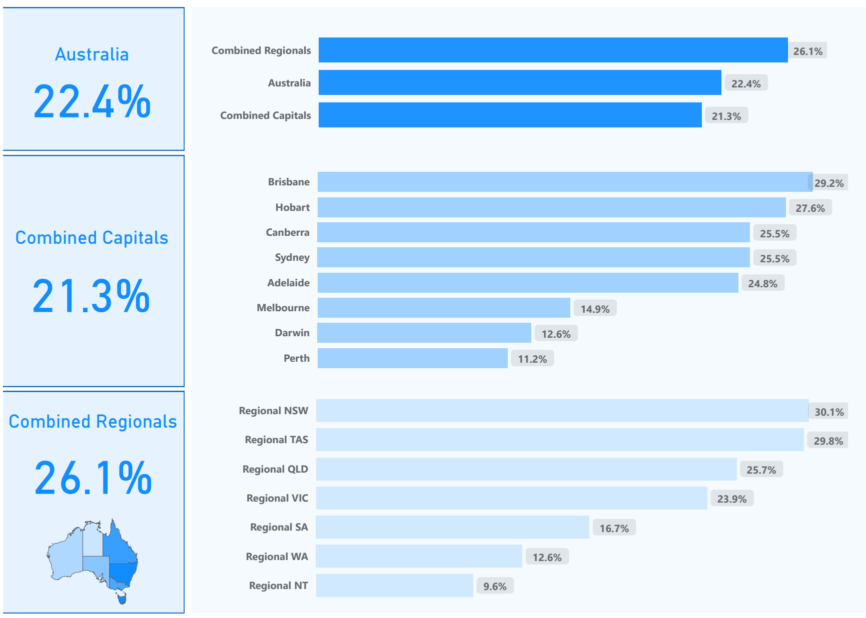
Source: UDIA; ABS

- Maintenance of the record low cash rate of 0.1% across 2021, allied with looser credit policies, a surge in household saving and housing focused incentives has helped fuel housing market momentum and release pent-up demand.
- Growth in housing credit in late 2020 and early 2021 was driven by increases in loan commitments for the purchase of new dwellings or housing construction, while in the second half of 2021 there are signs that credit growth is increasingly being driven by purchases of existing dwellings (RBA).
- At a national scale monthly lending for both owner occupiers and investors closed 2021 at record levels, with owner occupiers rising an average of 42% in 2021 on 2020, while average monthly investor activity rose 77%.
- First Home Buyers have also streamed back into the market accounting for an average of approximately 40% of total new monthly housing loans across 2021, although many developers reported the levels of first home buyer enquiry reduced towards the latter part of the year.
- With the likelihood of increasing interest rates within the year, there will be escalating uncertainty putting pressure on credit and lending that will impact housing market momentum.

3. Regional Population Growth & New Dwelling Demand

- An important demographic trend emerging through the last two years and set to continue has been the significant growth of regional Australia's population base.
- Driven by affordability, the ability/requirement of people to work from home/remotely, and a desire for larger blocks with detached dwellings, regional Australia has been a major beneficiary, particularly since restrictions lifted in October in Sydney and Melbourne.
- The expectation is for a maintenance of elevated levels of regional population growth and likely concomitant dwelling value momentum over the coming two to three years.
- According to CoreLogic's latest data, Regional Australia's combined dwelling values rose 26.1% in the 12 months to January 2022, eclipsing the combined capital cities growth of 21.3%.
- The increasing importance of regional housing markets has prompted the inclusion of a Regional Housing Market Spotlight within each State Chapter of this year's State of the Land report.

Change in Dwelling Values, Twelve Months to January 2022

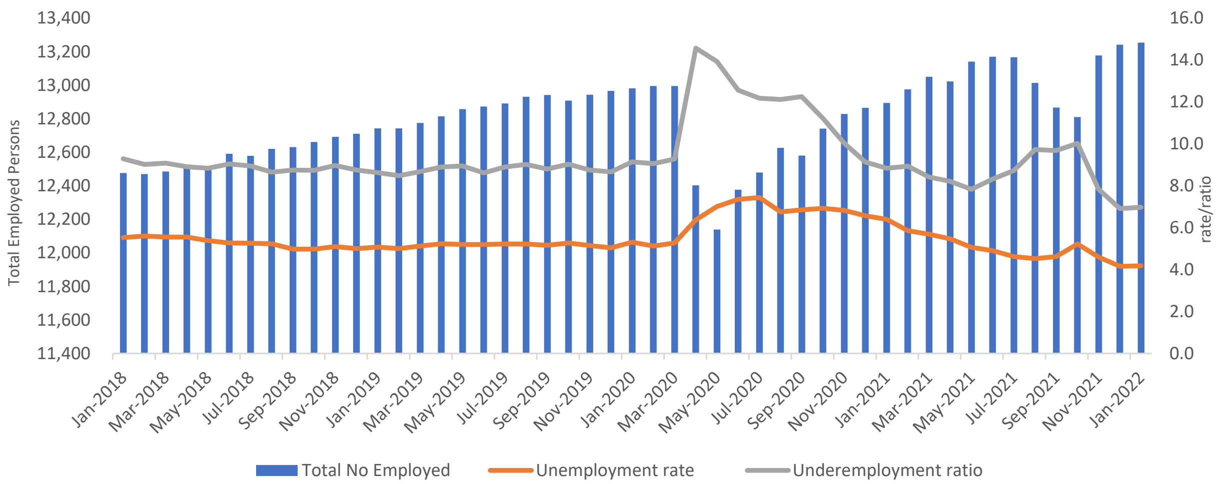


Source: CoreLogic

4. Strong Employment Outlook

- Economic Conditions and the state of job markets are cornerstone drivers to new housing demand.
- Following the initial COVID shocks in March & April 2020, labour markets have held up remarkably well across 2020 and 2021 with government COVID support measures helping keep unemployment and underemployment 1.3 ppts and 1.6 ppts below decade averages.
- The RBA's February 2022 Economic Outlook has forecast GDP growth to strengthen through the middle of this year, with broad-based growth in domestic demand sustained across the forecast period.
- Consumption is forecast to be supported by strong labour income growth and the large increase in household wealth over recent years. Dwelling investment is expected to remain elevated across the forecast period as the large pipeline of work is progressed.

Australia Total Employed Persons, Unemployment Rate and Underemployment Ratio



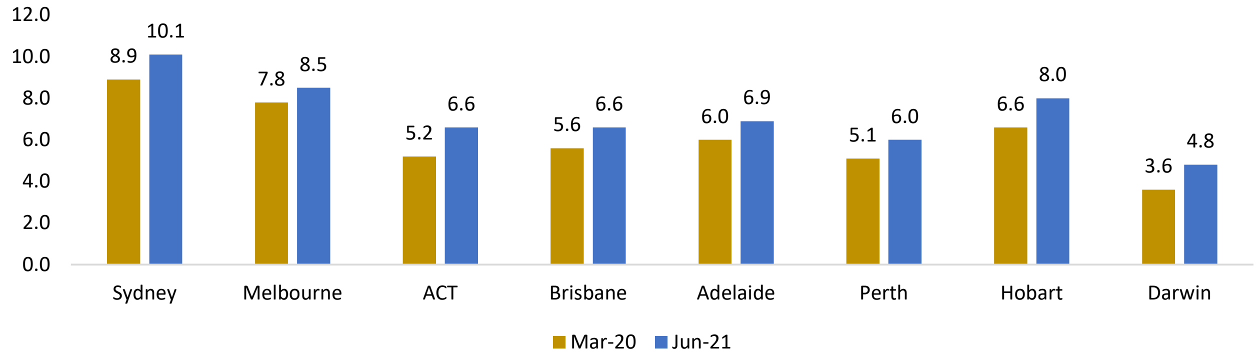
Source: UDIA; ABS

5. Deteriorating Housing Affordability

- The long-run deterioration of housing affordability in our largest population centres relates to substantial increases in dwelling values, while wage growth has continued to be stagnant.
- There are a host of drivers underpinning house price growth, including the inability of supply to adequately match the year-on-year demand profile. Another major factor is the incremental increases in government taxes and charges on development which eventually flow to retail pricing.
- Critically, delays in approvals, infrastructure and planning impedes timely delivery of development-ready land and is making it harder to match escalating market demand.
- NHFIC's State of the Nation's Housing recognised that delivery of housing supply can now take up to 6 years. NHFIC has also forecast significant undersupply by 2025, which means we are potentially already looking at 3 years of chronic unaffordability even if supply boosting measures were put in place today.
- The latest housing affordability indicators from CoreLogic demonstrate a startling worsening of the ratio between median dwelling values and median incomes across all capital city markets over the 18 months to June 21.
- Sydney remains the most unaffordable housing market in Australia with the value to income ratio of 10.1 up from 8.9 in March 2020- at the start of the pandemic.
- The smaller capital city housing markets also recorded a sharp jump in unaffordability led by the ACT and Hobart which both recorded a 1.4 point dwelling value to income ratio jump.

NATIONAL RESIDENTIAL MARKET OVERVIEW

Capital City Dwelling Value to Income Ratios



Source: UDIA; CoreLogic

Capital City	Median Dwelling Value	Dwelling Value to Income Ratio	Years of household income required for a 20% deposit on a dwelling	Mortgage Serviceability	% of household income required to rent a home
Sydney	**$994,298**	**10.1**	**13.5**	**49.10%**	**30.80%**
Melbourne	**$753,100**	**8.5**	**11.3**	**41.20%**	**26.10%**
ACT	**$770,873**	**6.6**	**8.8**	**32.00%**	**27.70%**
Brisbane	**$586,142**	**6.6**	**8.8**	**32.00%**	**27.90%**
Adelaide	**$508,712**	**6.9**	**9.3**	**33.70%**	**30.50%**
Perth	**$523,673**	**6.0**	**8**	**29.00%**	**28.00%**
Hobart	**$607,960**	**8**	**10.6**	**38.60%**	**33.90%**
Darwin	**$475,083**	**4.8**	**6.4**	**23.40%**	**28.90%**

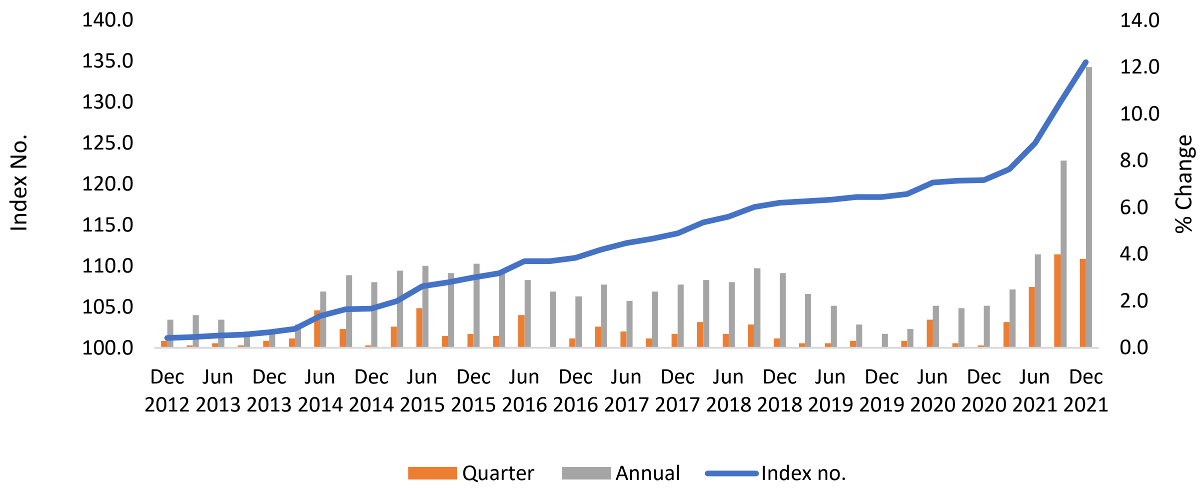
Source: UDIA; CoreLogic

6. Escalating Construction Costs

- International supply chain disruptions due to the global pandemic, increasing freight costs and broad-based production shortages have resulted in significant construction material shortages which has placed upward pressure on housing construction pricing.
- At a national scale the ABS tracking of input prices to housing construction rose 12% over the last twelve months (to the end of December 2021), with the main contributors being:
  - » Timber, Board and Joinery (+18.4% YoY), predominantly driven by structural timber (+22.1% YoY)
  - » Other Metal Products (+13.2% YoY), driven by copper pipes and fittings (+18.8% YoY) and aluminium windows and doors (+12.0% YoY); and
  - » Other materials (+6.8% YoY), driven by mirrors and other glass (+7.1% YoY), insulation (+5.7% YoY) and plaster products (+4.9% YoY).
- The sharp rise in input pricing has been underpinned by the ongoing supply shortages and increased activity in the residential and infrastructure sectors, driving demand for labour and materials.

- Input prices to house construction rose due to increasing material costs and government grants in the residential sector continuing to stimulate demand for materials. Suppliers struggled to meet demand due to stock shortages. Increasing international freight costs also contributed significantly to the strong rise for materials.
- The upward pressure on construction pricing has been broad-based, however it has been felt most acutely in the nation's home-building sector with the House Construction Output Index soaring by 11.0% across the last twelve months, outstripping Non-Residential (+6.4% YoY), Other Residential (+5.6% YoY), and Heavy and Civil Engineering Construction (+5.6% YoY).

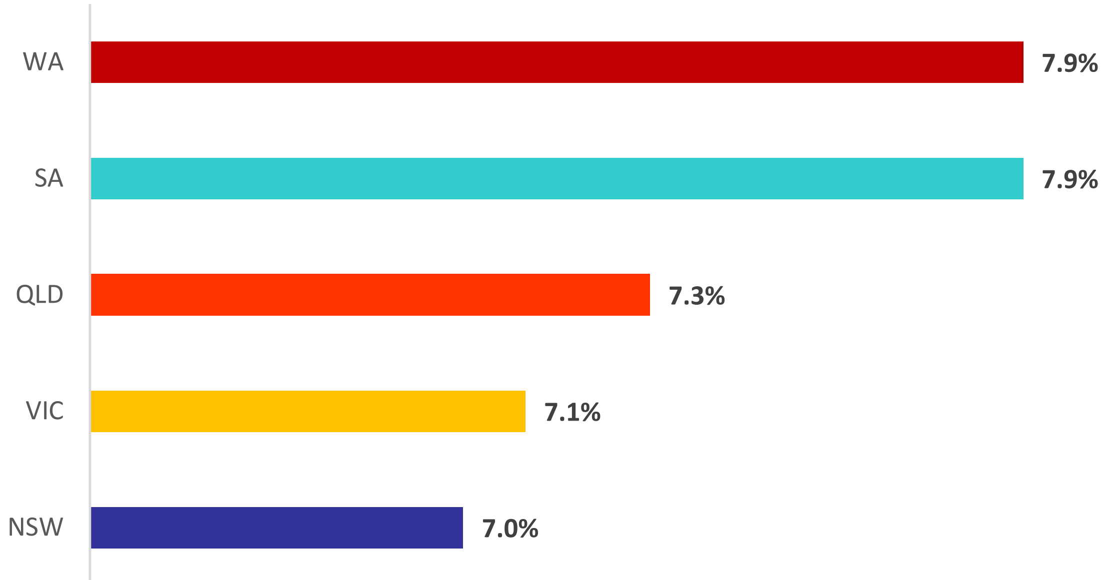
Input Prices to House Construction, Australia



Source: UDIA; ABS

- The uplift in construction costs has been experienced across all capital cities with the greatest cost escalations being expressed in WA and SA with both jurisdictions recording a 7.9% growth in the Cordell Construction Cost Index (CCCI) across the 12 months to December 2021.

Change in CCCI, 12 months to December 2021

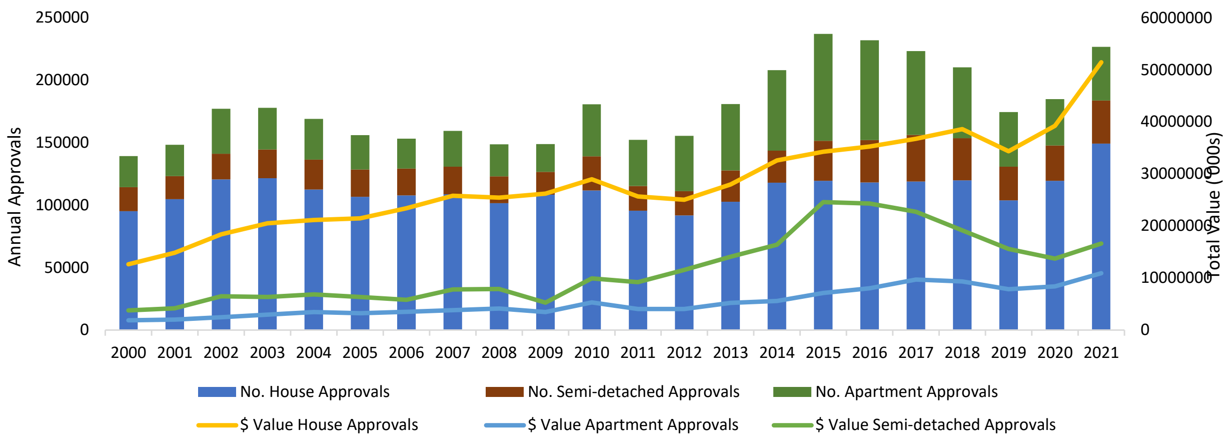


Source: UDIA; CoreLogic

7. Housing Diversity

- Rapid house price increases across all the capital cities, and the medium-term moderation of demand in the higher density apartment market, is set to see a greater uptick in the demand and supply 'missing middle' dwelling typologies which includes townhouses, row and terraces homes and other semi-detached dwellings.
- Historically semi-detached stock account for approximately 14% of dwelling approvals with NHFIC forecasting a lift in medium density demand over the coming three years to 18%. Conversely, aggregate demand for apartments is forecast to drop from 29% in 2020 to 17% in 2023.
- Responding adequately to the demand swing towards to higher proportions of semi-detached dwellings within both established urban areas and in greenfield land release corridors remains an enduring challenge for both industry and government policy makers.
- The other important dimension to housing diversity is the escalating demand for social and affordable housing. According to the Productivity Commission Housing and Homelessness Agreement Review Issues Paper (2022), while 66% of Australians live in their own home, 27% live in affordable or private rental accommodation and 4% live in social housing (802,000 people). Critically, since 2006, the number of mid-high rent properties has increased but the number of low rent properties has fallen.
- The Productivity Commission recognises that investment in social housing is not keeping pace. 166,000 people are on waitlists and it can take 10 or more years for eligible persons to be housed. Social housing tenants have diverse needs and often specific requirements that must be accommodated. This makes their housing choices both more difficult to fulfill and choices more limited unless more investment is made to create fit for purpose dwellings.

Australia, Dwelling Approvals by Volume & Value



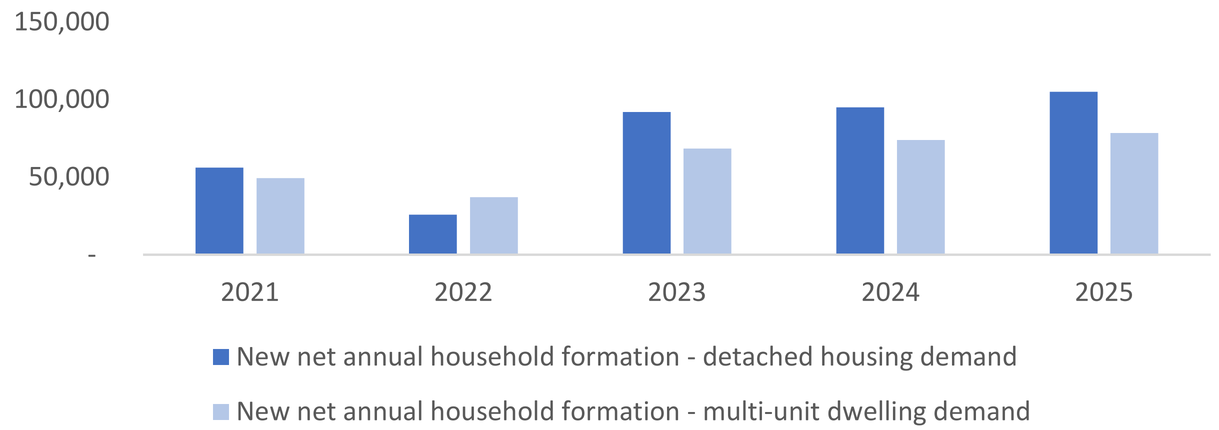
Source: UDIA; ABS

Dwelling Demand & Forward Supply Pipeline

- The recently released NHFIC State of the Nation's Housing 2021, provides a Call to Action for governments across the nation along with the new home building industry, with an impending supply shortfall, conservatively estimated at 165,400 dwellings over the 2025-2032 period.
- NHFIC estimates that in 2019 the pre-pandemic underlying demand for new dwellings (based on a calculation of new net annual household formation) was 192,400 per annum which fell to 136,400 in 2020, 103,300 in 2021 and then plummeting to 60,400 in 2022.
- With Australia's international borders currently in a staged re-opening phase and net overseas migration picking up across this year and next, the NHFIC projections foreshadow underlying demand returning back up to 158,600 in 2023, 166,600 in 2024 and then move back to close to pre-COVID levels of around 181,500 dwellings in 2025.

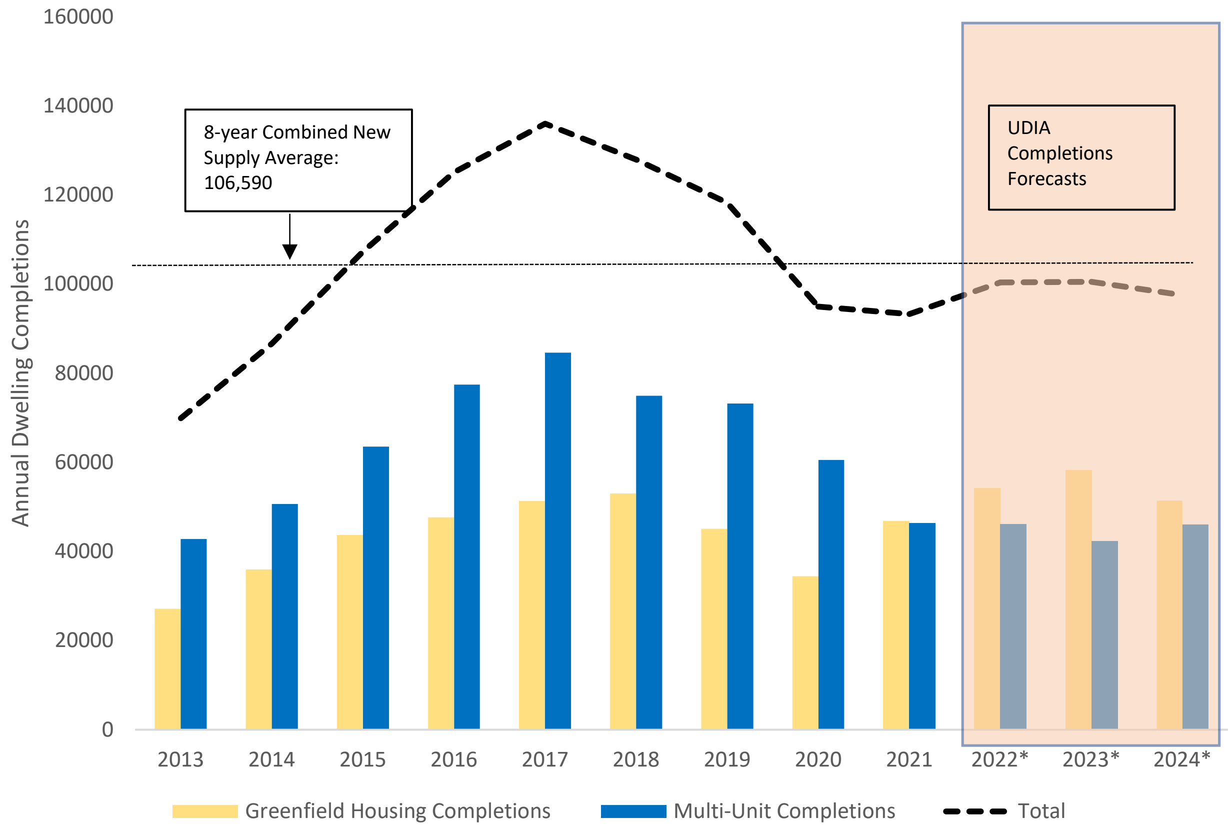
- In terms of a new source of demand, COVID triggered a closure of boarders and a need for citizens and residents who had been living overseas to return to Australia. Technically these people do not represent new demand, but they do represent future demand. Using Melbourne as an example, this group of people normally would represent 7-13% of total housing demand, however during COVID the share of demand was estimated to be 54%.

Underlying Annual Dwelling Demand by Type, Australia (NHFIC)



Source: UDIA; NHFIC

Combined Dwelling Supply* Pipeline Outlook, Combined Capitals



Source: UDIA; ABS; CoreLogic; Research4

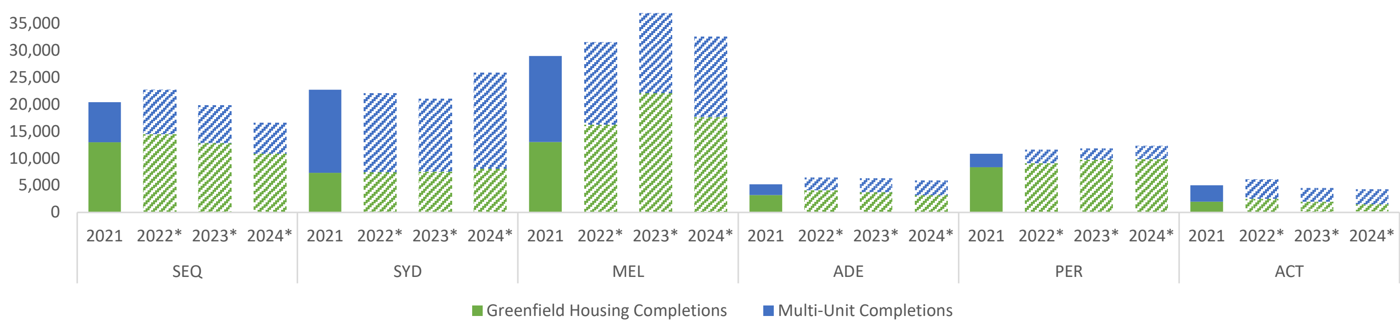
NATIONAL RESIDENTIAL MARKET OVERVIEW

- UDIA modelling of current and forward pipeline activity indicates there will be a modest aggregate lift in combined capital city new residential market supply* to be delivered in 2022 to total 99,200, remaining at a similar production level in 2023 before declining to 94,600 in 2024.
- The forecast volume in 2022 from the combined supply from greenfield corridors and multi-unit and infill completions will be 27% below the output achieved in the peak of 2017 and 7% below the eight-year average achieved between 2013-2021.
- The extremely strong greenfield sales activity recorded across 2020 and 2021 will help counter-balance the soft sales achieved in 2019, with forward completions in 2022 and 2023 expected to lift to around 53,000 new detached homes per year, which is 24% above the long-run average.
- The multi-unit pipeline is now set to stabilize at around 46,000 completions for the coming three years, which is 27% lower than the long-run average.
- In summary, the strong recent performance of the national greenfield sector has helped buttress the on-going softness in multi-unit demand, and has helped ensure there is a strong level of detached housing construction activity in the pipeline going into 2022.

Capital City New Dwelling Supply Annual Growth Forecasts, 2022 to 2024 Summary

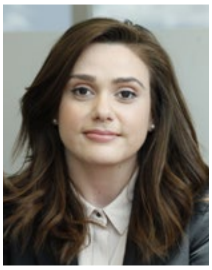
- **Sydney:** the forward outlook for new dwelling completions continues to weaken, driven by an on-going retraction of multi-unit supply. A combined total of 22,060 dwellings are expected to be delivered in 2022. A further decline in aggregate supply is expected in 2023 to 21,050 dwellings, before a modest uptick to 25,880 in 2024.
- **Melbourne:** will remain the largest new home market in the country over the next three years, however the unwinding of momentum in the multi-unit sector will drag on overall residential product completion volumes.
- **SEQ:** the current momentum in the new home market will flow through to record levels of greenfield completions in 2022 with 14,600 new houses and 2023 with 13,000 houses, before moderating in 2024.
- **Perth:** the strong upswing in COVID-era greenfield sales and release activity helps underpin a combined new dwelling supply forward production output trending back up to the long-term average (12,065), with the on-going softness of the multi-unit supply sector weighing down overall production through the next three years.
- **Adelaide:** is set to break a series record in 2022 with a combined total of 6,400 new dwellings to be completed driven by a 30% annual uplift in greenfield housing production.
- **ACT:** record levels of new market supply is expected in 2022 which will also flow into elevated new residential product volumes in the following two years. Greenfield release areas will supply the majority of new homes, with the local apartment market also contributing at elevated levels over the coming years to 2024.

UDIA Completions Forecast 2021-2024, Capital Cities



Source: UDIA; CoreLogic; Research4

RESEARCH PARTNER: CORELOGIC NATIONAL RESIDENTIAL MARKET SUMMARY & OUTLOOK 2022



Eliza Owen

Head of Australian Research, CoreLogic

The Australian housing market may see a year of two halves in 2022. The start of the year has already been defined by stronger-than-usual sales and listings activity, and January growth rates in dwelling values surprised to the upside, up 1.1% over the month. However, headwinds for housing demand are mounting in the form of a looming cash rate increase, affordability constraints, and a large pipeline of construction that could contribute to an easing of housing supply pressures for buyers. There are early signs of a small lift in days on market, and value growth rates have generally softened since early 2021.

Offsetting the headwinds is the welcome return of overseas migration, which could gradually lift rents in inner-city markets that saw weaker performance through the pandemic. Additionally, a lift in the cash rate, however earlier than expected, comes off the back of strong economic conditions such as low unemployment and rising inflation. The tight labour market and pursuit of wages growth will aid debt serviceability, maintaining a level of stability in the housing market.

RESEARCH PARTNER: RESEARCH4 NATIONAL GREENFIELD LAND OUTLOOK 2022

Colin Keane

Director, Research4

The nation's major greenfield markets have performed well over the 2021 year. The year was an all-out assault on the Greenfield supply lines with most markets ending the year with the depleted levels of Active Supply. If 2022 is a continuation of 2021 in terms of activity levels, then the impact will be a widespread loss of housing affordability. 2022 will need to see a moderation in demand in order to allow the market to re-group and re-stock.

The outlook for pricing will be shaped by where house prices go in 2022 and the relationship between Active Supply and activity. At a headline level, most markets have under-valued land product and can push prices higher over the 2022 year. This opportunity will be more easily taken up by ACT, SEQ and Sydney land estates. Adelaide, Perth, and Melbourne markets will have to consider the actual level of competition between estates before embracing the price uplift opportunity.

- An interesting outcome from 2021 has been the record sales made across Melbourne growth corridors, while at the same time the city experienced record numbers of people leaving the market. Normally, a negative NIM would suggest a weakness in the market, in this case it has made no impact, or at least no visible impact.
- People leaving Melbourne for lifestyle and other reasons, mainly went to Southeast Queensland. This shift helped the SEQ Greenfield market to register record sale volumes and price growth.
- Unlike Melbourne, people leaving Sydney are normally unwilling departure guests, driven by affordability issues. The net result for the SEQ market has been a setting where demand has outstripped the industry's capacity to supply, which has resulted in the median lot price lifting by 16% over the last year.
- Separate to the metro greenfield markets, a greater proportion of housing demand has made the move to regional and or peri-urban markets. The 'great COVID escape' triggered a rush of demand for rural or larger properties in markets including Geelong, Ballarat, and Bendigo in Victoria, Newcastle, Woolongong and the Central Coast in NSW.
- This structural change to the "pathways" of housing demand is likely to remain in place over the coming years. Considering that headline demand is expected to moderate over the 2022 year, the rise of the regional markets will likely increase the level of competition between metro growth corridors.

OUR FOCUS FOR THE YEAR AHEAD

Australia's health response has been excellent by global standards, with relatively few fatalities, and our economy has proved relatively resilient.

The Federal Government's initiatives over the past two years have sustained Australia's economy through the COVID-19 pandemic and positioned the nation for a stronger post-pandemic recovery than would have otherwise been expected.

The Federal Government's early focus on the housing and construction sector has paid dividends, with the Commonwealth Government's housing stimulus package- HomeBuilder- serving as a centrepiece, particularly for detached housing. The initiative has been a public policy success, with more than 130,000 applications – driving jobs and investment up and down supply chains. Together with the Home Deposit Guarantee, these initiatives have also helped foster a short-term "renaissance" in Australian's being able to purchase their own homes more easily.

Strengthening demand has now exposed historically thin pipelines and, together with pandemic-driven materials shortages, has resulted in a further deterioration of supply and affordability.

Australia's capital cities remain amongst the least affordable cities in the world, and these challenges have now spread to many regional markets. The next generation is increasingly becoming locked out of the great Australian dream of home ownership.

Now is time to begin the hard work needed to sustain great cities and regions, bring forward policies to counter Australia's housing affordability crisis, and ensure our institutions and policies are fit-for-purpose.

The post pandemic focus of Government will be on kickstarting economic growth.

Both population growth, and property development & construction are vital elements for the Australian economy. Development & construction is an engine room of the economy and critical to recovery of productivity, delivering some 9% of Australia's GDP this year. 11% of Australian jobs depend on our industry.

Each dollar spent on property and construction is shared between 40+ trades and businesses with significant secondary boosts to manufacturing and retail jobs, nationwide, with a 2.9x multiplier into the wider economy for every dollar invested into housing.

Echelon by Giorgi

With a Federal election year upon us, the UDIA National is wasting no time in working with Governments to prepare Australia for economic recovery with the Development and Construction industry as a key component.

The decisions taken today will shape access to home ownership and housing choice for the next generation of Australian's, define the productivity and liveability of our cities and lay the "foundation" for our nation's prosperity.

Achieving this goal will require a sustained investment in policy settings and reforms that can seed the next era of growth, success, and productivity across the nation. The measures outlined below will underpin Australia's rejuvenation after two difficult years and address underlying issues that have been allowed to foment for many years prior.

UDIA National's recommendations to Government will further underpin Australia's recovery after two incredibly challenging years by addressing critical underlying issues that have been allowed to foment for many years prior. These include:

1. **A Home For Everyone** - measures to incentivise land/housing supply targets, better taxation reform and bolstering NHFIC's mandate to create affordable and social housing.

2. **Infrastructure for more Liveable Communities** – measures to overhaul planning funding and delivery of infrastructure to grow cities and housing supply.

3. **Streamline Environmental Approvals** – measures to improve the administration and effectiveness the Environmental Protection and Biodiversity Conservation Act (EPBC) as a single point of contact system.

4. **Make Planning Systems Work Effectively** – measures that give NHFIC a mandate to measure performance of State and Local planning and regulatory systems, with the Federal Government to incentivise planning targets.

5. **Population for Prosperity** – measures to plan and coordinate net overseas migration that closes the population growth gap caused by the pandemic.

6. **Keep Capacity and Create Efficiency** – measures to expand the First Home Loan Deposit Scheme and design a government finance reference group that monitors the health of the market. Broad based reform for an efficient and fair tax system.

SOUTH EAST QUEENSLAND

SUMMARY

GREENFIELD

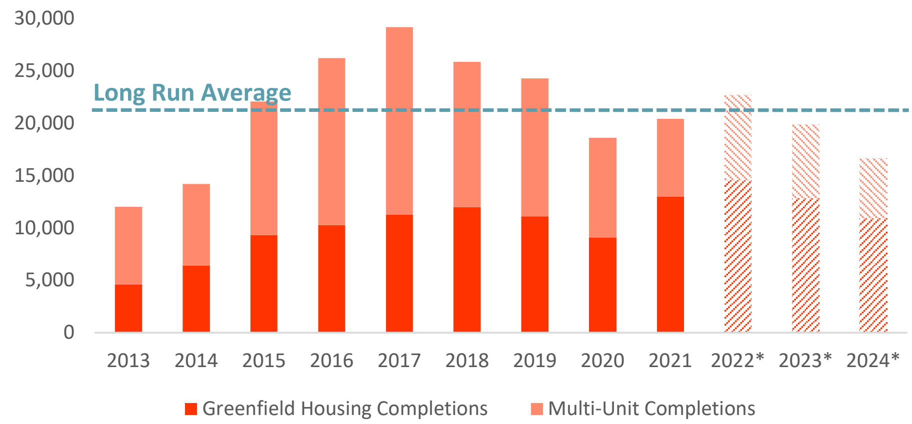
- Annual Completions 24%
- Annual Lot Sales 31%
- Median Lot Price 5%
- House Approvals 4%

MULTI-UNIT

- Annual Completions -22%
- Annual New Unit Sales 93%
- Median New Unit Price 4%
- Unit Approvals -5%

- The South East Queensland (SEQ) region had another record-breaking year in the greenfield land sector with a total of 17,160 lots sold in 2021, up 31% on 2020.
- Greenfield land sales volumes spiked in the June and September quarters with circa 1,700 sales per month before supply constraints helped moderate sales volumes in the December quarter to 950 per month.
- Activity remained subdued in the new multi-unit sector with sales remaining at decade lows and further softening of the forward pipeline.
- A combined total of 20,420 new dwellings were completed in 2021 across the SEQ's greenfield release and multi-unit sectors. This reflects a 10% uplift in new dwellings added in 2021.
- UDIA's modelling is predicting a further upswing in new dwelling supply completions in 2022 before likely moderation in 2023 and 2024, driven by further contraction in the multi-unit production, which will offset the upswing expected in homes being completed in the greenfield growth corridors.

New Residential Market Supply[1]



Source: UDIA; CoreLogic; Research4

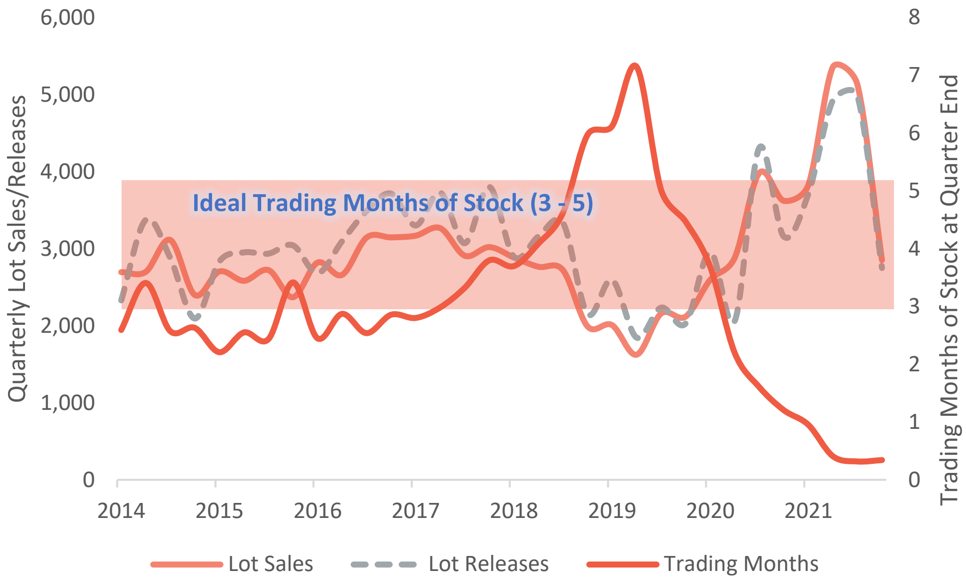
[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The SEQ greenfield market had a very successful 2021 trading year. After a slow start to the COVID induced demand spike in 2020, land developers were able to bring forward new supply to underpin record breaking sale volumes for three of the past four quarters.
- A total of 17,160 lots were sold in 2021 which was a 31% upswing from 2020 (also a record breaking year in terms of sales) at an average of 1,430 lots per month: 41% above the 7-year monthly average rate.
- The SEQ market was able to maintain a high volume of activity for most of the 2021 year before moderating in the December quarter to 951 net sales per month, 34% below the 2021 average sale rate.
- The SEQ share of total national land sales since 2008 has averaged 20%. The share of total activity for the past year has averaged 21% with a closing market share metric of 17%.
- In terms of market activity trend, the market is currently "holding" at a "high level" of sales activity.

Greenfield Activity



Source: UDIA; Research4

Cancellations - level of market confidence

- The number of residential lots "returned" to the price list over the 2021 year averaged 2.2% of gross activity, indicating a "very high" level of market confidence. The year ended with the return rate being 3.9% which suggests that market confidence from builders and end users remains "very high".

Stock of lots ready for sale

- As of December 2021, the number of residential lots on a price list was equal to 0.2 months of demand. Stock levels have been "critically" low for the entire 2021 year and remain critically low as at the close of 2021.

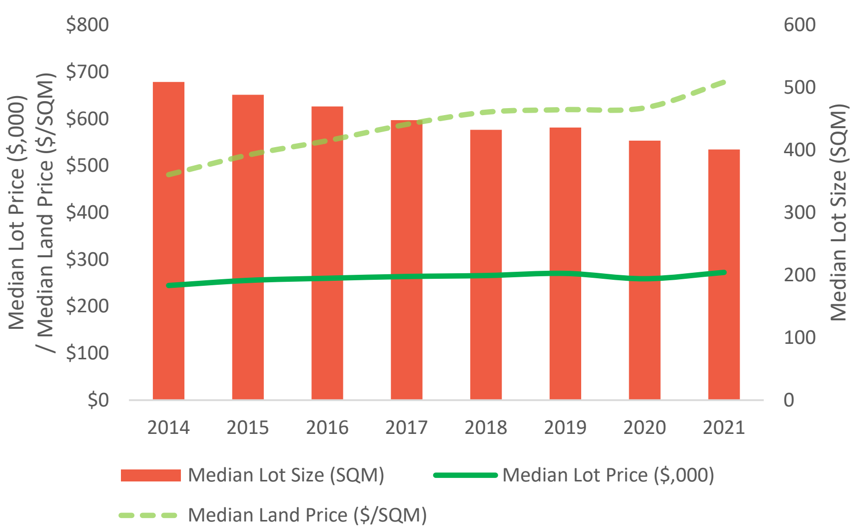
Greenfield Projects

- There was an average of 127 active trading estates across the year which represents a drop of 32% from 2020. In the December quarter just 85 projects recorded sales reflecting a broad array of projects which completed trading across the year.
- Since December 2020 the number of estates ending has been very high, with an average of 43 estates ending each quarter for the past 24 months. Normally, 15 estates would end each quarter. The trend for ending estates is expected to slow during 2022 as most of the "spring cleaning" would have already been done.
- The market would normally see 18 new trading estates entering the market each quarter, replacing those that were ending. The market registered 25 new trading estates per quarter for the 2021 year, an increase on the long running average of 18 estates but insufficient to replace the number ending.
- Since 2008 the average size of a SEQ Greenfield estate has been 309 lots. The 2021 average size was 95 lots and the December 2021 quarter the average size 66 lots.

Greenfield Land Prices and Values

- SEQ's average annual median lot price lifted by 5% across 2021 to $272,000, with most of the growth coming in the December quarter with the median lot price recorded at $301,400.
- Land prices across SEQ since 2008 have remained relatively stable averaging 0.4% price movement per quarter. Over the past seven years the rate of price movement has been 0.8% per quarter. The 2021 year has seen land prices increase on average by 4.1% per quarter, making the year the highest on record.
- The 2021 market setting of high demand, insufficient Active Supply and rising house prices has driven SEQ land prices higher.
- SEQ new land has traditionally been priced at 52% of the Brisbane median house price. Over the past 5 years the average has dropped to 47% of the median Brisbane house price.
- The median lot size dropped by 3% across 2021 to 401 sqm, which is a consistent rate of lot size retraction seen over the last three years.
- The contraction in median lot sizes across 2021 helped deliver a 9% increase in the average land rate to $679 per sqm which is 55% more affordable than Sydney and 23% more affordable than Melbourne.

Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

SOUTH EAST QUEENSLAND

SEQ Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
2011	4,107	129	616	$246K	$400
2012	4,667	147	602	$242K	$402
2013	7,655	157	555	$239K	$431
2014	10,909	169	509	$245K	$481
2015	10,383	144	489	$256K	$523
2016	11,773	143	470	$260K	$554
2017	12,366	166	448	$264K	$588
2018	10,370	193	433	$266K	$614
2019	7,916	174	436	$270K	$620
2020	13,084	186	415	$259K	$624
2021	17,161	127	401	$272K	$679

Source: UDIA; Research4

RESEARCH PARTNER: COLIN KEANE
SEQ GREENFIELD 2022 OUTLOOK

The SEQ Greenfield market has, after 12 years, arrived at a point where value, capacity and demand are in alignment. There will be some timing issues as to when these three points of the compass come together, but at a headline level they are aligned.

Over the short term, there will be price pressures in response to low levels of Active Supply, moderate levels of un-met demand and increasing difficulties connected with getting supply to market. Post this period, the market should be able to enjoy a new normal in terms of price growth and activity.

Greenfield Land Price – Forecast

The SEQ land price has been held in check for most of the past 12 years due to Active Supply exceeding Average and Peak demand. The level of activity has never placed the selling capacity of SEQ's Active Supply under any real pressure. Additionally, since 2008, land values as a percent of established house prices have been too high, therefore combined with strong levels of capacity, prices have been held down.

This setting is allowing the market to record price growth, with the market registering 16.4% price growth for the 2021 year. Price growth is expected to continue across the 2022 year, driven by the on-going affordability of new land relative to the established market and low levels of capacity.

Greenfield Selling Capacity Forecast

2021 has significantly impacted the production and or selling capacity of Active Supply across SEQ greenfield. If actual activity remains high over the first half of the 2022 year, then the existing level of industry capacity will be unable to prevent major price escalation.

The greenfield market over the next two years is expected to see the average number of Active trading estates lift to 117, based on applying the historic take up rates for new estates.

The SEQ greenfield market has lost a significant percentage of headline Active Supply over the past year. The count of estates has dropped along with the average size of the trading estate. The market is relying more heavily upon micro land estates which is unsustainable in terms of protecting affordability and being able to best respond to metro wide housing demand.

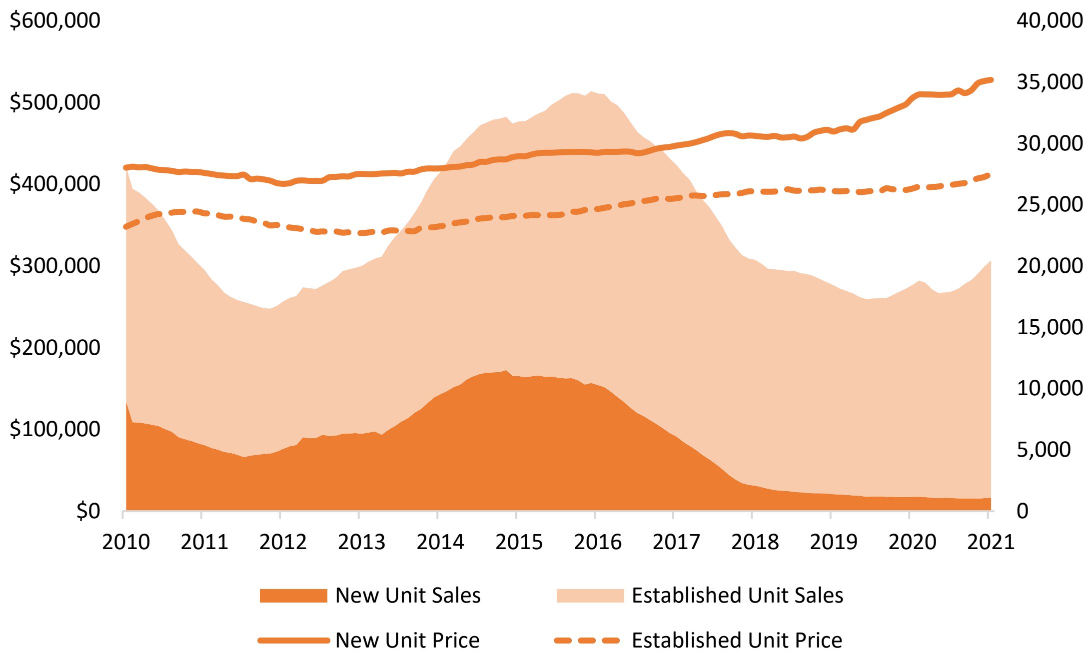
SOUTH EAST QUEENSLAND

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- Sale volumes of newly built apartments and townhouses remained at a depressed level across 2021, with just 1,896 settled sales transacted across SEQ. This is 87% below the new sales volumes achieved in the peak of 2014-2015.
- Sales of new units represented just 5% of all unit sales activity across 2021, which is less than a third of the proportion of new sales activity expected from the long-term trend.

Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

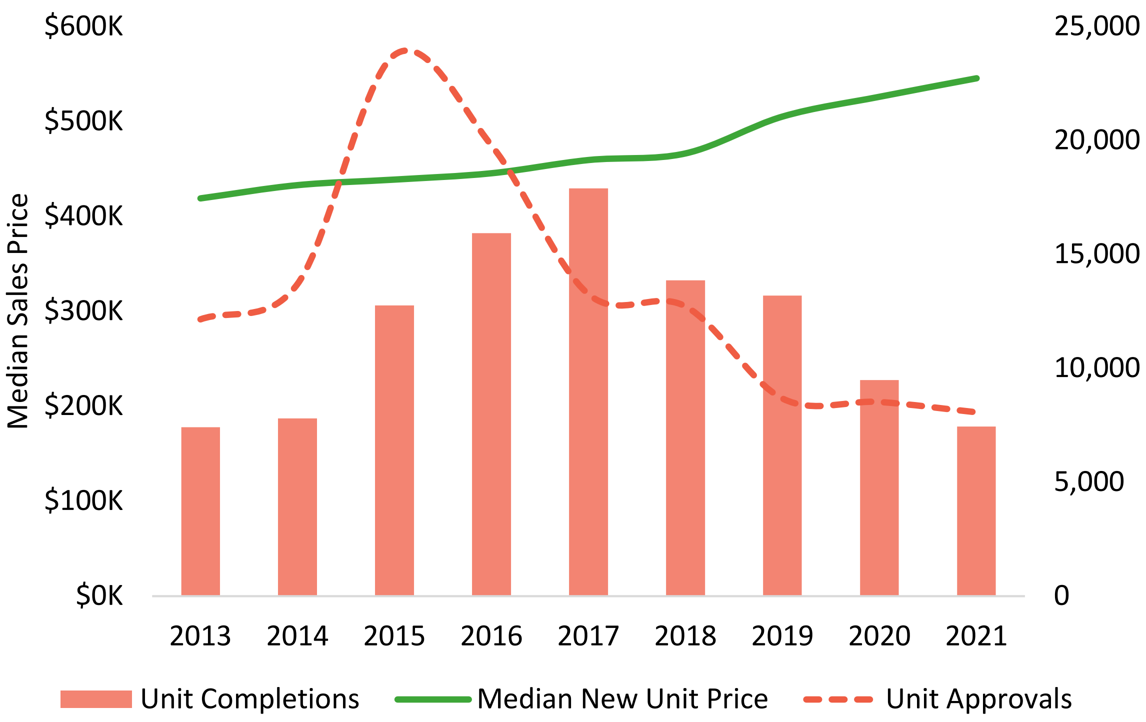
Median Unit Pricing

- The median sale price of new units grew by 4% across the year in SEQ to $510,000, which reflects a 23% sale price difference to broader established unit market pricing, which is in line with the long-term trend.
- SEQ's newly constructed units remain price competitive with the other east coast capital city markets, with the median new sale price currently 30% more affordable than Sydney's units, and 30% more affordable than Melbourne's median unit price point.
- The current median sale value of new units is currently 26% more affordable than the median value for new houses, which is significantly higher than the long-term average of 12% cheaper, which represents a positive retail proposition for the market – particularly first home buyers.

Construction Activity

- There were 7,446 new multi-unit dwellings completed across SEQ in 2021. This is an annual decline of 22% on 2020 completions, and a 58% decline on the historic high achieved in 2017.
- In 2021 the majority of SEQ's new apartment supply was completed on the Gold Coast and Sunshine Coast (32%) and within a 5km band of the Brisbane GPO (26% of all new units).
- There are lower levels of supply of multi-units being delivered in the inner and middle ring areas of Greater Brisbane than evidenced in the other capital cities.
- Reflecting the above, the top three postcodes for multi-unit completions were 4218, 4101 and 4503, which are located in Gold Coast and Brisbane respectively.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

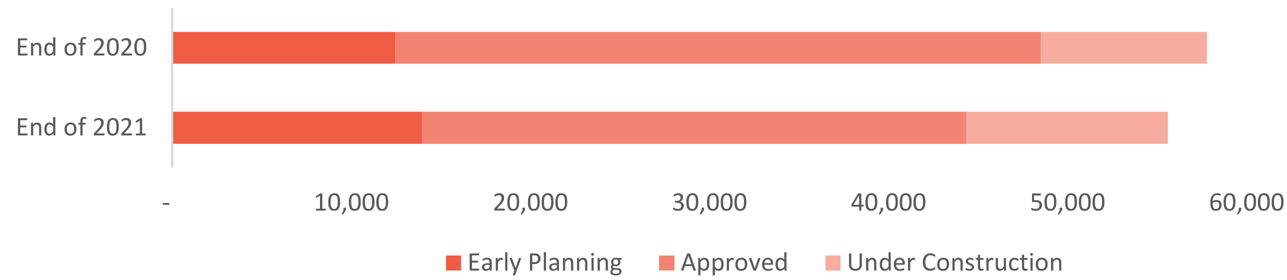
Upper House by Aria

Pipeline Analysis

CoreLogic has produced point-in-time estimates of the multi-unit pipeline based on a December 2020 and December 2021 snapshot of the market leading Cordell Construction database.

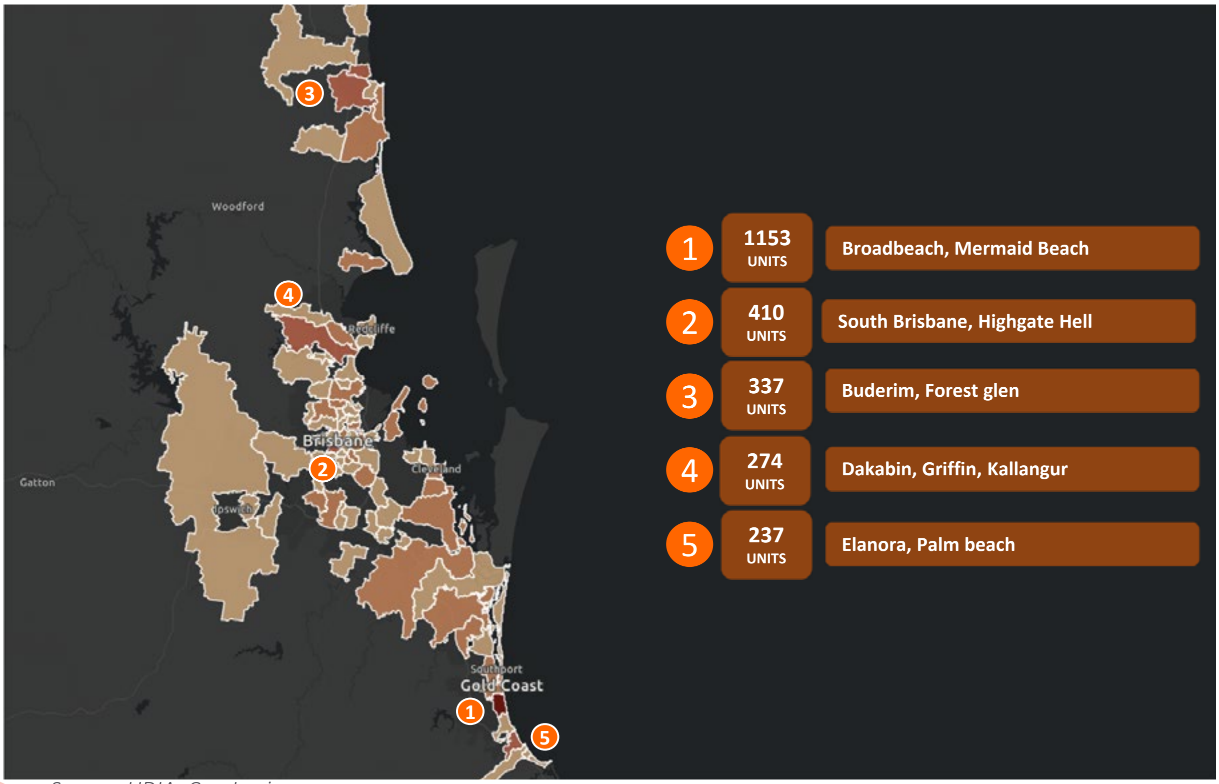
- This data analysis reveals that there is an aggregate total of 30,454 units in the SEQ active pipeline, which is 20% lower than the supply recorded in December 2020.
- This active supply is made up of units in the early planning phase (down 25% from 2020), units which have received approvals (down 30% from 2020) and units under construction (down 30%).

Multi-Unit Active Pipeline Analysis



Source: UDIA; CoreLogic

Multi-Unit Completions 2021, by Postcode



Source: UDIA; CoreLogic

SEQ Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2011	4,853	$401K	11,891	$350K	-	-
2012	6,360	$412K	13,485	$340K	-	-
2013	9,300	$419K	17,805	$347K	12,152	7,418
2014	11,035	$433K	20,586	$361K	13,703	7,803
2015	10,479	$439K	23,781	$369K	23,760	12,751
2016	6,373	$446K	22,370	$382K	19,786	15,933
2017	2,150	$459K	18,463	$391K	13,254	17,902
2018	1,433	$466K	17,235	$392K	12,720	13,865
2019	1,184	$505K	17,271	$395K	8,675	13,185
2020	1,071	$526K	18,904	$409K	8,526	9,488
2021	1,985	$546K	32,468	$457K	8,073	7,446

Source: UDIA; CoreLogic; ABS

RESEARCH PARTNER: CORELOGIC QLD 2022 OUTLOOK

CoreLogic®

The South East Queensland market continues to be one of the strongest performing in terms of value growth, with Brisbane dwellings sustaining the highest rate of capital growth over the month of January (2.3%) among the capital city markets, as well as leading growth over the 12 months to January (29.2%).

The normalisation of remote work amid the pandemic has allowed knowledge workers on relatively high incomes to pursue housing in Queensland's coastal and lifestyle markets. Recent increases in migration to the Sunshine state may help to generate virtuous cycles going forward, with a higher population generating more demand and employment activity, which could also attract more overseas migrants as borders open this year.

Growth conditions have been diverse across the state, with a more subdued performance across regional, rural markets in Queensland, that are tied to the resources or agricultural sectors, or have seen more extreme weather conditions in the past decade. However, the return of overseas arrivals may help to lift housing market conditions in popular tourism areas such as Cairns. The QLD housing market will not be immune to a downturn in prices and demand once interest rates rise, but may still fair better than other states and territories with milder declines over the course of the cycle.

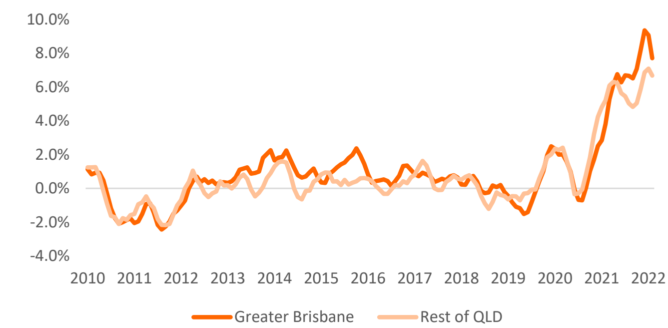
SOUTH EAST QUEENSLAND

Spotlight on the Regions

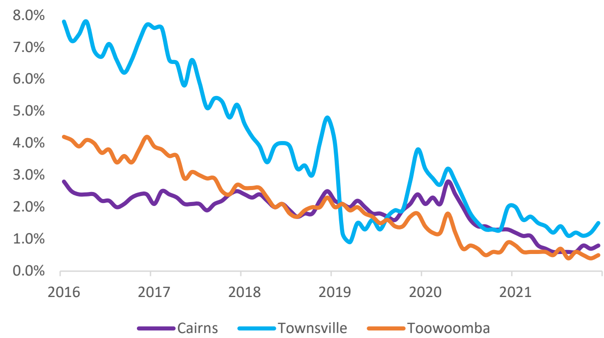
	House Approvals		Multi-Unit Approvals		New House Sales		New Multi-Unit Sales		Vacancy Rate (Houses)			
Greater Brisbane	18620	4% ↑	8073	5% ↓	12965	35% ↑	1896	77% ↑	Dec-20	1.8%	Dec-21	1.3%
Regional QLD	13603	30% ↑	6895	43% ↑	14668	34% ↑	1371	82% ↑	Dec-20	N/A	Dec-21	N/A
Cairns	1005	91% ↑	30	50% ↑	834	20% ↑	101	274% ↑	Dec-20	1.3%	Dec-21	0.8%
Toowoomba	1088	99% ↑	106	0%	931	27% ↑	123	98% ↑	Dec-20	0.9%	Dec-21	0.5%
Townsville	1068	135% ↑	37	37% ↓	1097	40% ↑	87	190% ↑	Dec-20	2.0%	Dec-21	1.5%

- Regional Queensland (inclusive of the Gold Coast and Sunshine Coast) recorded a spectacular annual dwelling value growth of 25.7% across 2021 which was not far below that of Greater Brisbane's 29.2% annual growth – the largest annual growth of any Capital City.
- Sales of new house and multi-units lifted strongly across the regions in 2021, with up to 40% transaction uplifts recorded in the spotlight cities of Townsville, Toowoomba and Cairns.
- Detached house approvals soared by 30% across Regional QLD in 2021, while the spotlight cities recorded even more dramatic approval uplifts ranging from 91% to 135%.

Rolling 3 Month Change in Median Dwelling Values

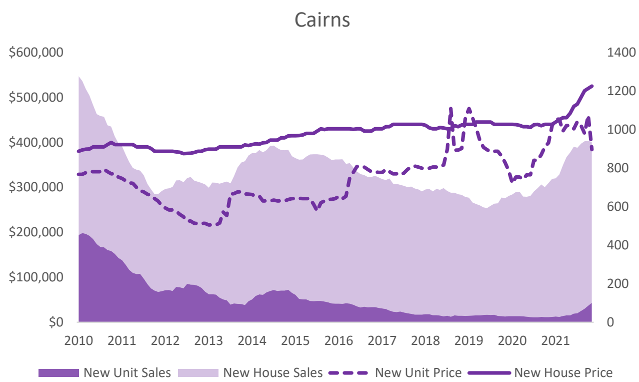


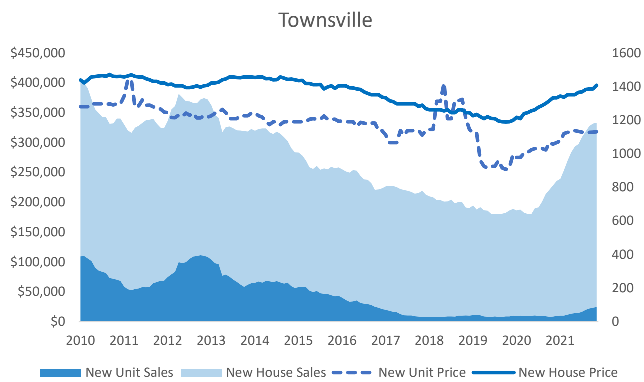
Vacancy Rate

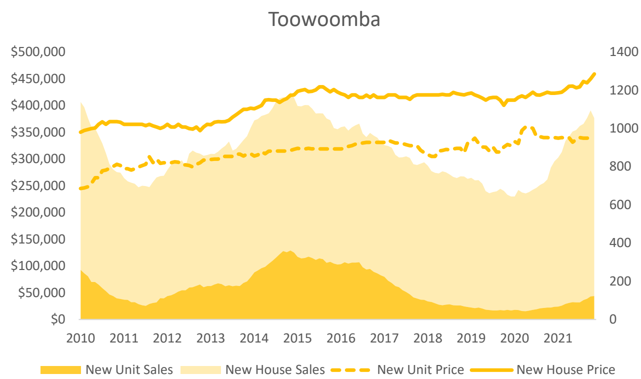


Source: UDIA; CoreLogic

New Unit - Houses Sales and Price







Source: UDIA; CoreLogic

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

The Queensland community is facing an affordability cliff with rising home prices and low rental availability. Approved lot supply is well under the four years of supply benchmark in a number of areas across South East Queensland.

The industry faces serious challenges with house, labour, and materials prices rising quickly undermining viable projects. Builders, developers, lenders, suppliers and contractors are under pressure with professional and on-site staff affected by the latest wave of the pandemic and what is being called a profitless boom.

At the same time, a range of regulatory changes are occurring including increased accessibility and energy efficiency requirements under the National Construction Code, infrastructure charges plus koala, and vegetation protection requirements.

State Policy Priorities

UDIA Queensland released its Facing the Affordability Cliff report seeking a range of measures to improve certainty and consistency, such as ensuring that zone intent is not undermined by overlays, and the establishment of a Queensland Growth Areas Authority to ensure structure planning and infrastructure planning occurs.

It also seeks a commitment to housing choice by authorities, with a housing needs analysis and scheme provision change to ensure people have real opportunity to access the types of housing they actually want as they go through life. The paper also backs an infill development code to facilitate quality, diverse, and well-designed homes.

A program to educate the wider community on planning is needed to forge a shared-way forward on Queensland's growth forecasts and dwelling needs, as is requiring feasibility advice on planning scheme amendments regarding their impact on dwelling supply.

For the short term, a moratorium on changes that increase the price of new housing will be pursued as well as a review of government taxes and charges to give homebuyers a chance of getting into their own home.

UDIA Queensland is also seeking a boost to the Building Acceleration Fund to address the infrastructure bottlenecks that prevent desperately needed new homes being provided.

Future Prospects

UDIA Queensland will continue to work with both state and local government on continuing to progress discussions on a range of issues which are constraining the delivery of housing across the state.

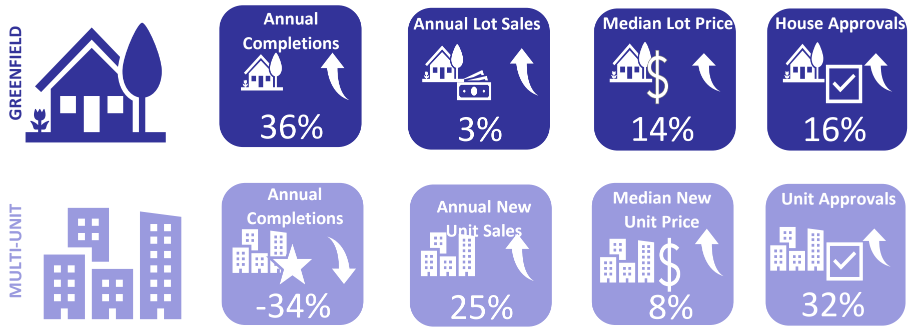
Scott Ullman
General Manager Development
Frasers Property Australia

2021 saw a continuation of the momentum gained through a combination of government policies to stimulate demand, and general sustained improvement in market sentiment, particularly from owner occupiers. This was most evident in the established detached real estate market, on the greenfield market, as well as the Gold and Sunshine Coasts, and middle ring Brisbane, which has also resulted in some long overdue price growth. This momentum is now also starting to carry through to the Brisbane apartment market which over the last few years, has weathered oversupply issues.

While these more buoyant market conditions have been very welcome after a decade of choppier conditions, they have brought with them particular challenges, most notably the rapid escalation of material costs and supply chain constraints, as well as extreme stock shortages and dwelling supply constraints as developers continue to navigate the challenges to efficiently bring quality outcomes to market, as well as replenish their pipeline. Despite these supply challenges, the demand outlook for 2022 in Queensland otherwise continues to be strong with sustained population growth and ongoing relative affordability.

SYDNEY

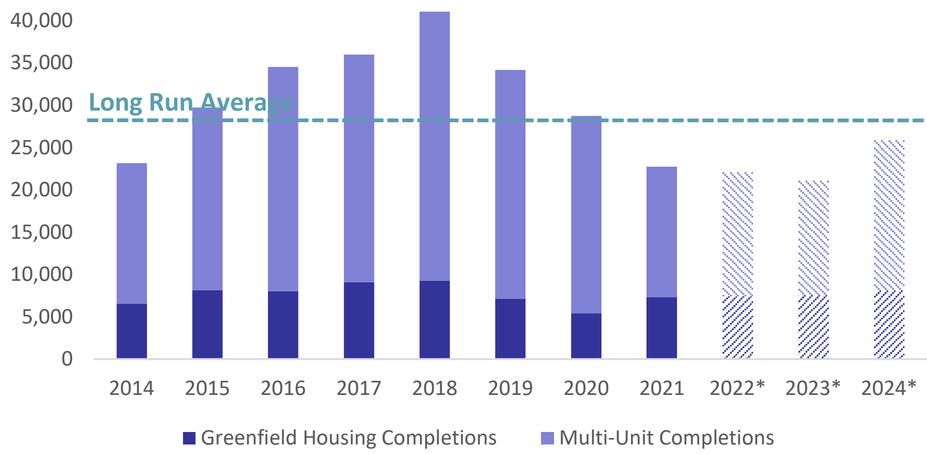
SUMMARY



Wentworth Point Marinas by Billbergia

- Underpinning Sydney's solid housing market performance in 2021 was the greenfield market which experienced a significant uplift in demand and sales activity in the March and June quarters before moderating through the second half of the year.
- Supply constraints drove the inability to maintain greenfield lot supply at elevated levels with the number of active projects in metropolitan Sydney reducing to just 47 in the December quarter, the lowest number of trading estates recoded for a decade.
- A combined total of circa 23,500 new dwellings were completed in 2021 across the greenfield release and multi-unit infill sectors. This reflects a 18% decline from new dwellings added in 2020 and is a 43% dip on the peak supply achieved in 2018.
- A further drop in Sydney's new residential supply completions(1) is forecast in 2022 to around 22,000 dwellings, driven by further contraction in the multi-unit production, which will offset the modest upswing expected in homes being completed in the greenfield growth corridors.

New Residential Market Supply[1]



Source: UDIA; CoreLogic; Research4

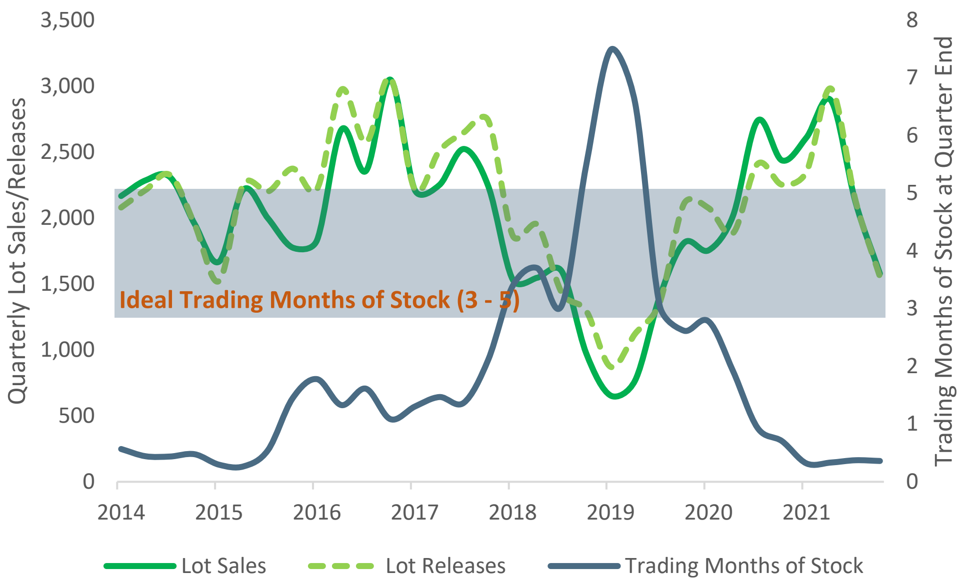
[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The Sydney greenfield market remained resilient across 2021 with annual land sales totalling 9,200, at an average of 767 lots per month, 17% above the 7- year average rate.
- The Sydney market was able to maintain a high volume of activity for the first half of 2021 before registering two quarters of declining sales. The market ended the year with 526 net sales per month, 48% below the record high of 964 per month which was recorded for the June 2021 quarter.
- There was a total of 9,025 lots released across 2021 which reflected a 5% increase on 2020 net releases and a 65% increase on 2019 volumes. This reflects the deep level of pent-up demand driving brisk inventory movement.
- The Sydney greenfield market share of total national land sales since 2008 has averaged 18%. The share of total activity for the past year has averaged 19%, with a closing market share metric of 12%.

Greenfield Activity



Source: UDIA; Research4

Cancellations - level of market confidence

- The number of residential lots “returned” to the price list over the 2021 year averaged 2.1% of gross activity, which indicates a “Very high” level of market confidence from Builders and end-users. The year ended with the return rate being 3.1% which suggests that market confidence remains “Very High”.

Stock of lots ready for sale

- As of December 2021 the number of residential lots on a price list was equal to 0.4 months of demand. Stock levels have been “critically” low for the entire 2021 year and remain critically low as at the close of 2021.

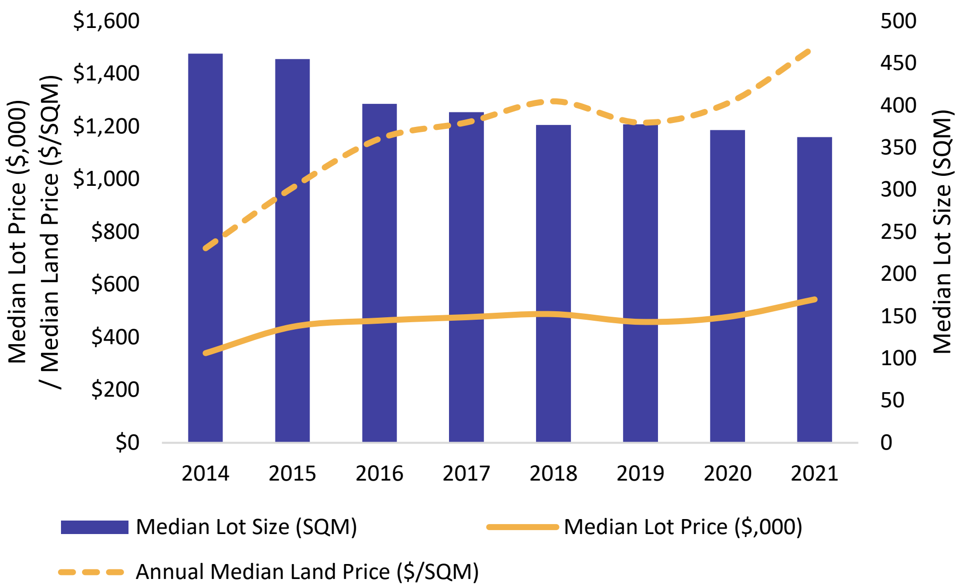
Greenfield Projects

- There was an average of 61 active trading estates across the year which represents a drop of 32% on 2020. In the December quarter just 47 projects recorded sales reflecting a broad array of projects which completed trading in the second half of the year.
- The Sydney market has lost considerable capacity in 2021 in terms of active projects, but also, the average size of the estate has been reducing. Sydney estates were small before 2021, but with the average size of the 25 new estates in 2021 being only 78 lots, it highlights ongoing issues with securing the new land supply pipeline.
- Across the broader Greater Sydney Megaregion (inclusive of Hunter & Illawarra) the market would normally see 16 new trading estates enter the market each quarter, replacing those that were ending. The market registered 21 new trading estates per quarter for the 2021 year, an increase on the long running average.

Greenfield Land Prices, Lot Sizes and Values

- Sydney's median lot price lifted 14% across 2021 to $544,000, which was the highest growth across the capital cities and the largest annual growth in pricing since 2015, when prices jumped $100k or 29% in a year.
- The primary reason for the strong level of price growth has been a lack of supply and in particular a lack of active supply.
- Sydney's median lot price represented 44% of the established market median house price of $1.23m in the December quarter which is close to the long run average of 43%.
- The median lot size dropped by 2% across 2021 to 362 sqm, which helps Sydney retain the smallest median lot sizes in Australia- a position taken back from Perth in 2020.
- The contraction in median lot sizes across 2021 helped deliver a 17% increase in the average land rate to $1,501 psm, which is 70% higher than Melbourne – the nation's second most expensive land market.

Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

Greater Sydney Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
2011	3,771	49	498	$295K	$592
2012	4,344	65	508	$295K	$580
2013	8,206	69	509	$323K	$635
2014	8,719	49	461	$340K	$738
2015	7,659	54	455	$440K	$968
2016	9,909	87	402	$463K	$1,154
2017	9,227	84	392	$476K	$1,215
2018	5,649	86	377	$488K	$1,295
2019	4,634	86	378	$459K	$1,214
2020	8,948	89	371	$477K	$1,288
2021	9,204	61	362	$544K	$1,501

Source: UDIA; Research4

RESEARCH PARTNER: COLIN KEANE
SYDNEY GREENFIELD 2022 OUTLOOK

The effectiveness of the Sydney greenfield market has been severely reduced over the past 12 months. The critical shortage of clear and usable land supply has resulted in developers needing to find smaller parcels to be able to deliver product.

This operating procedure has resulted in rising levels of un-met demand and rising land prices. Over the coming 12 months there is little prospect that the supply side will improve.

This means that the level of un-met demand will continue to increase, in turn placing greater pressure on pricing. This summary is inclusive of the Illawarra and Hunter regions which will disguise the impact current supply issues are having on the Sydney only greenfield markets. Markets such as the Northwest where the median lot price is now above $600,000 per block.

Greenfield Land Price – Forecast

The Sydney market is likely to see prices move higher over 2022 before correcting.

Land prices for Sydney could escalate quickly considering the level of un-met demand, limited supply, and the current gap between median pricing for land and median pricing within the established housing market A price forecast for the All of Sydney greenfield would be to see strong price growth over the coming year.

Greenfield Selling Capacity Forecast

The greenfield market over the next two years is expected to see the average number of Active trading estates lift to 117 based on historic formation rates for new estates.

This forecast is plausible; however, the size of the estate may continue to reduce. Since 2008 the average size of a Sydney greenfield estate has been 275 lots. 2021 the average size was 78 lots and falling.

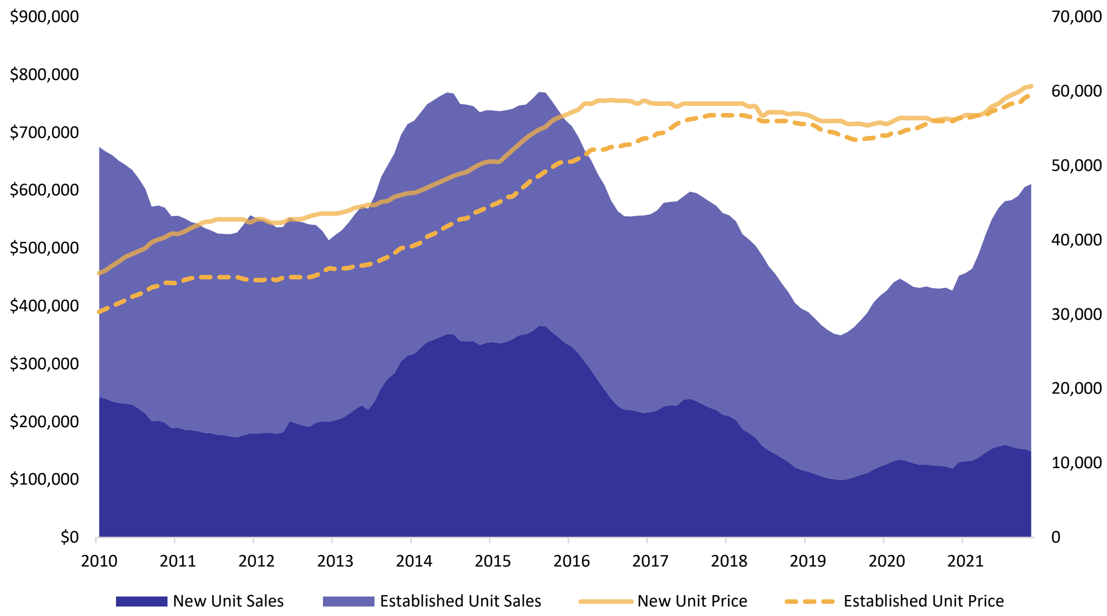
SYDNEY

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- Sales of Greater Sydney's new multi-units remained depressed across 2021, averaging just 992 settled sales a month, resulting in an annual output down 27% on the decade average.
- The modest sales volumes in part reflected the low levels of available new apartment and medium density supply, as there was a marked uptick in established market unit sales, up 41% across the year, highlighting a preference for finished stock and the robustness of overall demand for attached and semi-detached stock across the Sydney basin.

Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

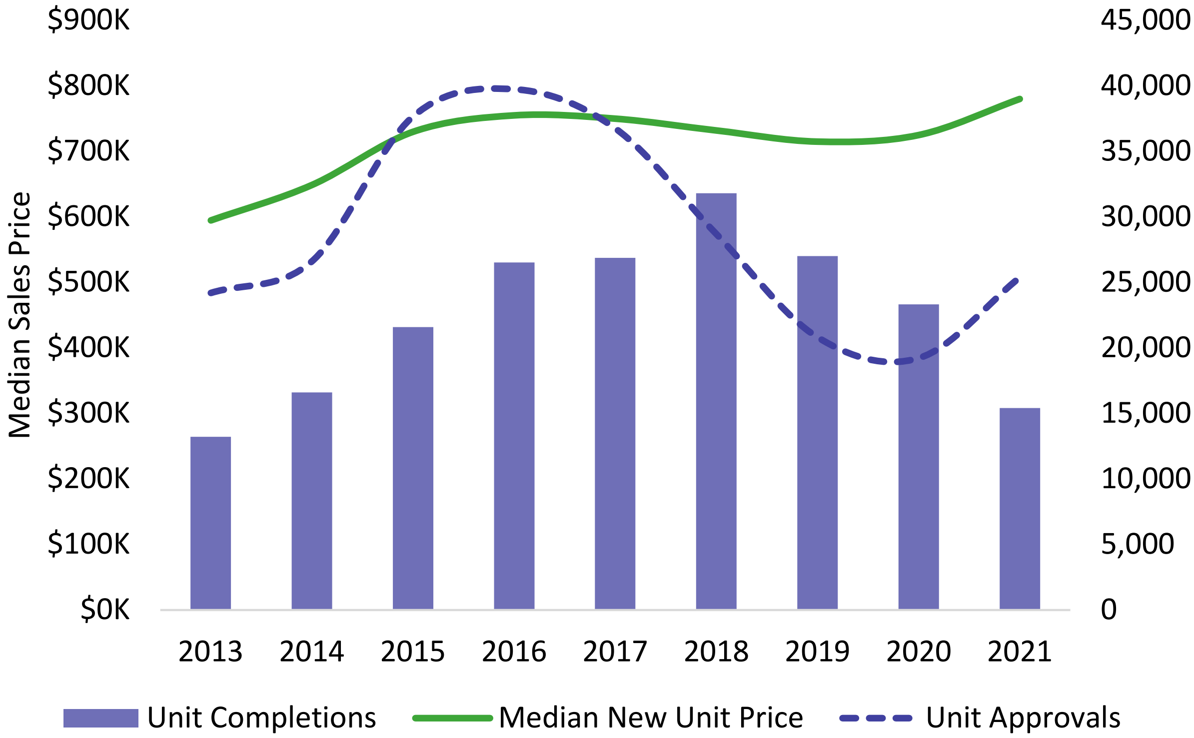
Median Unit Pricing

- The heightened demand for new units is underlined by the median sale price growing by 7% across the year, half the price growth for land, but establishing a new peak median price of $778,000, eclipsing the previous peak achieved in 2017 of $750,000.
- Sydney's newly constructed units remain the most expensive in Australia, with the median new sale price currently 17% higher than Melbourne and the next most expensive 42% higher than the ACT.
- The current median sale price of new units is currently 37% more affordable than the median value for new houses, which is significantly higher than the long-term average difference of 20%. This represents a major positive retail proposition for the multi-unit market – particularly for first home buyers.

Construction Activity

- There were 15,417 new multi-unit dwellings completed in Greater Sydney in 2021 which representing a sharp annual fall of 34%, and a 52% decline on the historic high achieved in 2018.
- Sydney's completed multi-units represented 37% of the combined capital city aggregate supply in 2021, which was down from the long-term average of 39%.
- In more positive news, approvals for multi-units firmed across the year, led by a particularly strong uptick in the June and September quarters, to total 25,400 annual approvals. This is a 27% growth on 2020 approval volumes and is roughly on parity with the decade average.
- The bounce back in multi-unit approvals is critically important to assist with stabilising the forward pressure building on Sydney's multi-unit supply pipeline.
- A startling 75% of all new multi-unit dwelling completions in Greater Sydney occurred between 10km and 50km away from the Sydney city centre.
- The concentration of units within the 10km to 20km geographic bands highlights the on-going significance of multi-unit development in the middle ring corridors and centres including the Greater Parramatta region, Macquarie Park and Rhodes.

Median New Unit Price & Annual Unit Completions

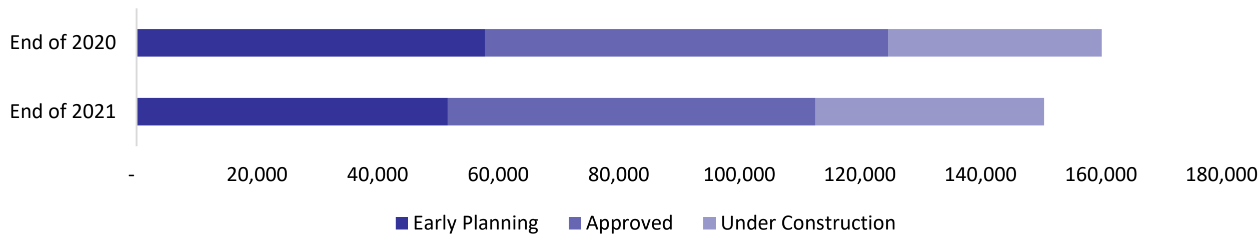


Source: UDIA; CoreLogic

Pipeline Analysis

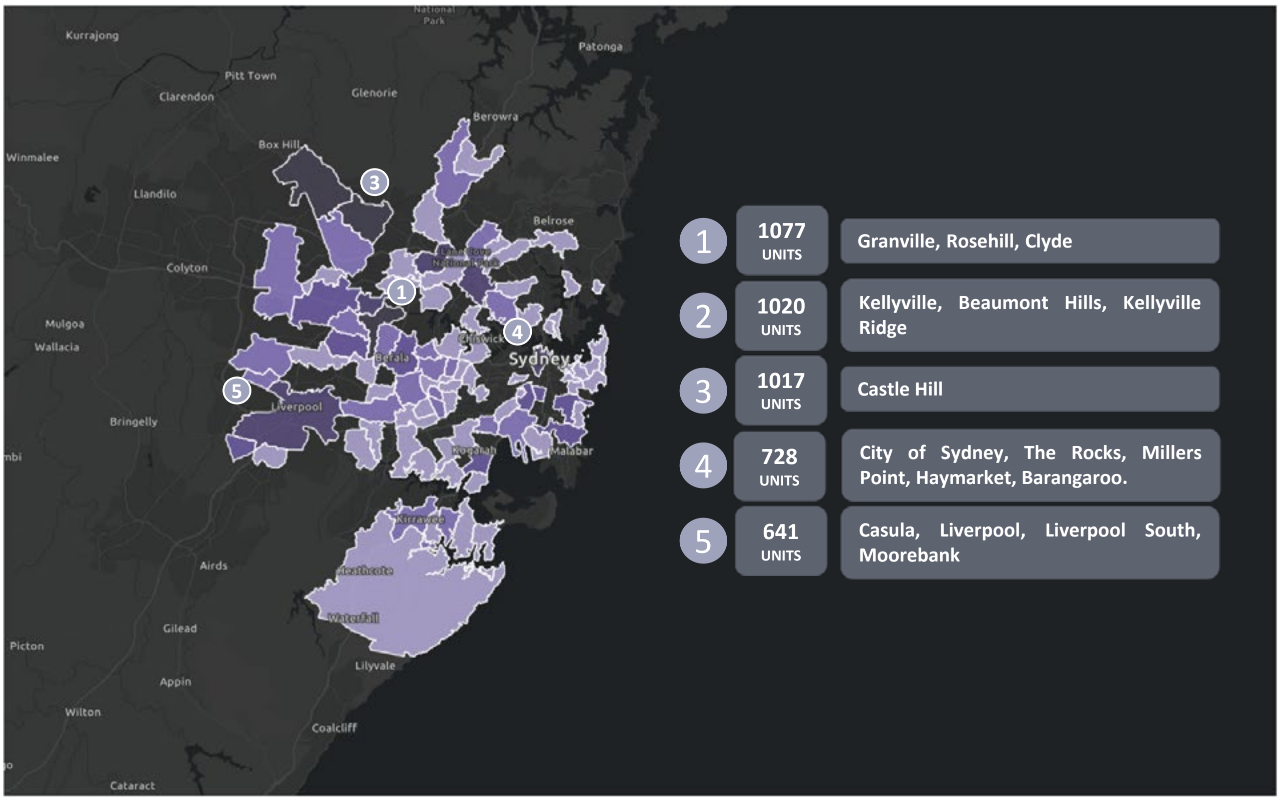
- The forward pipeline for multi-unit projects across Greater Sydney further retracted in 2021, with overall supply down 6% on the level recorded at the end of 2020.
- The pipeline is comprised of units in the early planning phase (down 11%), units which have received approvals (down 9% from 2020) and units under construction (up 7%).
- The number of units in the deferred or abandoned category continues to retract for Greater Sydney (down 6% for the year), which indicates that the number of speculative/marginal projects that were contemplated through the strong market period 2014-2017, have already been shelved or abandoned over recent years, with fewer replacement projects emerging which are marginal and unlikely to proceed in the pipeline.

Multi-Unit Active Pipeline Analysis



Source: UDIA; CoreLogic

Annual Multi-Unit Completions by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The Hills Shire recorded the most multi-unit completions (by LGA) in 2021 across Greater Sydney with 2,211 completed units reflecting an 246% annual uplift, followed by Parramatta with 2,170 completions and then the adjacent Cumberland LGA with 1,345 new units.
- In terms of transactions, the City of Parramatta recorded the most new multi-unit sales by LGA in Greater Sydney with 1,391 settled sales at a median sale price of $775,000.
- This was followed by Blacktown with 1,088 new unit sales (median sale price $599,970), the City of Sydney with 894 sales (median sale price $1,082,860) and Sutherland Shire with 808 new unit sales (median sale price $849,000).

Greater Sydney Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2011	14,033	$545K	29,309	$445K	-	-
2012	15,553	$560K	24,411	$465K	-	-
2013	24,454	$595K	31,124	$501K	24,212	13,219
2014	26,176	$649K	31,284	$570K	26,626	16,607
2015	26,136	$730K	29,997	$650K	37,678	21,591
2016	16,743	$755K	26,554	$690K	39,749	26,516
2017	16,514	$750K	27,103	$730K	36,761	26,879
2018	9,076	$732K	21,665	$715K	28,701	31,804
2019	9,872	$715K	23,317	$695K	20,834	27,026
2020	10,164	$725K	25,029	$725K	19,240	23,329
2021	11,598	$780K	35,910	$765K	25,396	15,417

Source: UDIA; CoreLogic; ABS

RESEARCH PARTNER: CORELOGIC NSW 2022 OUTLOOK

CoreLogic

NSW has seen strong growth in housing values over the past 12 months, both across the combined regional dwelling market (30.1%), and Greater Sydney (25.5%). As Australia opens to overseas arrivals, inner-city rental markets of Sydney in particular will benefit, as pockets of the market continue to recover from recent lows. However, it could take an extended period of time for overseas visitation to come back to pre-COVID highs; if this is the case, the recovery of inner-city rents may be drawn out.

The key challenge for the Sydney housing market is affordability constraints, which is the downside of stellar growth performance. The median house value across the greater Sydney metropolitan sits just below $1.4 million, prompting many first home buyers to look elsewhere for a detached home, which may have contributed to a spill-over of demand in regional Australia, and more affordable pockets on the fringe of the metropolitan.

The number of both houses and units under construction have increased through 2021, and though unit construction remains well below its peak levels in 2018. Housing values across New South Wales are likely to see a decline off the back of higher interest rates, with Sydney dwelling values already seeing a rapid slowdown in growth rates since early 2021.

SYDNEY

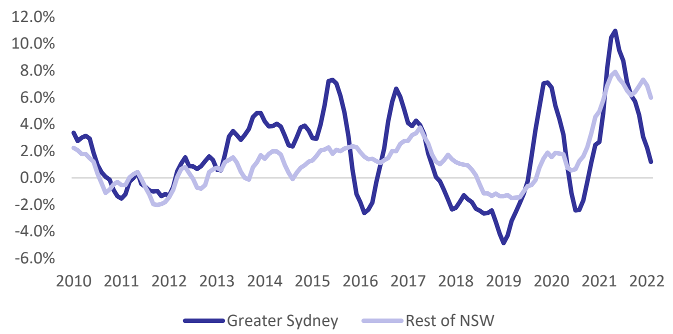
Spotlight on the Regions

	House Approvals		Multi-Unit Approvals		New House Sales		New Multi-Unit Sales		Vacancy Rate (Houses)			
Greater Sydney	18266	16% ↑	25396	32% ↑	13167	3% ↑	11906	17% ↑	Dec-20	3.6%	Dec-21	2.6%
Regional NSW	15564	19% ↑	6989	30% ↑	13969	10% ↑	2133	2% ↓	Dec-20	N/A	Dec-21	N/A
Albury-Wodonga	1104	71% ↑	31	39% ↓	510	9% ↑	50	61% ↑	Dec-20	0.6%	Dec-21	0.7%
Hunter	3200	12% ↑	2071	1% ↑	2821	4% ↑	607	0%	Dec-20	0.7%	Dec-21	0.7%
Central Coast	1006	49% ↑	342	23% ↓	1000	5% ↑	294	4% ↑	Dec-20	0.6%	Dec-21	0.6%
Illawarra	1860	35% ↑	1482	4% ↑	1686	5% ↑	573	13% ↓	Dec-20	0.9%	Dec-21	0.6%

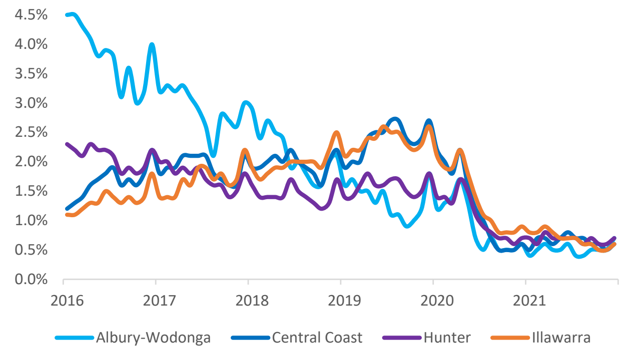
Source: UDIA; CoreLogic; ABS

- Regional NSW has been a strong beneficiary of heightened demand for detached housing, both in the new and established markets. Overall Regional NSW's dwelling values climbed 30.1% which was significantly elevated on both Greater Sydney's 25.5% and the national average of 22.4%.
- Sales of new dwellings lifted strongly across the regions in 2021, with transaction uplifts of up to 9% recorded in the spotlight cities of Albury-Wodonga, Hunter, Central Coast and Illawarra.
- Detached house approvals soared by 30% across Regional NSW in 2021, while the spotlight cities recorded even more dramatic approval uplifts for detached houses ranging from 12% to 71% on 2020 levels.

Rolling 3 Month Change in Median Dwelling Values

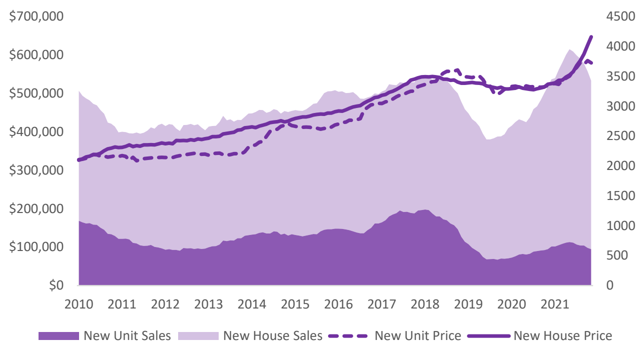


Vacancy Rate

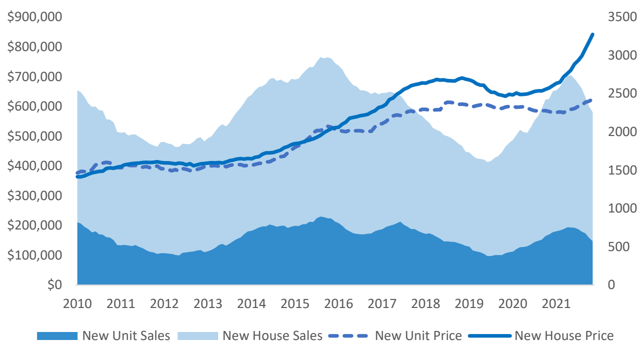


New Unit - Houses Sales and Price

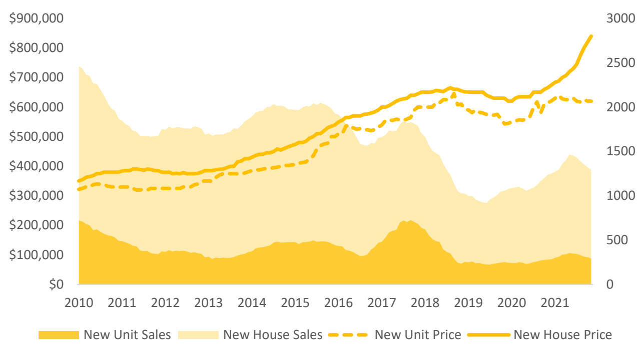
Lower Hunter



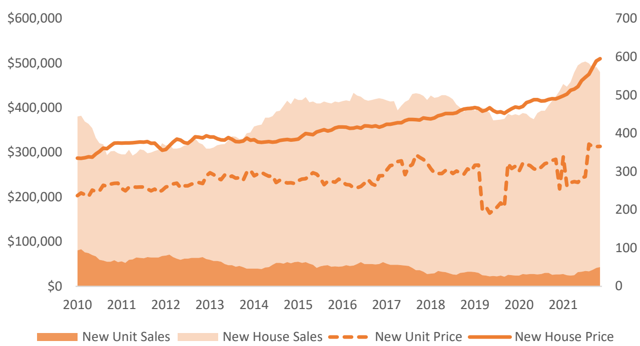
Illawara



Central Coast



Albury-Wodonga



Source: UDIA; CoreLogic

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

NSW is facing a deep housing supply and affordability crisis. It has the most expensive housing in Australia and some of the most expensive in the world. NSW is more expensive than other states because of the lack of supply of new homes.

When it comes to the supply of new homes, NSW is at an inflexion point. If we get the policy settings wrong, we will not achieve an average of 42,000 homes per annum identified by the 2021-22 NSW Intergenerational Report and we will likely see affordability worsen as the population grows.

The issues facing the industry include an insufficient supply of development ready land, barriers to apartment finance, a lack of viable apartment precincts, and significant costs and red tape imposed by the NSW government on development, slowing housing supply and discouraging investment.

State Policy Priorities

The policy priorities in NSW reflect a need to boost the short-term delivery of homes, whilst also making sure we are laying the foundations for a sustained development ready pipeline of new homes, that meet the social and environmental challenges that we face.

For NSW to meet the supply of new homes required and prevent further affordability impacts, both the greenfield housing market and the apartment market need to be able to deliver. For greenfield housing, we need to refill the pipeline of development ready land, which is rezoned, with road, water, sewage, and power supplied and biodiversity issues resolved.

For apartments, barriers such as a lack of viable precincts for development and restricted access to finance need to be removed.

Part of the problem is the NSW planning system, widely regarded as the worst planning system in Australia. It is imperative that upcoming regulatory changes with the Design and Place SEPP and Infrastructure Contributions improve things and do not make it worse, while broader improvements to make the system quicker, simpler, and more responsive should be undertaken.

New housing supply in the Illawarra Shoalhaven, Central Coast, and the Hunter are critical to meeting demand. With the announcement by the NSW Premier of the Greater Cities Commission and the appointment of a Minister for Cities, we will identify the policies that will integrate the Sydney Megaregion.

Additional policy priorities in 2022 include ensuring the industry can keep delivering safely and productively as an essential industry for NSW, and the importance of developing a roadmap to help our industry to move to NetZero by 2050, without worsening affordability.

Future Prospects

The NSW Premier has recognised the need for an increase in the supply of new homes and has appointed a Minister for Homes with experience in getting the planning system to deliver the homes NSW needs. UDIA NSW will continue to work with both state and local government on ensuring a stable pipeline of development ready land and improving housing affordability.

Wentworth Point Marinas by Billbergia

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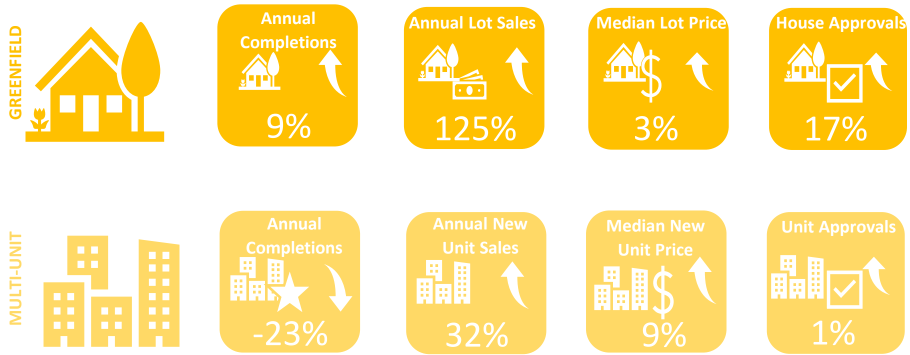
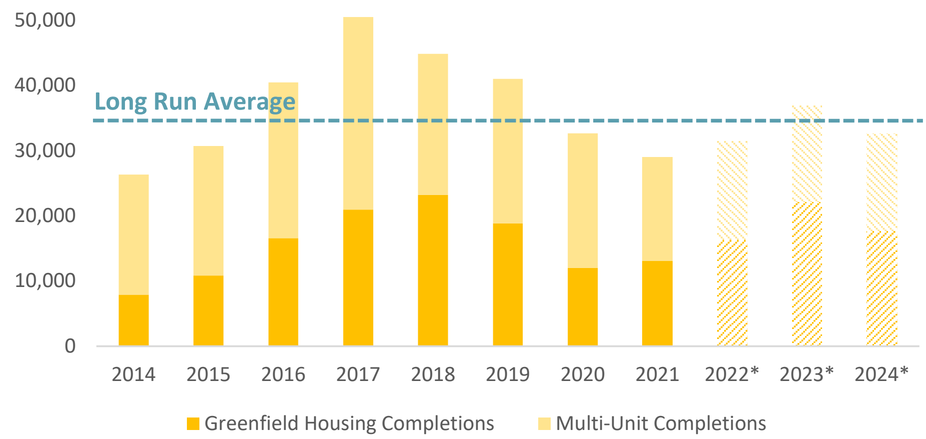
Napier St by Freadman White for Milieu

SUMMARY



- The metropolitan Melbourne housing market demonstrated tremendous resilience to register strong momentum and growth despite another year of considerable COVID-19 challenges.
- The strength of the Melbourne market was once again underscored by the out performance of the greenfield land sector with lot sales up 125% to a remarkable new peak of 33,700 annual sales.
- Activity in the new multi-unit/infill sector remained subdued, although a 29% increase in settled sales represented some renewed vigour albeit off a low base.
- The outlook for the Melbourne new dwelling market is overall positive albeit at a lower production scale given the pull-forward of demand from HomeBuilder and other allied stimulus factors are realised.
- UDIA forecast that completed new residential supply will bounce back by 8% in 2022 to around 31,500 completions, before further end-supply growth to be recorded in 2023 to 36,000 completions driven by the last two years of bumper land sales.

New Residential Market Supply[1]



Source: UDIA; CoreLogic; Research4

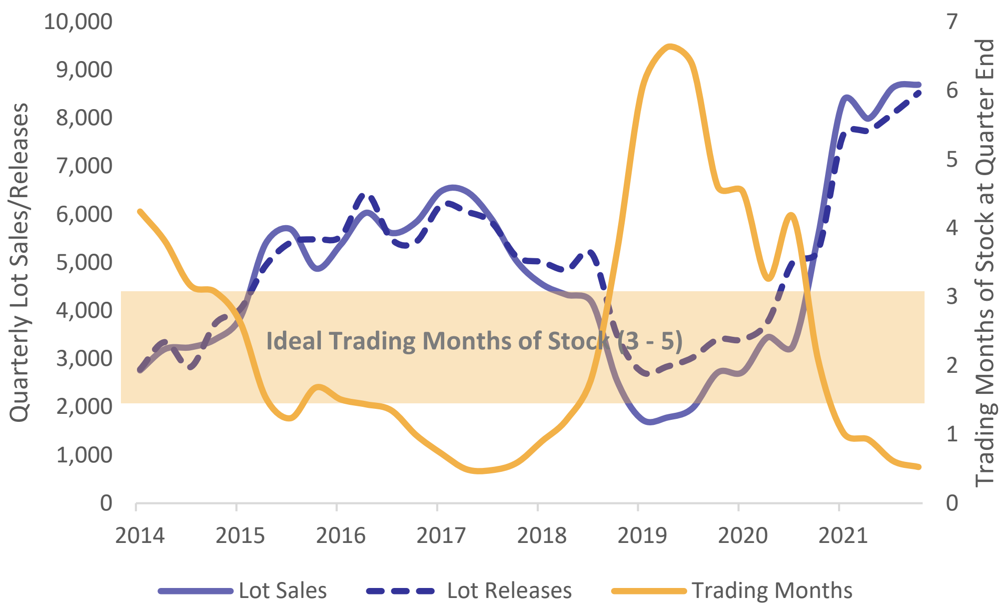
[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The Melbourne greenfield market recorded a spectacular uplift in lot sales to total 33,700 at an average 2,807 lots per month. This is 75% above the 7-year average monthly rate and was a 125% increase in sales recorded in 2020.
- In terms of trend, the market is currently “holding” at a “high level” of market activity with four out of the past four quarters recording “Peak” levels of activity.
- There were a total of 32,000 lots released across 2021 which reflected an 84% increase on 2020 volumes. The record breaking 2021 performance was in-part due to a “stop start” 2020 year where activity was limited due to COVID restrictions.
- The Melbourne Greenfield share of total national capital city land sales since 2008 has averaged 34%. The share of total activity for the past year has averaged 43% with a closing market share of 51%.

Greenfield Activity



Source: UDIA; Research4

Cancellations - level of market confidence

- The number of residential lots “returned” to the price list over the 2021 year averaged 1.9% of gross activity, which is “very low” and indicates “Very high” levels of market confidence. The year ended with the return rate being 0.7% which suggests that the level of confidence from builders and end user was extremely high.

Stock of lots ready for sale

- As of December 2021, the number of residential lots on a price list was equal to 0.7 months of trading. Stock levels have been “very” low for the entire 2021 year and remain critically low as at the close of 2021.

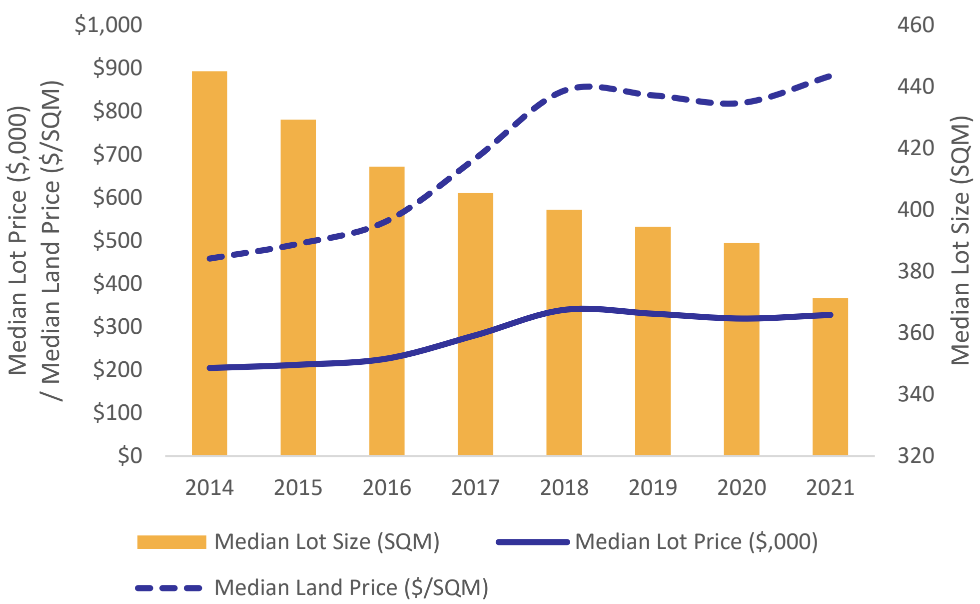
Greenfield Projects

- On average there were 222 active land estates across the Melbourne Greenfield market for the 2021 year. As of December 2021, the number of estates under survey was 184. Thirty-six estates ended in the December quarter of 2021.
- The market would normally see 11.4 new trading estates entering the market each quarter, replacing those that were ending. The market registered 13 new trading estates per quarter for the 2021 year, an increase on the long running average of 11.4 estates.
- Since 2008 the average scale of new estates has been 592 lots, however the average size of new estates for the 2021 year was 373 lots, 37% smaller. The reduction in the average size of a new estates reflects the growing difficulties around securing new land supply.
- Settlement timelines for product sold in 2021 were well beyond 12 months, which highlights the fact that Active Supply in 2021 has been struggling to keep up with expressed demand.

Greenfield Land Prices, Lot Sizes and Values

- Melbourne's average median lot price for 2021 was $327,000 which was a 3% growth on 2020, with most of the annual growth coming in the December quarter with the median lot price up 6% for the quarter to $347,500.
- The market is now seeing a greater rate of price growth across its product range. The lift in land values is being influenced by reducing levels of market ready stock, insufficient selling capacity to address peak demand, rising house prices and reducing levels of competition between trading estates.
- Melbourne's average 2021 median lot price represented 38% of the established market median house price of $870,000, which is below the 5-year average of 42%, which represents a fair value ratio.
- The median lot size dropped by 5% across 2021 to 371 sqm to record the second smallest lot sizes in Australia, behind only Sydney at 362 sqm.
- The contraction in median lot sizes across 2021 helped deliver an 8% increase in the average land rate to $882 psm.

Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

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Greater Melbourne Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
2011	7,994	117	448	$219K	$490
2012	6,041	141	447	$207K	$462
2013	8,822	151	447	$198K	$442
2014	12,616	153	445	$204K	$458
2015	19,835	154	429	$212K	$493
2016	22,876	138	414	$226K	$546
2017	23,903	124	406	$280K	$691
2018	15,593	129	400	$339K	$848
2019	8,213	164	395	$330K	$837
2020	14,995	186	389	$319K	$820
2021	33,689	191	371	$327K	$882

Source: UDIA; Research4

RESEARCH PARTNER: COLIN KEANE

MELBOURNE GREENFIELD 2022 OUTLOOK

The performance of the Melbourne market in 2021 was “record” breaking. This strong performance was matched by record sales across Greater Geelong and other regional markets.

The level of activity expressed in 2021 exceeded the sustainable production level of the industry which resulted in a run down of active estates and supply. At the close of 2021 stock of lots ready for sale were critically low, the volume of lots being returned to the Developer was also at record lows and land prices lifted by 6% for the quarter.

The 2022 year is likely to see the first half continue to push land prices higher off the back of a strong December quarter. It should be noted that the current Melbourne median lot price of $347,500 is only $2,500 higher than the previous record price point set in Q4-2018.

Sale volumes should moderate across 2022, which should take pressure off the supply line. The other major influence will come from regional markets where demand is likely to remain strong over the coming years.

Greenfield Land Price – Forecast

The forecast number of Active trading estates is expected to average 151 as opposed to the 2021 average of 222 estates. Based on this level of change, the modelled selling capacity [ESR] of the market is expected to drop from 2,141 lots per month to 1,626 lots per month.

The drop in selling capacity based on current levels of average demand would mean that the market would not be able to address a significant part of current underlying demand, let alone any spike in demand. If the current high level of market activity were to continue into 2022, land prices would experience strong upward pressure.

The forecast level of demand is expected to reduce from the current 2,242 lots per month to 1,461 lots per month. The timing of this drop is critical for protecting against a loss of affordability, meaning that the first half of 2022 could either be a period where land prices push beyond Fair Value or are kept in check.

Greenfield Selling Capacity Forecast

The opportunity to lift land prices over the next 12 months remains strong. With land prices currently representing good value relative to the established housing market, industry capacity to produce and sell land reducing by 24% while the ability to bring on new supply becomes more difficult, land prices should increase over the next 12 months.

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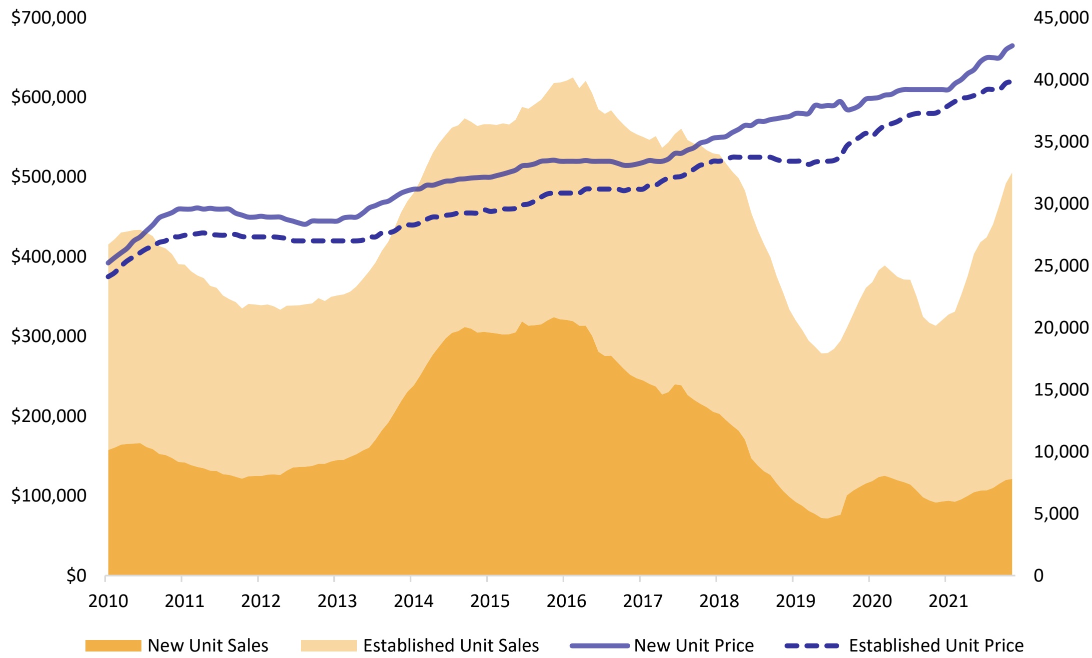
MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- Settled sales of new multi-units across Greater Melbourne remained subdued but grew 30% on 2020 levels to record 7,727 settled sales across the 2021 calendar year. This is 63% below the sales volumes achieved in the peak of 2015.
- Sales activity in the established unit market climbed up 6% across the year, delivering a broader whole of market correction in sales volumes of 49% from 2019.
- The retreat of investor activity, the unprecedented new supply volumes delivered in 2016 and 2017 and the resetting of consumer preferences in the COVID-19 impacted 'new world order' has created a challenging market for suppliers of new apartment products across Melbourne.

Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

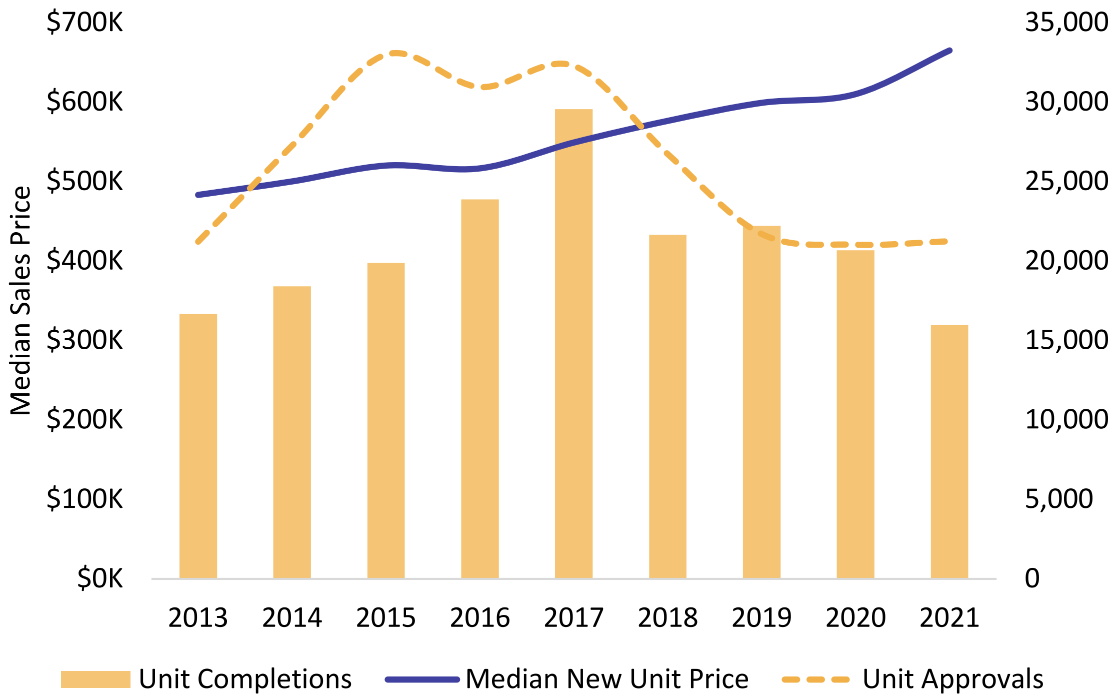
Median Unit Pricing

- The median new unit price achieved across Greater Melbourne in 2021 was $665,000, which reflected an 8% annual growth rate. The comparatively low levels of transactions, and less emphasis on investor grade products is the likely explanation for price growth in the otherwise depressed multi-unit market.
- Across the broader established market, the median unit price was $620,000 in November 2021 which reflected a 6% annual growth rate.

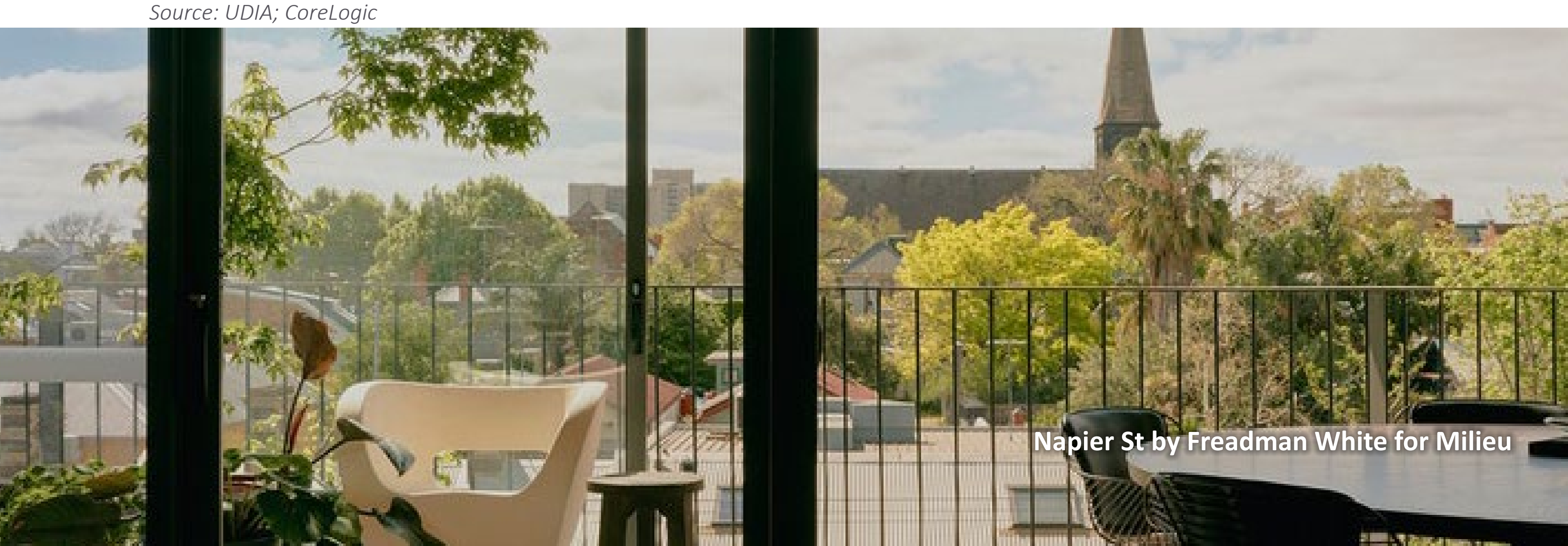
Construction Activity

- There were 16,000 new apartments and units completed across Greater Melbourne in 2021. This represents a 22% decline in completions from 2020 and was 46% lower than the peak of 2017.
- Notwithstanding the on-going moderation in apartment supply, Melbourne's 2021 output is commensurate with the eight-year average production level – which is particularly commendable given the extremely challenging year the industry has faced through the pandemic, including considerable disruptions to construction site operations.
- Most new multi-unit completions occurred within the CBD and inner suburbs up to 5km from the GPO (33%), and the band of inner and middle ring suburbs up to 10km from the GPO (25%). This reflects a shift from last year's reporting when there were far higher levels of completions in middle and outer ring areas 10km to 20km from the city centre.
- The top contributing postcodes were all within the first or third band, with 3000 (Melbourne) contributing the most new unit completions at 2,912.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic



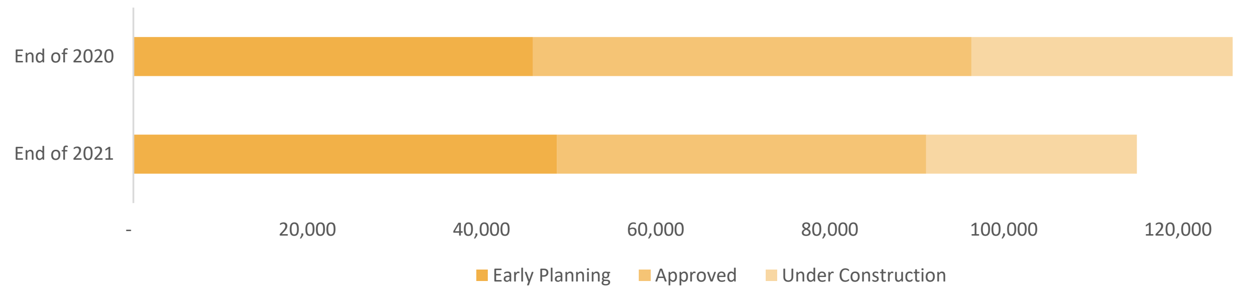
Napier St by Freadman White for Milieu

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2021 and a December 2020 snapshot of the industry leading Cordell Construction database. These estimates show that the forward supply of apartments in Melbourne continues to be under threat.

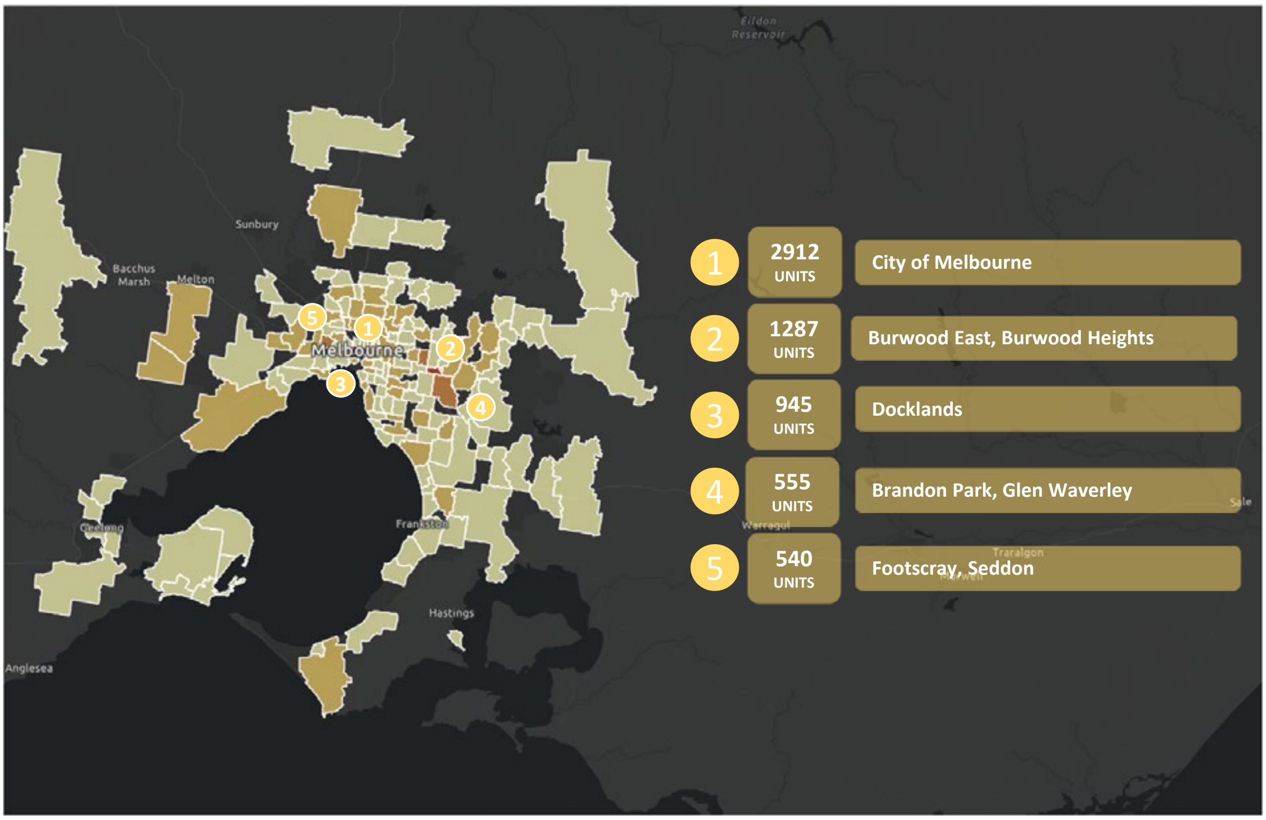
- For the third consecutive year the multi-unit pipeline has retracted across Greater Melbourne, decreasing by 9% to an aggregate of 115,271 units as of December 2021.
- This comprised of units under construction (down 19%), approved units yet to start construction (down 16%) with units in early planning up 6%, likely reflecting projects not proceeding into the approval stage across the year, with a modest addition to the pipeline of new potential non-central city medium density projects.

Multi-Unit Active Pipeline Analysis



Source: UDIA; CoreLogic

Annual Multi-Unit Completions by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The City of Melbourne had the most multi-unit completions of Greater Melbourne's LGAs with a slight increase of 2% from 2020 volumes, with a total of 4,042 finished apartments.
- Whitehorse (1,898 units), Moreland (1,425 units), Yarra (1302 units) and Maribyrnong (711) rounded out the top five Councils by new unit completions for 2021.
- Reflecting a higher volume of investor grade apartments being supplied the City of Melbourne had the most affordable new stock across the year with a median sales price of new units of $526,500, as compared to $621,500 in Port Phillip, $620,000 in Moreland, and $720,000 in Kingston – as the other major new supply LGAs.

Greater Melbourne Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2011	8,049	$450K	13,833	$425K	-	-
2012	9,212	$445K	13,285	$420K	-	-
2013	14,822	$483K	15,373	$440K	21,207	16,677
2014	19,662	$500K	16,762	$459K	27,245	18,402
2015	20,676	$520K	19,105	$480K	32,975	19,879
2016	15,910	$516K	19,694	$485K	30,934	23,876
2017	13,224	$549K	20,834	$520K	32,263	29,558
2018	6,344	$576K	15,091	$520K	26,716	21,646
2019	7,640	$599K	16,030	$552K	21,688	22,197
2020	5,981	$610K	14,620	$585K	21,019	20,670
2021	7,808	$665K	24,703	$620K	21,234	15,960

Source: UDIA; CoreLogic; ABS

RESEARCH PARTNER: CORELOGIC VIC 2022 OUTLOOK

Victorian dwelling markets have seen a diverse performance over the past year, with regional dwelling values increasing 23.9% in the 12 months to January, compared to a 12-month growth rate of 14.9% in the Melbourne market. As Australia's most international city, migration trends over the past two years have been quite unfavourable for the Melbourne housing market, particularly the unit rental markets where rent values have still not recovered to pre-COVID levels. However, this could make the city relatively appealing for those seeking more affordable rents.

Despite the Melbourne property market not seeing as strong an increase in values as other capital cities through the current upswing, affordability remains a challenge, and first home buyer activity has been in decline. An increase in the cash rate would likely slow housing demand further in the coming years.

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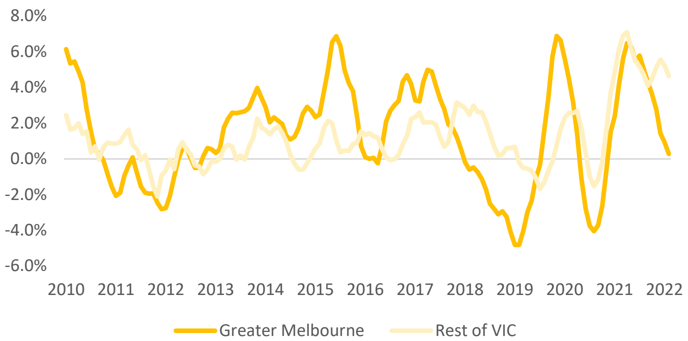
Spotlight on the Regions

	House Approvals		Multi-Unit Approvals		New House Sales		New Multi-Unit Sales		Vacancy Rate (Houses)			
Greater Melbourne	31813	17% ↑	21234	1% ↑	17910	39% ↑	7808	29% ↑	Dec-20	4.7%	Dec-21	2.7%
Regional VIC	19242	20% ↑	1571	1% ↓	7782	15% ↑	825	10% ↑	Dec-20	N/A	Dec-21	N/A
Geelong	4046	55% ↑	611	22% ↑	1783	23% ↑	269	2% ↑	Dec-20	1.7%	Dec-21	1.3%
Bendigo	1270	33% ↑	14	70% ↓	629	19% ↑	64	25% ↑	Dec-20	1.4%	Dec-21	1.6%
Ballarat	1931	69% ↑	184	133% ↑	680	10% ↑	81	8% ↓	Dec-20	1.2%	Dec-21	1.0%

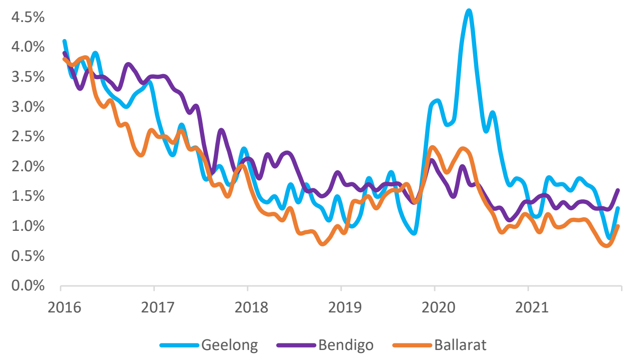
Source: UDIA; CoreLogic; ABS

- Regional Victoria has been a strong beneficiary of heightened demand for detached housing, both in the new and established markets. Strong and sustained demand has pushed vacancy rates down to record lows across Regional Victoria with Ballarat (1.6%) and Bendigo (1.0%) amongst the tightest rental markets in the nation.
- Sales of new dwellings lifted strongly across the regions in 2021, with transaction uplifts of new houses growing by up to 25% in the spotlight cities of Geelong, Bendigo and Ballarat
- Detached house approvals soared by 20% across Regional Victoria in 2021, while the spotlight cities recorded even more dramatic approval uplifts for detached houses ranging from 33% to 66% on 2020 levels.

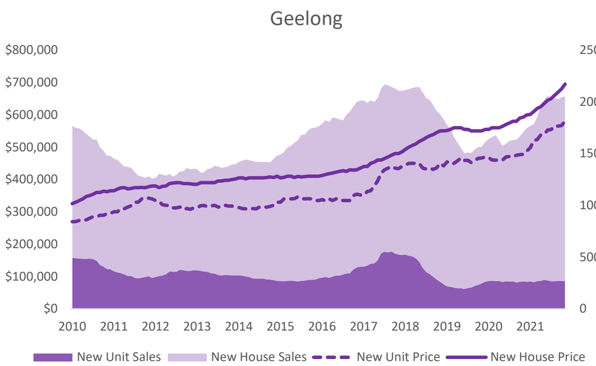
Rolling 3 Month Change in Median Dwelling Values

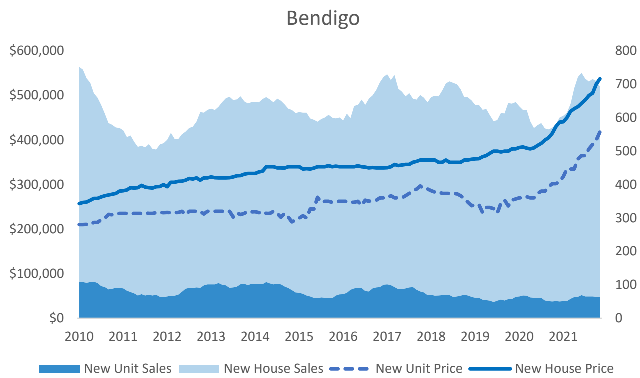


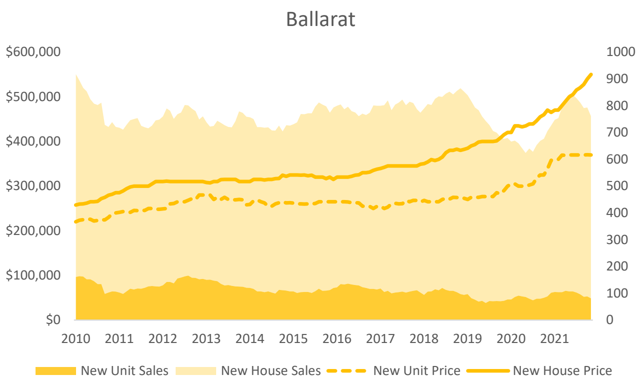
Vacancy Rate



New Unit - Houses Sales and Price







Source: UDIA; CoreLogic

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

As Australia transitions from the COVID pandemic to endemic world, trends are emerging which have fundamentally altered the Victorian residential market and will ultimately change the way the market grows for decades to come.

The impacts of successive lockdowns in metropolitan Melbourne in response to COVID-19 has resulted in major shifts in how, when, and where people work, including a greater number working from home more often. This has allowed workers to re-assess their need to live close to the workplace.

As a result, Melbourne's greenfields areas and regional cities have seen record residential lot sales over the past twelve months, while the apartment market in inner and central Melbourne faces enormous challenges.

The following key structural trends have been identified as emerging in the market:

- The shrinking share of new dwellings in central and inner Melbourne. The decline started in 2016 and accelerated through the COVID-19 pandemic and successive lockdowns.
- Declining project feasibility in established areas driven by a significant escalation in land prices and an increasing range of government charges and taxes.
- Pulling power of Melbourne's greenfields areas and regional cities for workers who can occasionally commute to work or permanently work from home.

State Policy Priorities

The residential development sector is a fundamental plank of the Victorian economy, employing 194,000 Victorians and contributing over $22 billion to the Victorian economy in FY20/21. Our advocacy during successive COVID-19 lockdowns throughout 2020 and 2021 enabled industry to continue operating and keep construction sites open with the exception of a hard two-week lockdown in late 2021.

UDIA Victoria is focused on ensuring that our sector is the economic bridge to recovery and that we lay the foundations for long-term success.

On the back of the Victorian Government introducing a Windfall Gains Tax in 2021, UDIA Victoria framed the 2022 pre-Budget submission as a Homebuyer's Budget and advocated for no new taxes on residential development, a 50% stamp duty waiver on new homes until 30 June 2024, planning and invest in catalytic infrastructure, and better resourcing of State Government planning departments to ensure Melbourne's growth corridors maintain at least 15 years' active residential land supply.

Future Prospects

Councils within the inner ring have seen a halving of contribution of new stock, which now comprises less than one in ten dwellings. This can be attributed to the decline in project feasibility in the apartment market, as well as shifting buyer preferences and the strength of supply currently seen in Melbourne's Growth Areas.

We expect this additional pressure on greenfield locations, regions and coastal areas to continue into the future, noting many of these areas have significant land supply constraints. A focus on infill and consolidation only, without room for expansion in key locations, does not respond adequately to demographic expectations and requirements.

In the context of the above, we have encouraged the State Government to fundamentally review key assumptions about land use and population forecasts underpinning the Land Use Framework Plans. This review should include the allocation of residential, employment, and industrial land, and importantly infrastructure provision, so land use allocation is aligned with demand and infrastructure investment is aligned with population movement.

Over the last 12 months we have witnessed a continuing strong demand for greenfield land with a staggering 33,000+ lots sold in total across all corridors. This demand is coming from several sectors including Permanent Visa holders, natural population growth (mostly upsizers) and returning expatriates.

During this period Melbourne house prices grew by an incredible 18.6%. This increase is reflected in the growth areas where we are seeing second home buyers and investors pushing first home buyers out the market as land prices escalate. However, on the back of probable interest rate rises, it seems likely that this demand may moderate or soften late 2022 and into 2023.

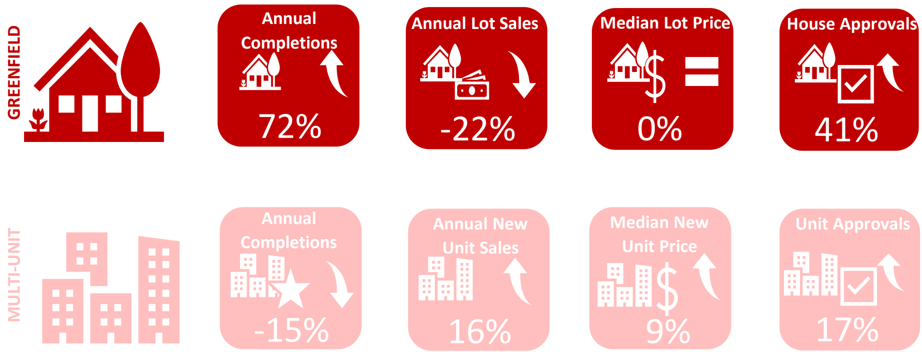
Jill Lim

Development Director – Land

Frasers Property Australia

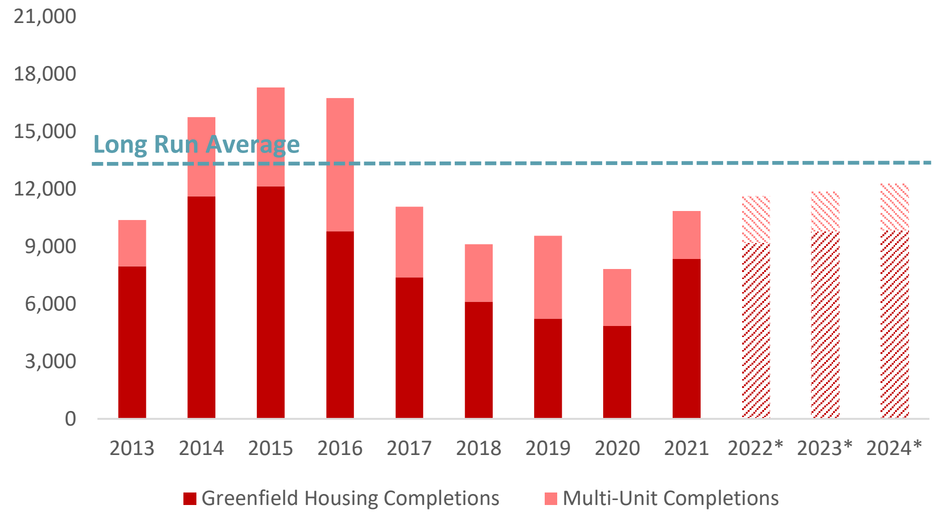
PERTH

SUMMARY



- Metropolitan Perth presented a two-speed market for new residential products across 2021. The greenfield land market performed strongly and operated at capacity for much of the year, while the multi-unit sector remained subdued.
- Completions of new market supply across 2021 totalled 10,860 new dwellings which is a 41% increase on 2020 production with 76% of these completions coming from greenfield housing.
- It is expected that new dwelling supply will trend back up to the long-term average (12,065) over the coming three years with the on-going softness of the multi-unit supply sector weighing down overall production.

New Residential Market Supply[1]



Source: UDIA; CoreLogic; Research4

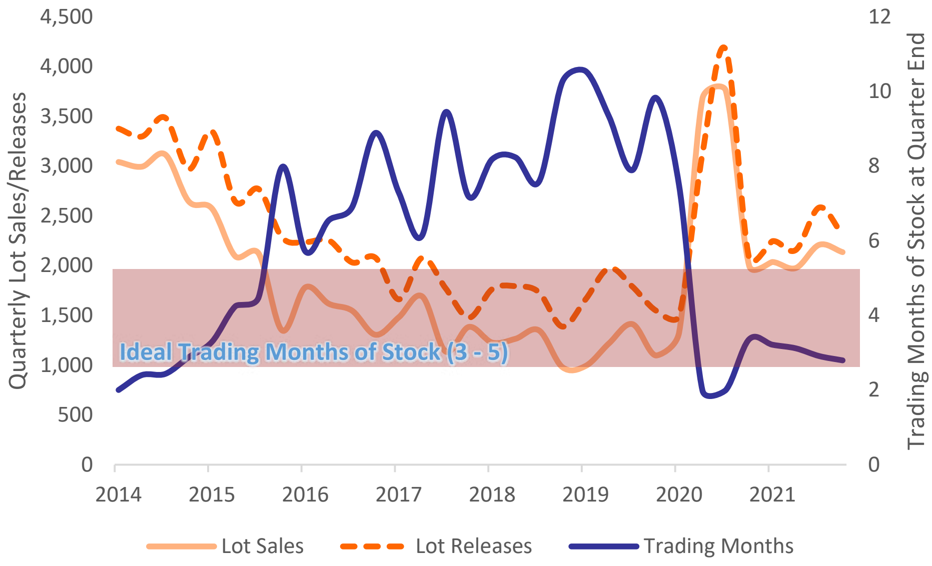
[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The metropolitan Perth land market recorded an annual total of 8,360 sales, at an average of 697 lots per month which is 24% above the 7-year average monthly rate. The market ended the year with 712 net sales per month, 2% below the 2021 average sale rate.
- The Perth market has experienced significantly elevated sales volumes from the June Quarter 2020 through to the close of the December Quarter 2021.
- The market trend at the close of 2021 has been one of "holding" at Moderate to High levels of activity.
- Perth's share of total national land sales since 2008 has averaged 19%. The share of total activity for the past year has averaged 11% with a closing market share metric of 13%.

Greenfield Activity



Source: UDIA; Research4

Cancellations - level of market confidence

- The number of residential lots "returned" to the price list over the 2021 year averaged 12.8% of gross activity, which indicates that confidence by Builders and end users was "marginal". The year ended with the return rate being 13.2% suggesting that there remained a level of uncertainty by both builders and end users of new land.

Stock of lots ready for sale

- As of December 2021 the number of residential lots on a price list was equal to 1.6 months of demand. Stock levels have been "very" low for the entire 2021 year and remain low as at the close of 2021.

The Supply Role of Greenfield Markets

- Since 2008 the nominated Perth growth corridors have responded to an estimated 50% of total Perth housing demand. This makes the Perth greenfield market the nations most relied upon in terms of addressing a city's annual housing demand.
- Over the past seven years the average supply role has lifted to 59% of total metro housing demand with the December 2021 quarter recording 62%.
- The role of the greenfield market has strengthened over the past seven years dominating during periods of both weak and strong market demand.

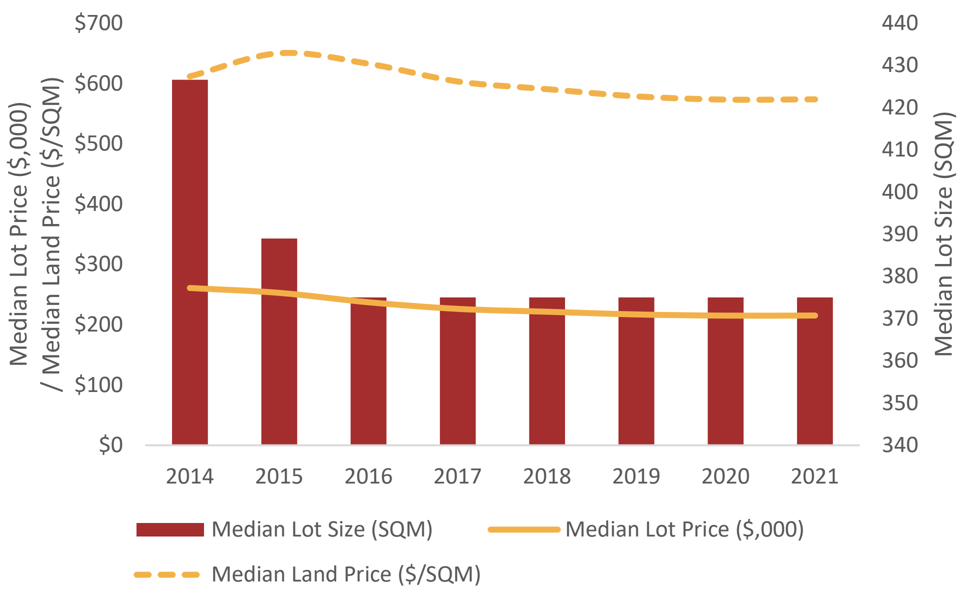
Greenfield Projects

- The number of projects active across the Perth Greenfield market for the 2021 year averaged 162 land estates, down 14% on active estates in 2020.
- Since 2008, the average estate size has been 418 lots, with the average new estate for 2021 being 267 lots in size. As with most other metro Greenfield markets, the average scale of new estates has been reducing.

Greenfield Land Prices, Lot Sizes and Values

- Perth's median lot price remained flat across 2021 to average $215,000, a price-point which has remained virtually stagnant over the last five years.
- The median lot size also remained flat, locked at 375 sqm for the sixth consecutive year, which resulted in no growth in the land rate which remained at $574 psm.

Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

Greater Perth Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
2011	5,421	124	479	$230K	$479
2012	9,416	140	465	$227K	$487
2013	13,741	140	448	$238K	$532
2014	11,805	141	427	$261K	$612
2015	8,144	153	389	$253K	$650
2016	6,259	162	375	$237K	$633
2017	5,700	167	375	$226K	$603
2018	4,828	164	375	$222K	$591
2019	4,728	181	375	$217K	$579
2020	10,770	187	375	$215K	$573
2021	8,364	162	375	$215K	$574

Source: UDIA; Research4

RESEARCH PARTNER: COLIN KEANE

PERTH GREENFIELD 2022 OUTLOOK

The Perth Greenfield market can maintain its current level of sales, which are 20% above pre covid levels if it can retain its local population. The State has traditionally struggled to keep local people from moving interstate. During COVID the State has seen the number of people leaving reduce, in turn improving the overall NIM result. The outlook for Perth is based on a continuation of this trend.

House prices are back below benchmark pricing, indicating a likely trend upward. If land price growth is not forth coming, then it will only defer a price correction as opposed to preventing one from occurring. Land prices are marginally below benchmark value meaning that for price growth to be triggered, activity and industry capacity will need to remain at current estimates.

Greenfield Selling Capacity Forecast

The forecast number of Active trading estates is expected to average 150-176 as opposed to the 2021 average of 197 estates. The modelled selling capacity of the market is expected to drop from 640 lots per month to 539 lots per month over the next 2 years.

The outlook for Active Supply is that it will struggle to address average demand let alone any spike in demand. This may give opportunity for land prices to lift over the short term. A possible solution to this setting is that the number of new estates entering the market exceeds the expected 7 per quarter. Even if the number of new estates per quarter doubled, it would not notably reduce the gap between capacity and demand over the next 12 months.

Greenfield Land Price – Forecast

The forecast for land prices is possibly optimistic, considering the track record, however key factors have changed which underpin a more positive outlook.

The applied forecast is based on a very conservative set of drivers, however if land prices cannot increase over the coming 24 months, then it is difficult to see how and when land prices could lift. The outlook for land prices is very much linked to the direction house prices take over the coming 2-years.

The Rivergums by Cedar Woods

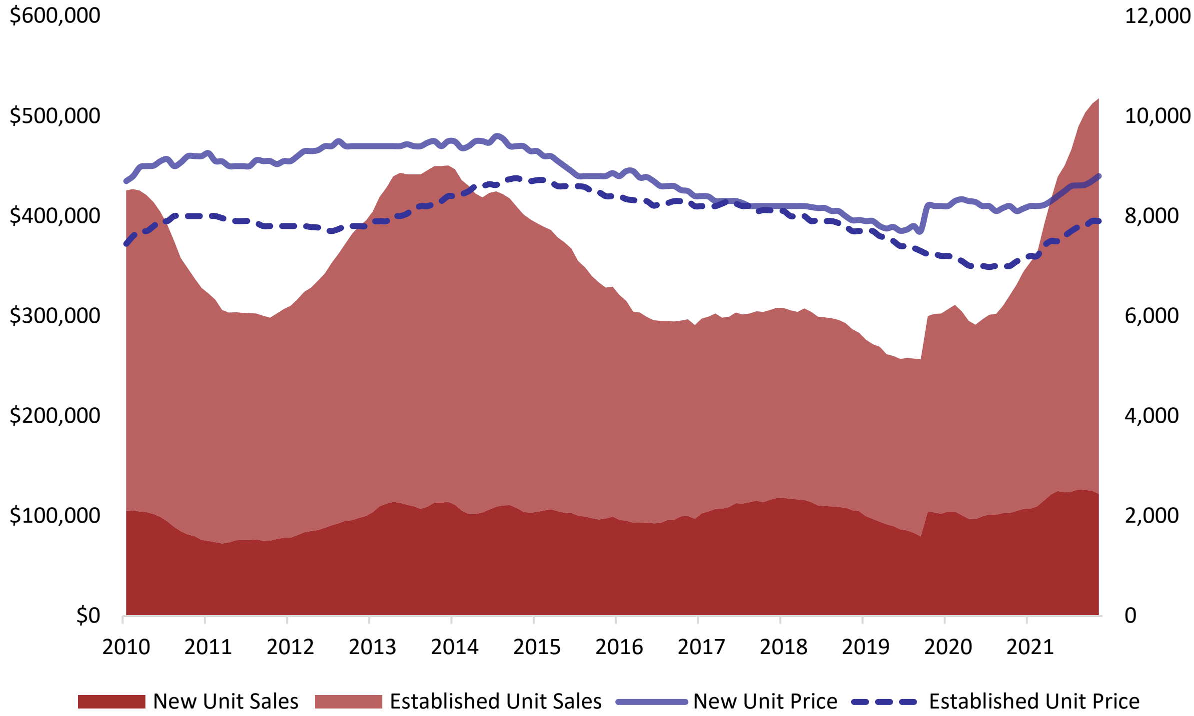
PERTH

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- Perth's new multi-unit sales transactions for 2021 were up 17% from 2020 and 18% on the eight-year average. However, the new build multi-unit sector was significantly out-performed by the broader established market which recorded a 63% annual sale volume uplift in 2021.
- The proportion of new build multi-units (primarily apartments) sales of whole of market activity averaged 21% across the year, which is in line with the decade average, but well down from the 38% of activity recorded in 2017.

Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

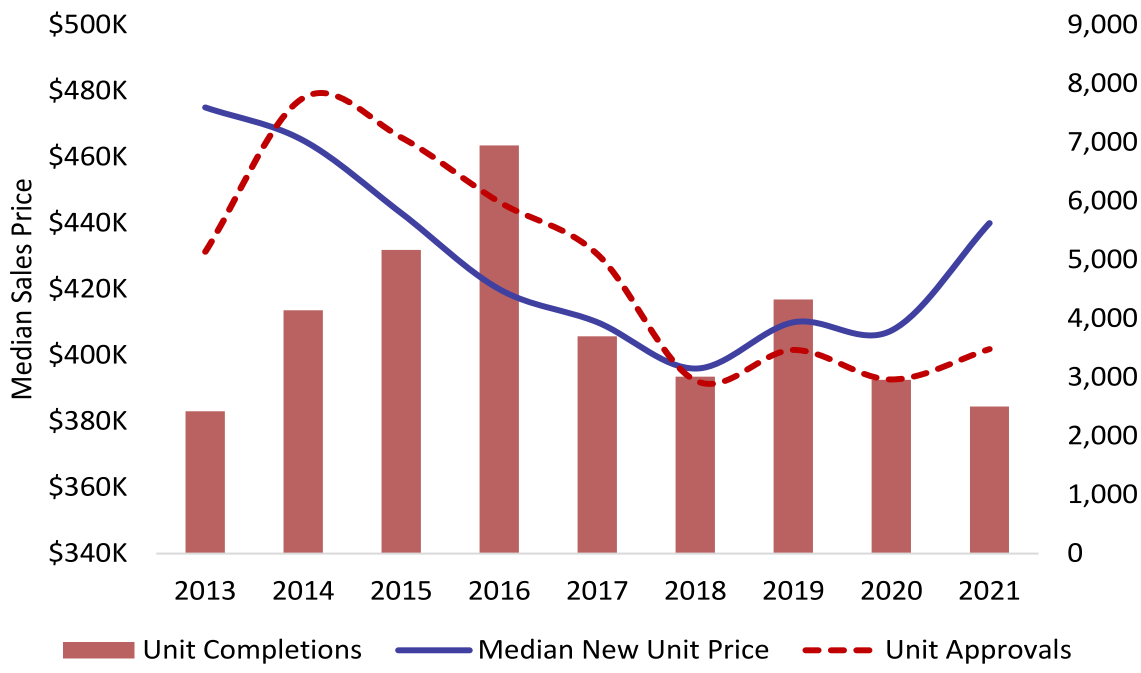
Median Unit Pricing

- The median sale price of new multi-units grew by 17% across the year to $435,000 which is still 8% below the peak median pricing for multi-units stock achieved in 2013. At current pricing Perth has the second-most affordable new apartment stock across the capital cities, with the median price point only 1% more expensive than Adelaide.
- Median sale value for all multi-units (new and resales) across Perth rose by 9% across the year to $406,000, which continues the recovery in value growth commenced last year but is still 10% below the peak in mid-2014.
- The current median sale value of new units is currently 18% more affordable the median value for new houses, which is line with the long-term average of 20% cheaper, which represents a positive retail proposition for the market – particularly first home buyers.

Construction Activity

- There was a 12% annual retraction in new multi-unit completions in 2021 to 2,501 reflecting the softening apartment pipeline foreshadowed in recent State of the Land reports.
- The number of completed multi-units is 64% lower than the peak supply achieved in 2016 and is the lowest level of new stock delivered since 2013.
- The inner-middle ring of Perth (between 5km to 10km of the city centre) received the most new unit completions in 2021, with 50% of the total completed supply for the city, with the central city and inner city (within 5km from the Perth GPO) supplying 12% of the new stock.
- On-going unit development in outer metropolitan jurisdictions such as Rockingham, Armadale and Joondalup have once again netted a high proportion of 4% of new stock in the 20km to 50km ring.
- The only capital city with a greater proportion of 2021 completions in the 20km to 50km ring than Perth was Greater Sydney.

Median New Unit Price & Annual Unit Completions



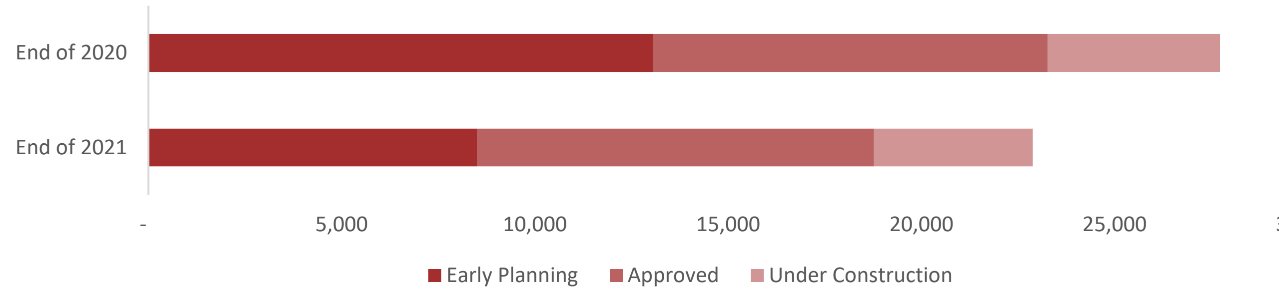
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2020 and December 2021 snapshot of the market leading Cordell Construction database.

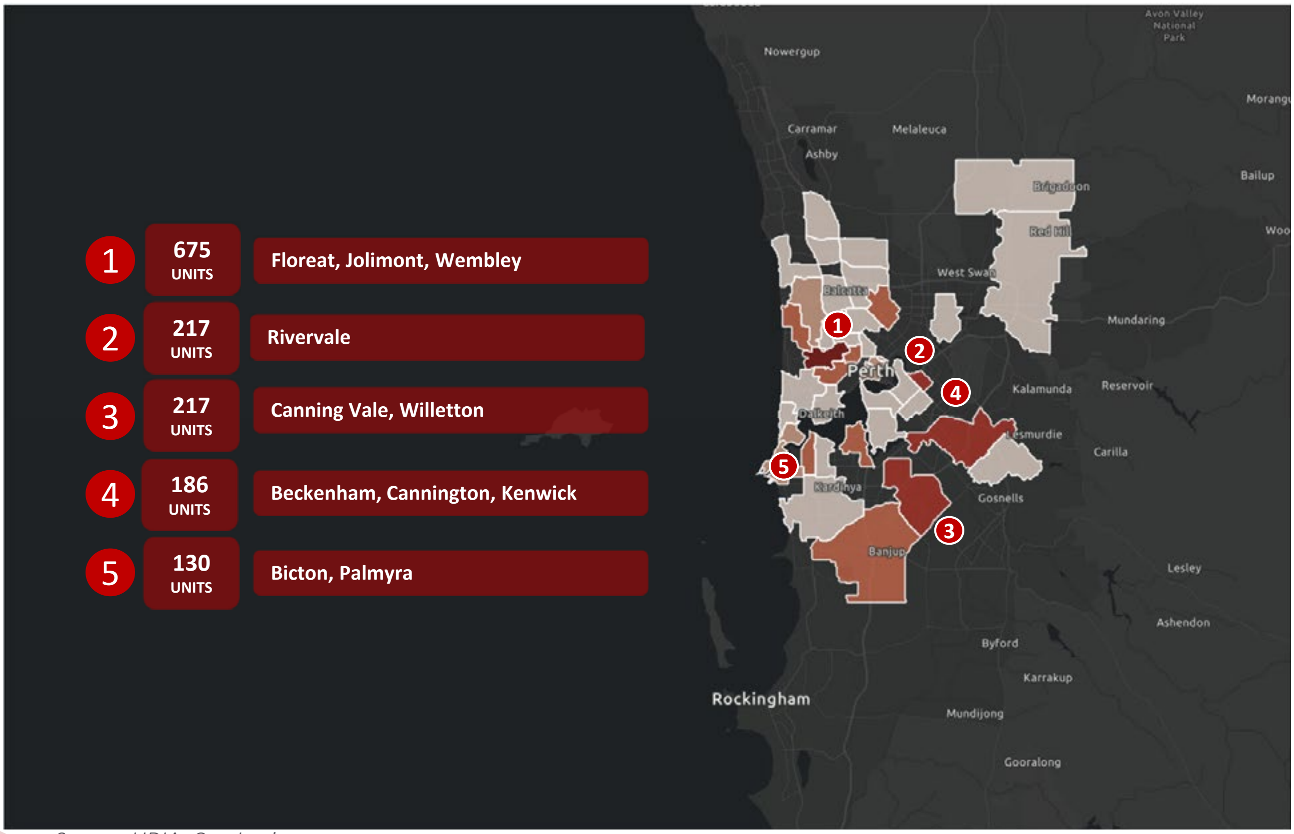
- These estimates show that the forward supply of apartments in Perth may be under threat. The total active pipeline numbers are just 22,884, down 17% from 2020. This is made up of units under construction (down 8%), approved units yet to start construction (up 1%) and units in early planning (down 35%).
- The on-going contraction of the multi-unit pipeline reflects general softness in Perth's new-build apartment sector, with the expectation that subdued activity will continue across 2022.

Multi-Unit Active Pipeline Analysis



Source: UDIA; CoreLogic

Annual Multi-Unit Completions by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The City of Stirling recorded the most settled new unit sales across 2020 with 360 sales with a median price point of $465,000, followed by City of Perth (256 sales, median sales price $481,000) and the City of Belmont (227 sales, median sales price of $420,000).
- These subdued settled sales volumes reflect broader softness in the new multi-unit market across the metro area, however in terms of completions by LGA, the town of Cambridge led the way with 718 new apartments completed, Stirling with 343 new units and Canning with 323 units.

Greater Perth Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2011	1,565	$455K	4,576	$390K	-	-
2012	2,002	$470K	5,909	$390K	-	-
2013	2,284	$475K	6,729	$420K	5,137	2,421
2014	2,067	$465K	5,866	$435K	7,755	4,143
2015	1,990	$443K	4,596	$420K	7,080	5,168
2016	1,945	$420K	3,873	$410K	5,982	6,948
2017	2,358	$410K	3,808	$405K	5,094	3,696
2018	2,096	$396K	3,573	$385K	2,945	3,009
2019	2,093	$410K	4,050	$360K	3,466	4,328
2020	2,145	$408K	4,744	$357K	2,964	2,958
2021	2,446	$440K	7,910	$395K	3,480	2,501

Source: UDIA; CoreLogic; ABS

RESEARCH PARTNER: CORELOGIC WA 2022 OUTLOOK

In Western Australia, housing market growth rates peaked earlier in 2021, but more recently growth rates have softened with a decline in first home buyer activity, and prolonged border closures limiting higher levels of interstate migration.

Investor activity has also picked up, with lending for investment property purchases up 12.2% across the state. The rise in investment activity is likely a reflection of strong growth in the WA rental markets, where rents across the state have increased 19.5% between March 2020 and January 2022. High yields and a relatively affordable entry point should help to attract investment despite the recent history of mild capital gains.

WA housing markets have also benefitted from a surge in mining investment, growing employment opportunities and rental demand. Similar to SA, WA housing markets face increased construction timelines and costs, as detached dwelling approvals surged over the course of the cycle. The gradual delivery of new supply may further dampen growth rates over the next 12 months, alongside an increase in interest rates.

PERTH

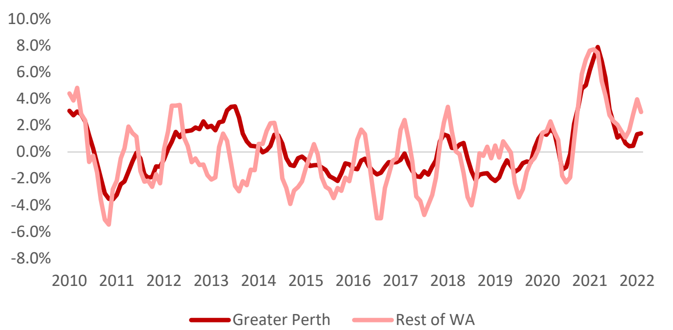
Spotlight on the Regions

	House Approvals		Multi-Unit Approvals		New House Sales		New Multi-Unit Sales		Vacancy Rate (Houses)			
Greater Perth	18226	41% ↑	3480	17% ↑	13344	28% ↑	2446	17% ↑	Dec-20	0.9%	Dec-21	0.6%
Regional WA	4936	42% ↑	289	25% ↑	3636	26% ↑	283	58% ↑	Dec-20	N/A	Dec-21	N/A
Peel	2122	133% ↑	15	52% ↓	1389	35% ↑	115	98% ↑	Dec-20	0.8%	Dec-21	0.6%
South West	2087	116% ↑	83	11% ↑	1699	23% ↑	119	42% ↑	Dec-20	0.6%	Dec-21	0.4%

Source: UDIA; CoreLogic; ABS; SQM

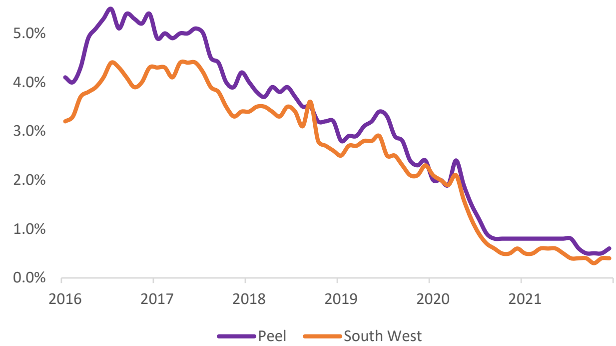
- Regional WA has been a beneficiary of heightened demand for detached housing, both in the new and established markets. Overall Regional WA's dwelling values climbed 12.6% which was slightly elevated on Greater Perth's 11.2% annual growth.
- Sales of new dwellings lifted strongly across regional WA in 2021, with transaction uplifts of new detached houses up 35% in the Peel Region and 23% in the South West.
- Detached house approvals soared by 42% across Regional WA in 2021, while the spotlight regions recorded even more dramatic approval uplifts for detached houses with Peel house approvals up 133% and the South West up 116%.

Rolling 3 Month Change in Median Dwelling Values



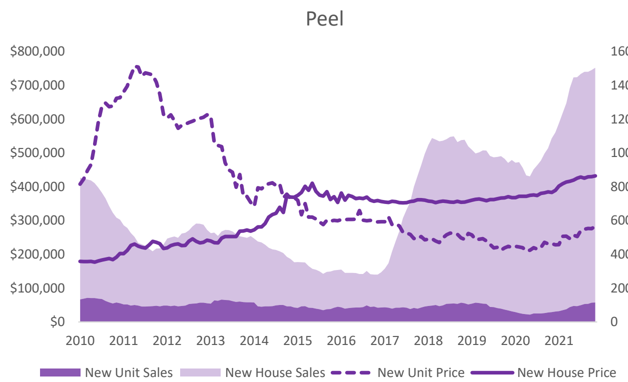
Source: UDIA; CoreLogic

Vacancy Rate

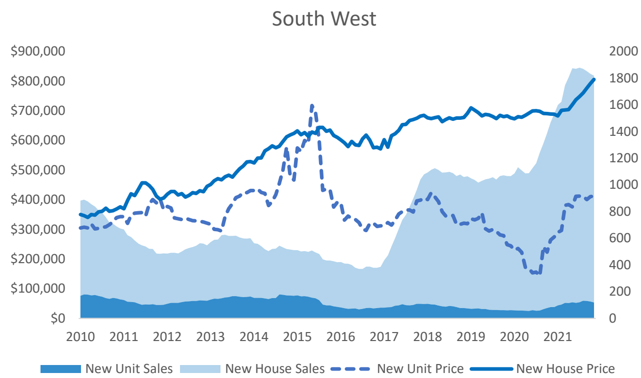


Source: UDIA; SQM

New Unit - Houses Sales and Price



Source: UDIA; CoreLogic



Source: UDIA; CoreLogic

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

Following the dramatic spike in housing demand caused by the housing construction stimulus packages in 2020, lot sales continued to strengthen throughout 2021. The rapid onset of this demand, following five years of market decline, has placed considerable strain on the industry which has been unable to expand and resize due to the strict border controls in place and strong competition for labour across the broader WA economy. A recent survey of UDIA WA members found that over 80% of businesses are impacted by the availability and access to skilled workers.

Alongside labour constraints, increased global demand and disruption in the global supply chain have added significant material cost pressures and delayed construction timeframes. According to the ABS, as 2021 closed, material input costs for housing construction in WA had risen 11.1%2 over the course of the year. Similar pressures have been experienced in lot construction with materials and crews for retaining wall construction increasingly difficult to secure, whilst ordering timeframes for equipment such as electrical transformers increasing from 90 to 180 days. These material delays and cost increases together with increased labour costs has caused the cost of housing construction to rise approximately 20% since mid-2020. Meanwhile, tight margins and a diminishing pool of builders has meant that the apartment development market has been especially exposed to construction cost pressures resulting in around a third of development projects being placed on hold.

Along with these housing construction challenges, there remains very little capacity in the rental market, with the rental vacancy rate continuing to decline throughout 2021 falling to a historic low of 0.7%. In the regions the situation is even worse with rental vacancy rates of just 0.4% in Albany, 0.1% in Bunbury and 0.0% in Busselton. With a backlog of 28,000 permanent migrants awaiting the reopening of WA-international border, the limited availability in the rental market is likely to drive significant housing cost increases and jeopardise our longer-term housing affordability and the competitiveness of our economy.   .

State Policy Priorities

As Western Australia transitions from a zero COVID-19 environment to 'living with COVID' and the reopening of the state and international borders, retaining and building the industry's capacity to present new homes to the market quickly will be a key focus for UDIA WA this year. A key element of this, will be ensuring that Perth maintains a sufficient supply of homes. Historically, Perth has benefited from a consistent supply of large greenfield housing estates which have kept a lid on housing price pressures and enable Perth to remain one of the most affordable capital's in Australia. With greenfield land becoming increasingly fragmented and the State setting out ambitious infill targets, leveraging infrastructure to unlock development and improving regulatory approval requirements will be vital.
UDIA WA 2022 Policy Priorities document sets out a range of solutions to address these challenges across three themes of the economy, liveability and the environment and we look forward to working with the State Government to achieve our joint aspirations for a more prosperous WA.

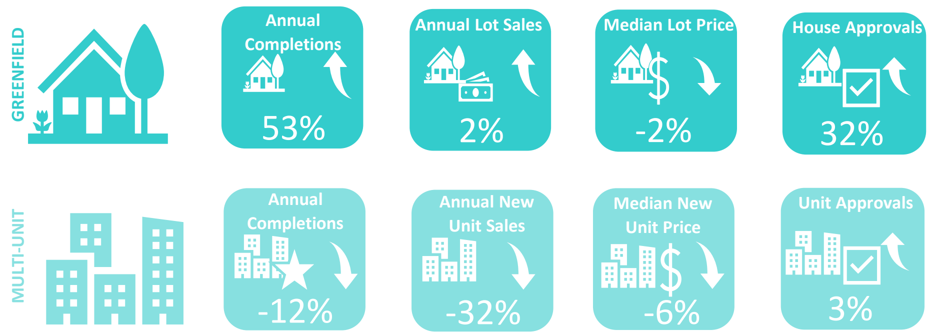
Ben Rosser
WA State Manager
Cedar Woods

2021 represented a buoyant trading period for Cedar Woods assisted by the extension of the federal Home Builder grant in the first half and underpinned through the combination of low interest rates, strength of the WA economy, low unemployment and the relative affordability of the Perth market by eastern states standards. Margins across our 9 trading projects improved on average a consequence of net price growth offsetting increased delivery costs. Strong civil contractor relationships ensured reliability of delivery of stages with forecast titling dates having largely been unaffected by the extreme materials and labour shortages encountered by these valued partners. Cedar Woods maintains a positive outlook for the Perth property market in the short to medium term with the opening of state and federal borders providing the catalyst for an increase in purchasers attracted to the many advantages living in Perth is able to offer.

ADELAIDE

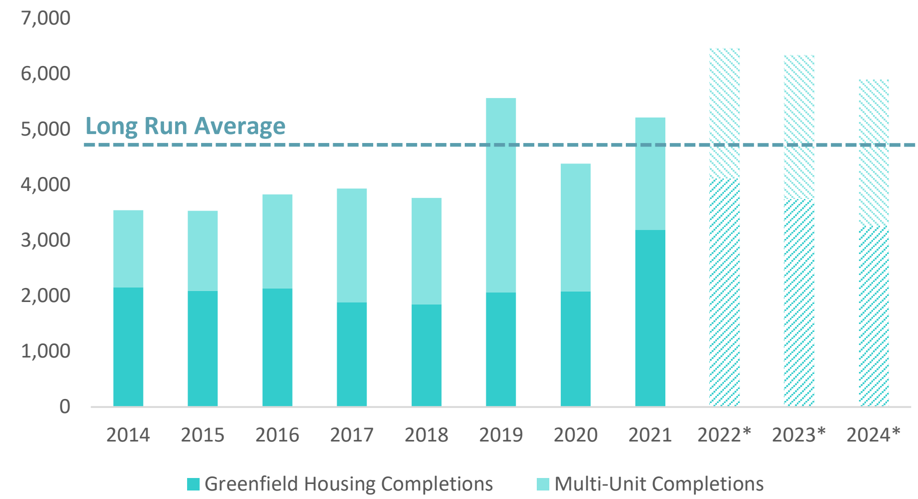
EI8HT Apartments
by Chasecrown

SUMMARY



- The Adelaide new home market experienced a second consecutive year of robust growth despite the on-going challenges of pandemic disruptions and challenges.
- Across 2021 Adelaide's greenfield sector strengthened it's central role in supplying new housing to service total metropolitan housing demand. A record breaking 5,488 lot sales were recorded across the year which was 130% above the seven-year average.
- The outperformance of the greenfield sector was balanced by the on-going subdued performance of the new multi-unit sector which recorded a 32% retraction in settled sales-and a 5% drop-in median unit pricing to $450,000.
- Completions of new market supply across 2021 totalled 5,240 new dwellings which is 14% higher than the long run average.
- UDIA forecasts expect to see a further uptick in net new dwelling completions to circa 6,400 dwellings in 2022 and remaining at an elevated level for the following two year, around 40% higher than the long run completed dwelling supply average.

New Residential Market Supply[1]



Source: UDIA; CoreLogic; Research4

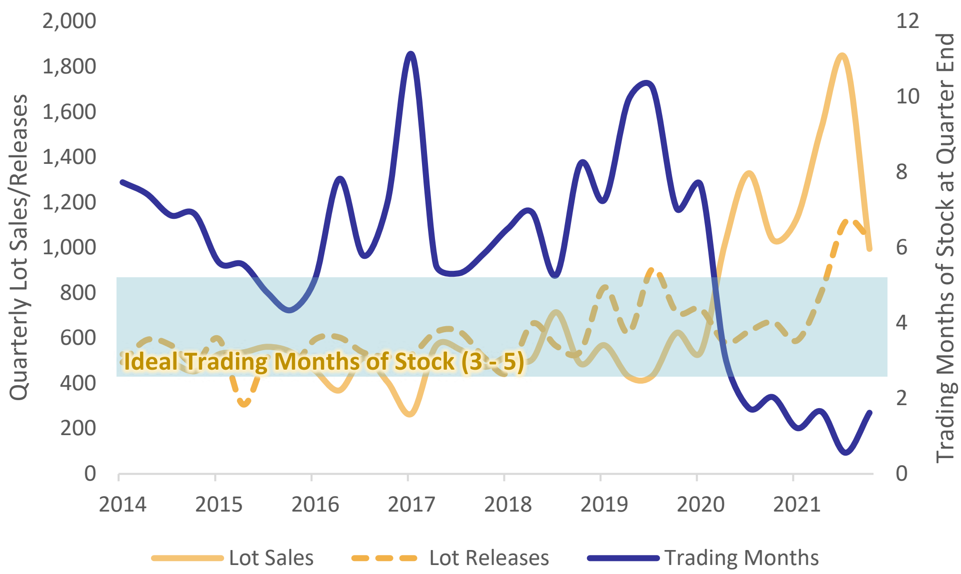
[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The Adelaide greenfield market had a second consecutive record breaking year of land sales, registering 5,450 annual sales which was a 40% uplift on 2020 and 130% above the ten year average.
- In the face of heightened buyer demand the market transitioned from an average sales rate of 378 per month in the March quarter to 509 sales per month in the June quarter to 611 per month in September, before moderating in December to 331 net sales per month, 28% below the 2021 average sale rate.
- The Adelaide market has enjoyed record sales activity since the onset of COVID in 2020. It is very clear that COVID has triggered a very significant change in the level of demand and activity for property across Adelaide. Before COVID the market would average 180 sales per month.
- Adelaide's share of total national land sales since 2008 has averaged 5%. The share of total activity for the past year has averaged 7% with a closing market share metric of 6%.
- There was a total of 5,628 lots released across 2021 which was a 59% uptick on 2020 net releases and a 116% increase on 2019 volumes. The clearance rate averaged 98% across the year but was down to 76% in the December quarter.

Greenfield Activity



Source: UDIA; Research4

Cancellations - level of market confidence

- The number of residential lots "returned" to the price list over the 2021 year averaged 5.7% of gross activity, which indicates that confidence by Builders and end users was "high".

Stock of lots ready for sale

- As of December 2021 the number of residential lots on a price list was equal to 1.3 months of demand. Stock levels have been "very" low for the entire 2021 year and remain low as at the close of 2021.

The Supply Role of Greenfield Markets

- Since 2008 the nominated Adelaide growth corridors have responded to an estimated 34% of total Adelaide housing demand.
- Over the past seven years the average supply role has lifted to 42% of total metro housing demand with the December 2021 quarter recording 63%. The role of the Greenfield market has strengthened over the past seven years re-enforcing the strategic role Greenfield supply is playing in retaining and attracting housing demand.

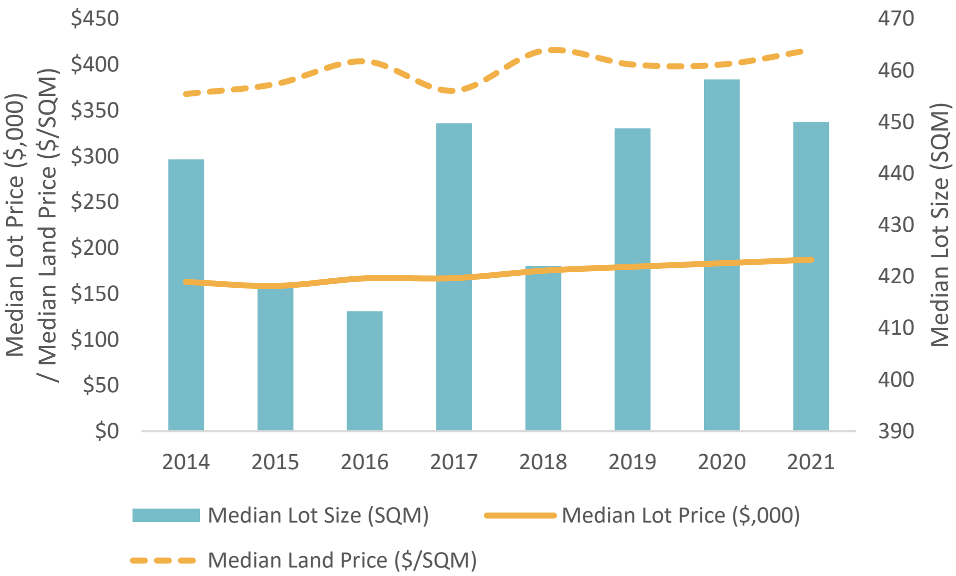
Greenfield Projects

- There was an average of 67 active trading estates across the year which represents a drop of 20% on 2020.
- The average estate size since 2008 has been 242 lots, with the average new estates for 2021 being 657 lots in size.
- The market would normally see 5.4 new trading estates entering the market each quarter and would normally see 4.6 estates end each quarter. The market lost 31 estates in the June 2021 quarter impacting the headline Greenfield production capacity of the market.
- Over the past year the total Greenfield estimated selling capacity [ESR] has been equal to 105% of actual net sales. The selling capacity of the industry across 2021 has been able to address the actual level of activity.

Greenfield Land Prices, Lot Sizes and Values

- Adelaide's average median lot price lifted 2% across 2021 to $187,250 which reflects the most affordable residential land lots across the nation, 42% lower than the combined capital city average of $322,380.
- Land prices across Adelaide have been increasing at an average rate of 1.3% per quarter for the past year and 0.7% per quarter for the past 7 years.
- Adelaide new land has traditionally been priced at 39% of the Adelaide median house price. Over the past 5 years the average has dropped to 36% of the median house price.
- The "Fair Value" ratio as at the close of 2021 was a record low 32%, suggesting that land prices had not kept up with the upward trend in Adelaide house prices.
- The median lot size dropped by 2% across 2021 to 450 sqm, which reflects the second largest capital city market lot sizes in the nation, second only to the ACT's 493 sqm.
- The modest increase in pricing and marginal fall in lot size delivered a 4% increase in the average land rate to $416 psm which is 27% below Perth which is the second most affordable market after Adelaide.

Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

ADELAIDE

Greater Adelaide Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
2011	1,467	45	468	$158K	$337
2012	1,613	53	480	$156K	$324
2013	2,544	67	463	$164K	$353
2014	1,944	66	443	$163K	$368
2015	2,162	62	419	$158K	$379
2016	1,739	57	413	$167K	$404
2017	1,851	58	450	$167K	$371
2018	2,223	71	422	$175K	$415
2019	2,054	75	449	$179K	$400
2020	3,917	84	458	$183K	$400
2021	5,488	67	450	$187K	$416

Source: UDIA; Research4

RESEARCH PARTNER: COLIN KEANE

ADELAIDE GREENFIELD 2022 OUTLOOK

understanding research[4] the way we live

The Adelaide Greenfield market in 2021 recorded very strong levels of demand which in turn triggered positive price movement. The Greenfield industry was fully engaged which resulted in a rundown of capacity which in turn supported an increase in the median lot price.

The 2022 year is likely to see demand level moderate in line with a broader post COVID correction, however forward demand is expected to be significantly higher than pre COVID levels. Adelaide as a preferred destination has been highlighted across the 2021 year and is this new setting is likely to be re-enforced in 2022.

From a supply side, the challenge will be to ensure that new supply gets to market in a timely fashion to mitigate any risk to affordability which may arise from a spike in demand.

Greenfield Land Price – Forecast

Adelaide land prices have the capacity to experience further price growth over the coming year. This assumption is based on the following: forecast demand is likely to remain high, industry capacity will be fully or near fully engaged and the existing land to house ratio is showing that land values are currently under Fair Value.

Greenfield Selling Capacity Forecast

The forecast number of Active trading estates is expected to average 60 as opposed to the 2021 average of 85 estates. The modelled selling capacity of the market is expected to drop from 482 lots per month to 378 lots per month.

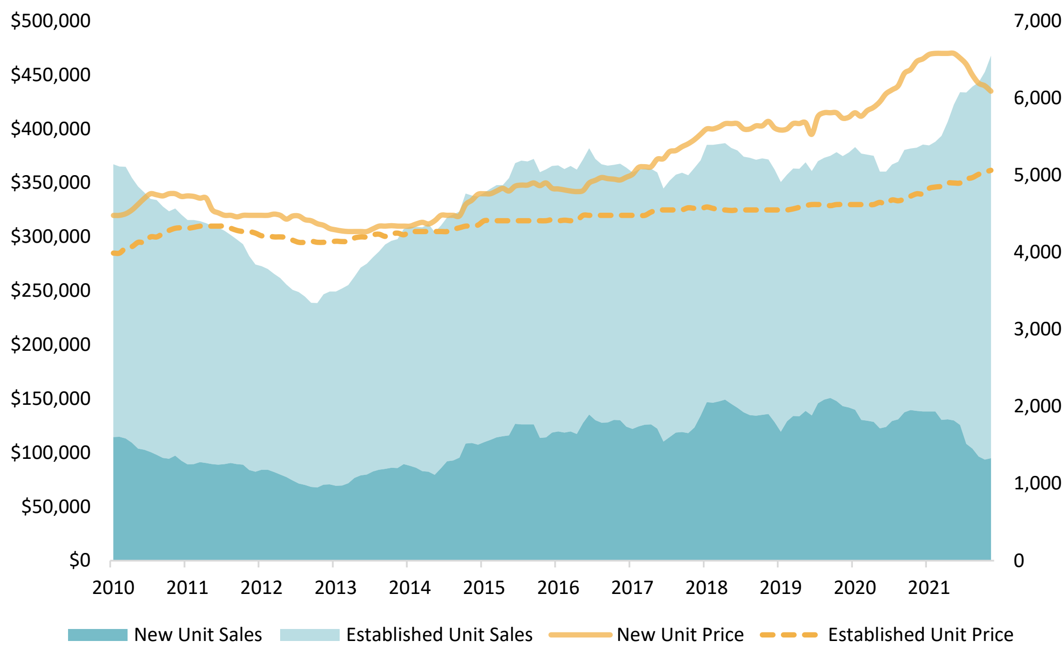
ADELAIDE

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- Sales of new apartment and town house stock remained subdued across 2021 with a total of 1,311 new unit sales transacted across Greater Adelaide, representing a 32% decline on 2020 sale volumes.
- The volume of new multi-unit sales remained low across 2021 with an average of 109 settled transactions per month, which is 18% lower than the decade long average.
- Across the broader whole of market (new stock plus resales) for multi-units there was 6,551 settled multi-unit dwelling sales across Adelaide which is up 21% on 2020 transaction volumes.
- Sales of new units accounted for 22% of whole of market (units) sales for 2021 which is below the decade average.

Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

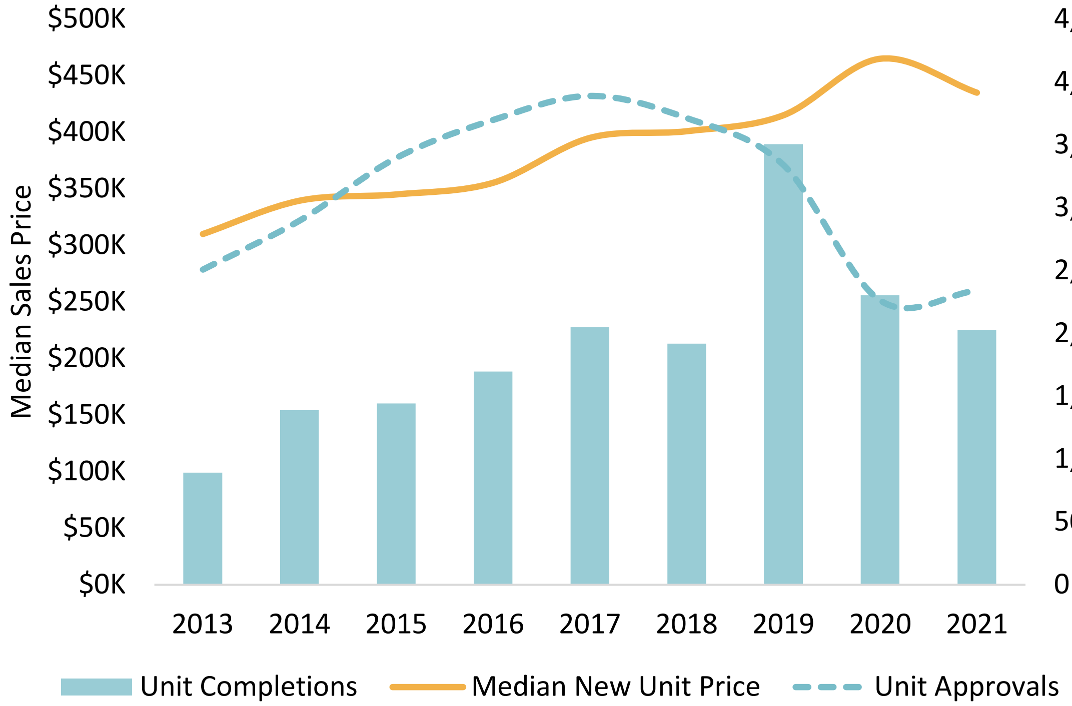
Median Unit Pricing

- The median sale price of new units fell by 6% across the year to $435,000 representing a decline from the strongest annual growth recorded over the last decade in 2020.
- Adelaide's newly constructed units are again the most affordable in Australia, with the current median new sale price 44% cheaper than Sydney and 35% cheaper than Melbourne.
- The median sale value for all multi-units (new and resales) across Adelaide increased by 6% across the year to $361,750, which represents a 6% annual growth difference.
- The current median sale value of new units is currently 29% less affordable than the median value for new houses, which is significantly higher than the long-term average of 20% cheaper, which represents a positive retail proposition for the market – particularly first home buyers.

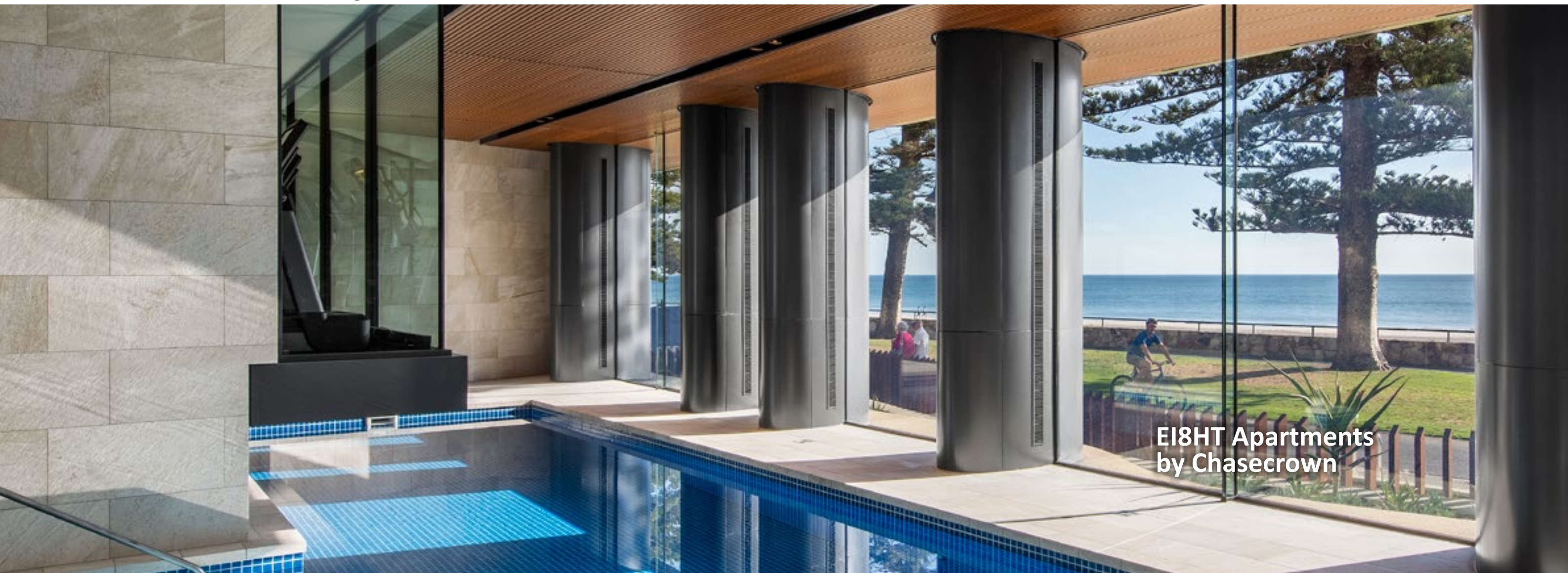
Construction Activity

- There were 2,026 new multi-unit dwellings completed in Adelaide in 2021. This is an annual decline of 6% on 2020 and 42% from 2019 completions which was an unusually high year for unit completions driven by a large volume of very small projects (less than six units) which moderated in 2021.
- The majority (54%) of the new multi-unit dwelling completions in Greater Adelaide occurred between 5km of the Adelaide GPO, followed by 29% in the 5km to 10km band. This is the highest level of unit concentration in the CBD and inner-city areas across the capital cities.
- The virtual absence of multi-unit activity outside of the 10km band highlights the on-going preference for low density dwellings in middle and outer areas, which in part reflects Adelaide's on-going house price affordability.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

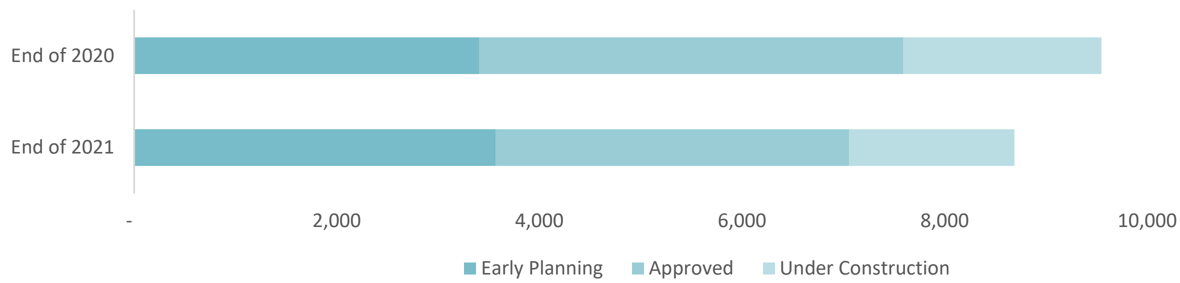


Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2020 and December 2021 snapshot of the market leading Cordell Construction database.

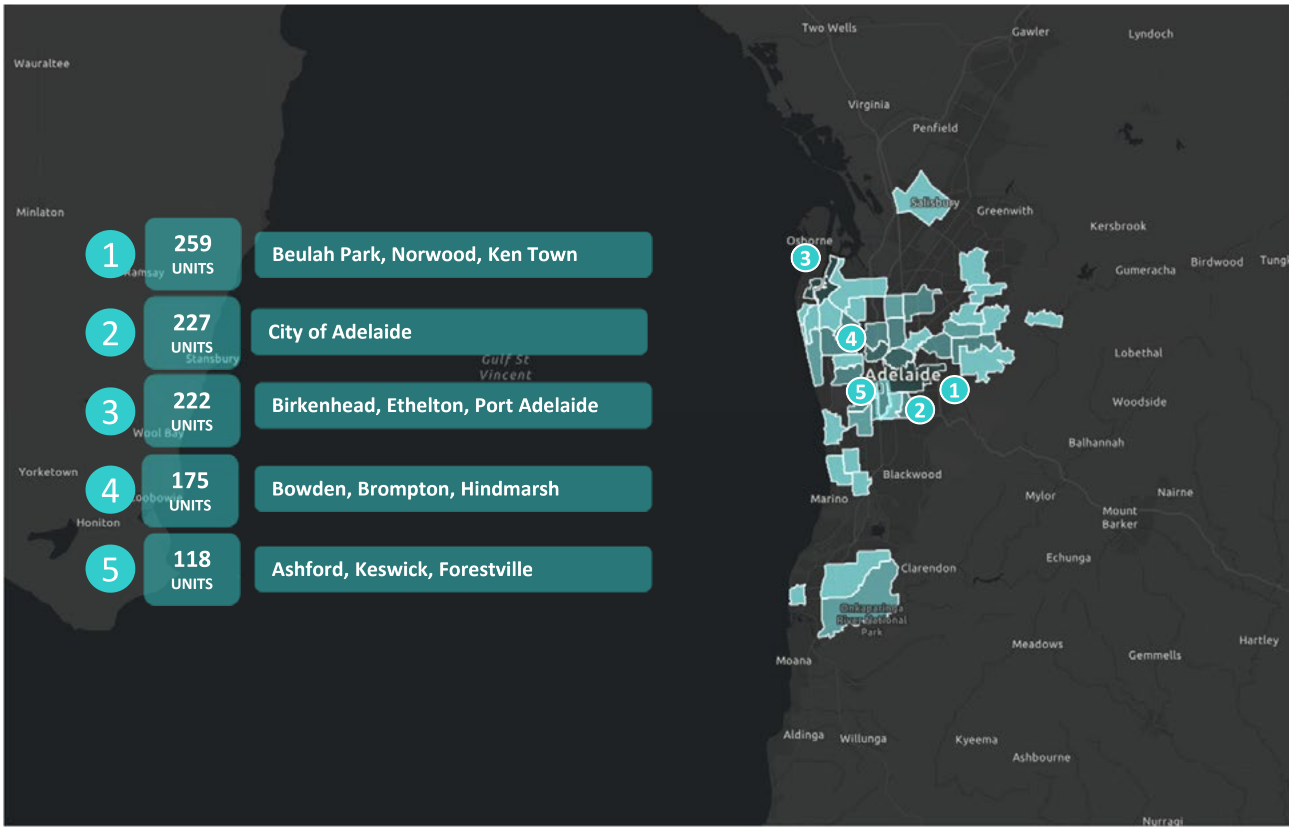
- This data analysis reveals that there is an aggregate total of 8,688 units in the Adelaide active pipeline, which is 9% lower than the supply recorded in December 2020.
- This is made up of units in the early planning phase (up 5% from 2020), units which have received approvals (down 17% from 2020) and units under construction (down 17%).
- The multi-unit approvals further remained soft across the year indicating forward unit supply will remain subdued for the coming few years.

Multi-Unit Active Pipeline Analysis



Source: UDIA; CoreLogic

Annual Multi-Unit Completions by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The City of Charles Stuart had the most apartment sales activity in Greater Adelaide with 833 units sold in the year to November 2021, a decrease of 2% on the year, and a median sale price of $407,000.
- This was followed by the City of Adelaide with 646 sales and Port Adelaide Endfield with 536 sales.
- The LGAs experiencing the highest apartment price growth were Playford (up 24%), Walkerville (up 20%) and Marion (up 13%).

Greater Adelaide Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2011	1,155	$320K	2,686	$303K	-	-
2012	992	$308K	2,500	$295K	-	-
2013	1,253	$310K	3,051	$302K	2,506	890
2014	1,506	$339K	3,218	$311K	2,896	1,387
2015	1,663	$345K	3,458	$316K	3,395	1,441
2016	1,738	$355K	3,359	$320K	3,697	1,695
2017	1,882	$395K	3,313	$326K	3,888	2,049
2018	1,799	$401K	3,274	$325K	3,712	1,917
2019	1,960	$415K	3,405	$330K	3,339	3,504
2020	1,935	$465K	3,462	$340K	2,261	2,301
2021	1,329	$435K	5,222	$362K	2,339	2,026

Source: UDIA; CoreLogic; ABS

RESEARCH PARTNER: CORELOGIC SA 2022 OUTLOOK

CoreLogic®

Adelaide experienced very strong growth through late 2021 and early 2022, with rates of growth in dwelling values accelerating as larger capital cities saw the pace of growth slow down. The sense of urgency in the Adelaide market comes from a combination of strong buyer demand and limited advertised supply. Adelaide has the pull of affordable rents and purchasing values, but relatively low levels of supply, where total advertised stock remains about-44% below the previous 5-year average. Though residential construction volumes are very high, the resulting labour and supply chain pressures are prolonging construction times and costs.

Price pressures have been less severe across the combined regional SA market, however some lifestyle regions, such as the Limestone Coast, have recently seen increased popularity. The South Australian dwelling market is likely to see a slowdown in growth rates later in 2022, as affordability constraints and potentially tighter lending conditions along with higher mortgage rates reduce demand for housing.

ADELAIDE

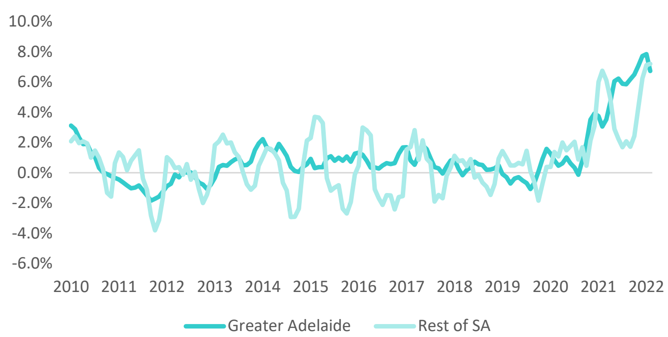
Spotlight on the Regions

	House Approvals		Multi-Unit Approvals		New House Sales		New Multi-Unit Sales		Vacancy Rate (Houses)			
Greater Adelaide	9695	32%	2339	3%	8461	25%	1329	32%	Dec-20	0.7%	Dec-21	0.5%
Regional SA	3547	40%	202	1%	2987	44%	119	29%	Dec-20	N/A	Dec-21	N/A
Mount Gambier	198	187%	0	0%	149	18%	20	5%	Dec-20	0.4%	Dec-21	0.1%
Victor Harbor - Alexandrina	524	60%	18	125%	413	11%	13	117%	Dec-20	2.0%	Dec-21	1.6%

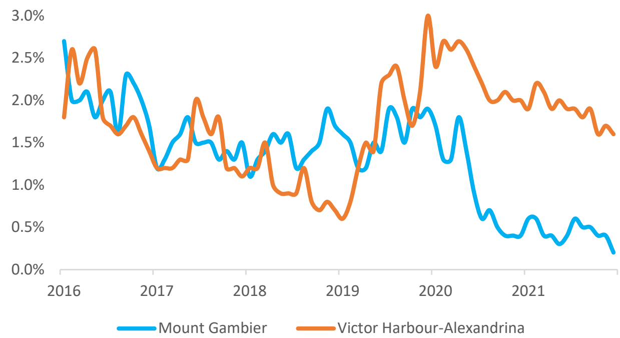
Source: UDIA; CoreLogic; ABS

- Regional SA has been a modest beneficiary of heightened demand for detached housing, both in the new and established markets. Across the 12 months to January 2022 Regional SA's dwelling values climbed 16.8% which was below Greater Adelaide's 24.8% and the national average of 22.4%.
- Sales of new dwellings lifted by 44% across Regional SA in 2021, with transaction uplifts ranging between 11% and 108% recorded in the spotlight cities of Mount Gambier and Victor Harbor-Alexandrina.
- Detached house approvals soared by 40% across Regional SA in 2021, while the spotlight cities recorded even more dramatic approval uplifts for detached houses with Victor Harbour-Alexandrina approvals up 60% and Mount Gambier up 187% on 2020 levels.

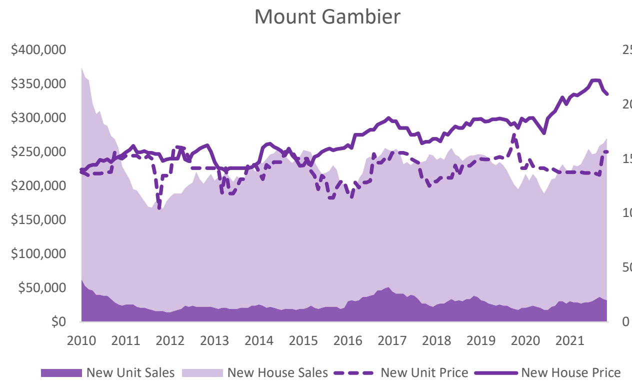
Rolling 3 Month Change in Median Dwelling Values

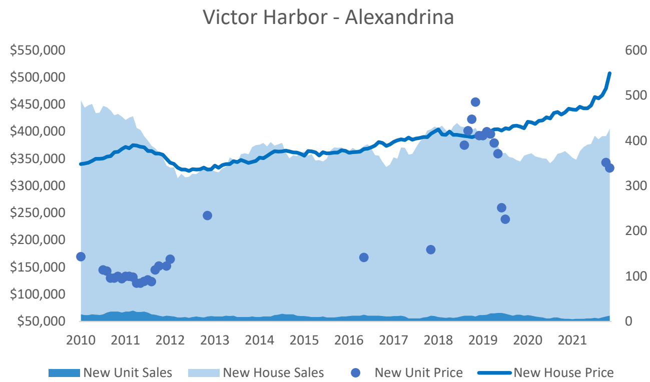


Vacancy Rate



New Unit - Houses Sales and Price





Source: UDIA; CoreLogic

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

The South Australian housing market has been characterised as one of the most stable and consistent over the last decade, but with the combined impact of positive trends in interstate migration and implications of the COVID-19 pandemic changing consumption patterns towards home ownership, demand levels for housing in South Australia have reached unprecedented levels.

Adelaide is experiencing considerable increases in housing prices together with record low rental vacancy rates. Despite a low median house price relative to other capital cities, affordability continues to be a challenge based on the prices to incomes measure.

Stock levels also continue to be low with the sector working hard to replenish levels but due to the combined labour and material shortages, as well as delays being experienced as part of the roll out of the new electronic planning system, much of the development sector continues to be under significant stress.

State Policy Priorities

Ahead of the state election on March 19, the UDIA SA released the grow.reform.build. Blueprint for the incoming government.

With fiscal challenges facing the state yet with a renewed optimism on South Australia's economic outlook, the UDIA SA focus has been on increased efficiency through greater transparency for the development approvals and delivery process.

As the prospect of subsidies and tax relief is being resisted by both major parties, approval authorities and infrastructure providers must assist in putting downward pressure on prices through structural reform to both improve affordability and enable responses to market demand to occur quicker.

The UDIA is seeking commitments for a brand new and more comprehensive 30-year plan for Greater Adelaide. With living patterns and development having changed considerably since the introduction of the last 30-year plan, we are calling for the better coordination of infrastructure provision and increased government commitment to supporting development in both growth areas and larger strategic infill sites.

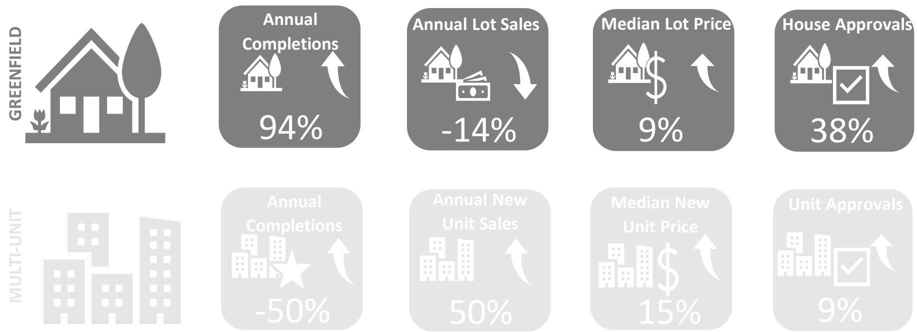
The UDIA is also playing a key role in highlighting the need for increased investment and reform of outdated legislative requirements around the provision of community infrastructure, in particular open space.

Future Prospects

UDIA SA looks forward to working with an incoming government over the next four years to take advantage of South Australia's inherent liveability together with harnessing the renewed positive economic outlook for the state.

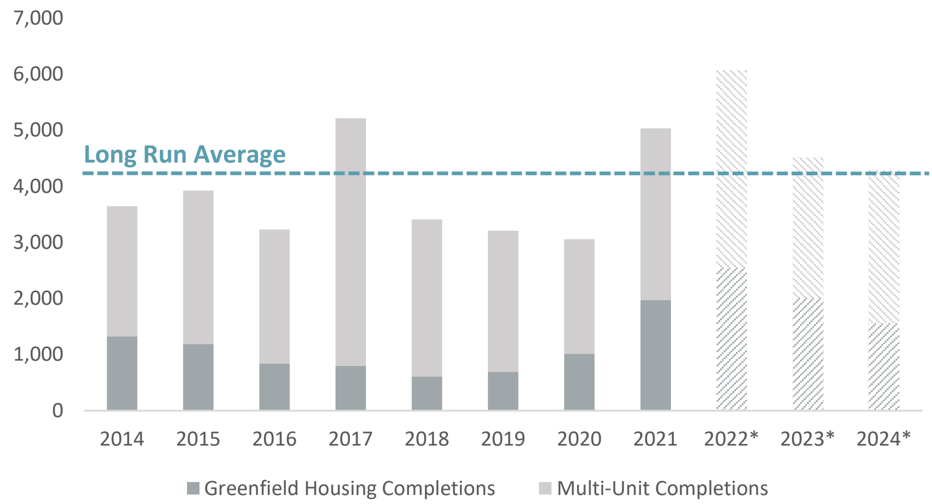
ACT

SUMMARY



- The ACT's new housing market finished the year in a robust position, despite the on-going challenges presented by the pandemic.
- Completions of new market supply across 2021 totalled 4,185 new dwellings which is a 38% increase on 2020 production with 52% of these completions coming from new multi-unit/ and apartment supply.
- It is expected that new dwelling supply will ratchet up to a record breaking circa 6,000 dwellings in 2022 with further firming of completions across both the new greenfield housing and multi-unit sectors.

New Residential Market Supply[1]



Source: UDIA; CoreLogic; Research4

GREENFIELD MARKET ANALYSIS

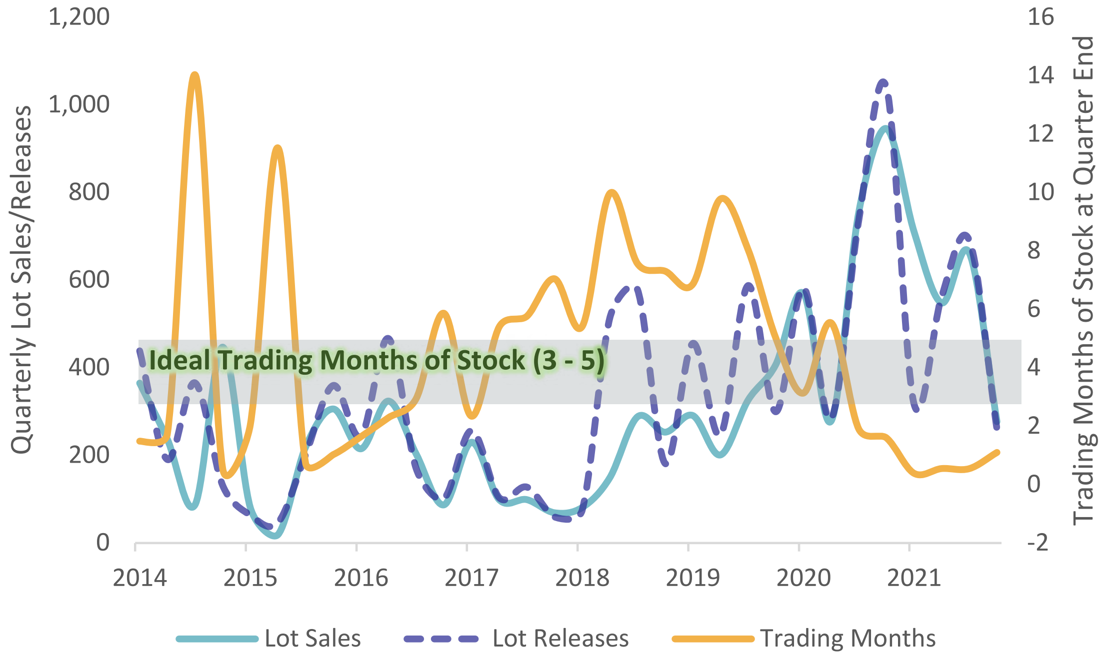
Sales and Release Activity

- The ACT greenfield market recorded another very strong year in 2021, with an annual aggregate of 2,198 lot sales at an average of 182 a month which was 94% above the long term trend, but 14% below the record breaking level achieved in 2020.

[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely lower than actual realised new supply.

- In terms of market activity trend, the market is currently "falling" and is positioned within its cycle at a "moderate" activity levels.
- There was a total of 1,828 lot released across 2021, which reflects a 31% drop on 2020 volumes.
- The ACT's share of total national land sales since 2008 has averaged 3%. The share of total activity for the past year has averaged 3% with a closing market share metric of 2%.

Greenfield Activity



Source: UDIA; Research4

Cancellations - level of market confidence

- The number of residential lots "returned" to the price list over the 2021 year averaged 1.6% of gross activity, which indicates a "Very high" level of market confidence. The year ended with the return rate being zero percent which suggests that market confidence from builders and end users remains extremely strong.

Stock of lots ready for sale

- As of December 2021 the number of residential lots on a price list was equal to 0.5 months of demand. Stock levels have been "critically" low for the entire 2021 year and remain critically low as at the close of 2021.

The Supply Role of Greenfield Markets

- Since 2008 the ACT growth corridors have responded to an estimated 48% of total ACT housing demand. Over the past seven years the average supply role has reduced to 42% of total metro housing demand. The 2021 year saw the supply role average of 42% of total housing demand.
- The ACT market experienced pronounced periods of peak demand, this is due to the nature of how supply is managed and delivered into the market. It is rare to find land supply that the customer can easily access without entering a ballot process. This process of balloting land releases tends to prevent demand from being satisfied when required, instead it herds demand into specific dates and times, hence frustrating the market fundamentals.

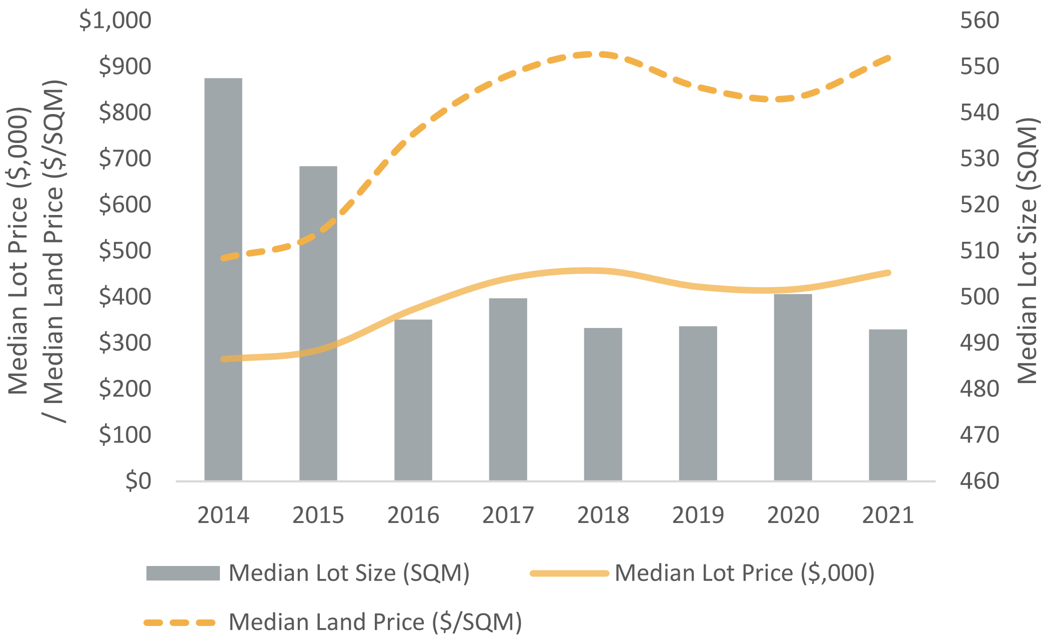
Greenfield Projects

- The number of projects active across the ACT greenfield market for the 2021 year averaged 17 land estates. As of December 2021, the number of estates under survey was 11.
- The market would normally see 0.8 new trading estates entering the market each quarter, replacing those that were ending. The market registered 2.25 new trading estates per quarter for the 2021 year.
- The greenfield market over the next two years is expected to see the average number of active trading estates lift to 16, based on applying the historic take up rates for new estates, however over the next 12 months active supply is expected to be managed by 7-9 estates.
- Since 2008 the average size of an ACT greenfield estate has been 747 lots. 2021 the average size was 21 lots.

Greenfield Land Prices, Lot Sizes and Values

- The ACT's median lot price average across 2021 grew 9% to $453,000 which helped further cement the nation's capital having the second most expensive residential lots after Sydney ($544,000).
- Land prices experienced a sharp upswing in the third quarter to $585,000, before easing back to close the December quarter out at $550,000.
- Land prices across the ACT since 2008 have remained averaged 2.1% price movement per quarter. Over the past seven years the rate of price movement has been 2.1% per quarter. The 2021 year has seen land prices increase on average by 6.7% per quarter. The December quarter median lot price for ACT was $520,000, up from $475,000 for the September 2021 quarter.
- ACT new land has traditionally been priced at 55% of the ACT median house price. Over the past 5 years the average has lifted to 59% of the median house price. The "Fair Value" ratio as at the close of 2021 was a low 52%. The December median lot price of $520,000 was estimated to be $71,000 below the modelled Fair Value land price of $591,000.
- The median lot size dropped by 2% over 2021 to 493 sqm which has the ACT comfortable retain the largest average block sizes in the country, and is 21% higher than the combined capital city average.
- The median land value rose 9% across 2021 to $919 psm which is a near record high, just 0.9% below the $927 psm achieved in 2018.

Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
2011	1,828	7	481	$264K	$550
2012	1,314	7	499	$266K	$533
2013	1,254	7	535	$304K	$568
2014	1,136	5	548	$265K	$484
2015	625	4	528	$285K	$539
2016	829	4	495	$373K	$754
2017	497	3	500	$441K	$881
2018	771	4	493	$457K	$927
2019	1,225	8	494	$423K	$856
2020	2,548	13	501	$417K	$832
2021	2,198	10	493	$453K	$919

Source: UDIA; Research4

RESEARCH PARTNER: COLIN KEANE

ACT GREENFIELD 2022 OUTLOOK

The performance of the ACT Greenfield market is likely to experience a period of low to moderate sales over most of 2022 before seeing activity lift. Currently activity levels are down due to stock and supply issues.

The market has been as low as 20 lot sales per month highlighting the extremes of the ACT cycle. The way the supply side is managed tends to influence the cycle, therefore with limited projects currently operating this process of managing stage release could bring about big swings in the cycle.

Greenfield Selling Capacity Forecast

The forecast number of Active trading estates is expected to average 7-9 as opposed to the 2021 average of 17 estates. Based on this change, the modelled selling capacity of the market is expected to drop from 135 lots per month to 108 lots per month.

The forecast reduction in the selling capacity should be matched by a modelled drop in the average level of demand.

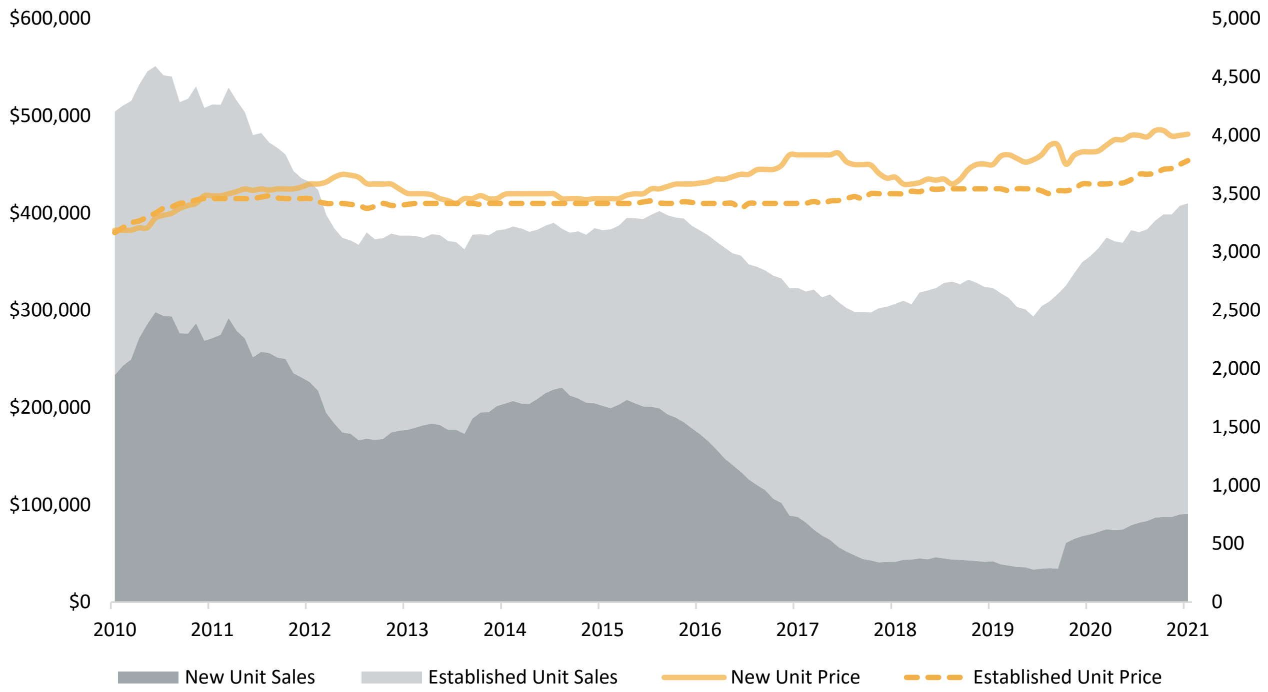
The effectiveness of the ACT Greenfield market in being able to deliver the required number of new lots to market in a timely fashion will be dependent upon a correction in demand. Based on current levels of activity, forecast industry capacity is unlikely to be able to keep pricing in check.

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- New unit sales across the ACT for 2021 recorded 1,080 settled sales transacting across the year, which was 6% above the decade average and bounces back to sales volumes only recorded until 2015.
- Sales activity of new apartments and multi-units across Canberra remained relatively consistent across the year, in contrast to the heightened activity experienced in the greenfield sector – stimulated by the HomeBuilder program.
- With the HomeBuilder program having limited applicability to the multi-unit sector, sales volumes remained subdued, and down 52% to the peak of new unit sales in 2010.
- Across the broader whole of market there were 4,288 settled multi-unit dwelling sales across the ACT which was up 36% on 2012 volumes and represents the most annual unit transactions across the last decade.
- Over the last decade new build multi-units (primarily apartments) have averaged 34% of total annual unit sales activity. In 2021 new unit sales accounted for 26% of total sales highlighting the current come back of the multi-unit sector.

Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

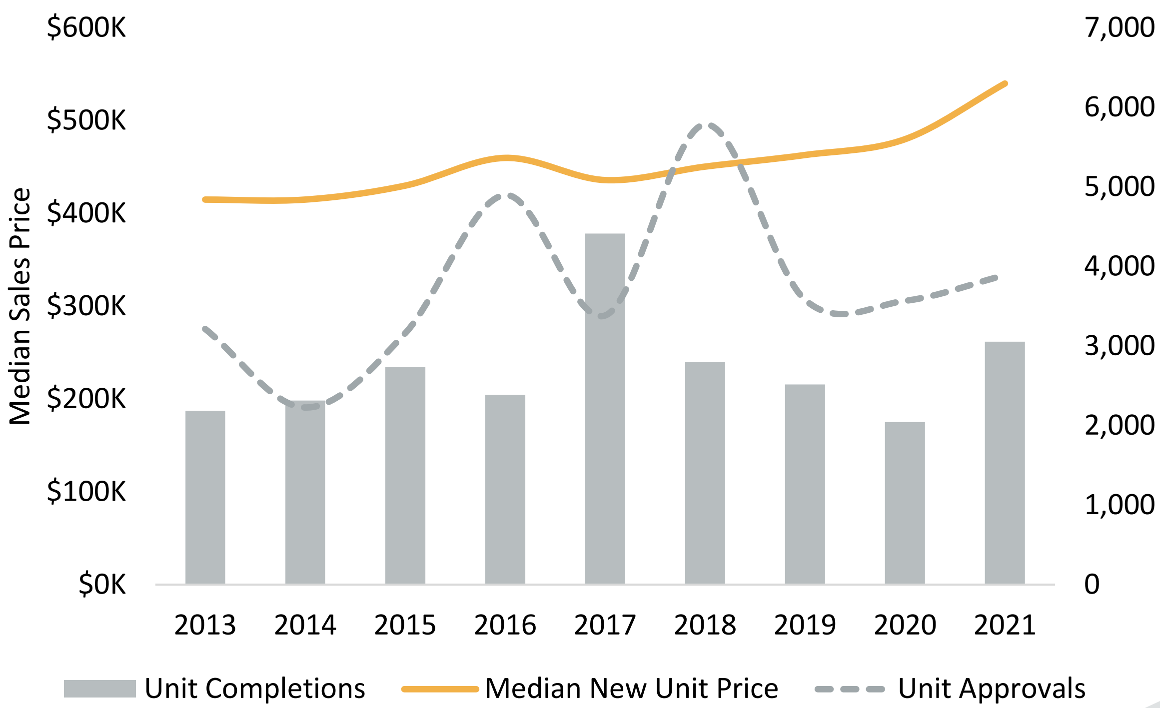
Median Unit Pricing

- There was a significant growth in the annual median sale price of new units for 2021 which was recorded at $540,000, a 13% growth in pricing from last year.
- The median price for the ACT's newly constructed units is currently 30% more affordable than median pricing for Sydney's units and 17% more affordable than Melbourne's. For the fourth year running Canberra's unit pricing was higher than SEQ.
- The median sale value for all multi-units (new and resales) across the ACT increased by 15% across the year to $520,000, which represents the peak value achieved for the unit sector.
- The current median sale value of new units is currently 37% more affordable the median value for new houses, which is significantly lower than the long-term average of 22% cheaper, which represents a positive retail proposition for the multi-unit market – particularly first home buyers.

Construction Activity

- Completions of new multi-unit dwelling completions in the ACT were tempered further in 2021, returning to 2016 levels. In total there were 3,056 multi-unit dwellings completed in the ACT in 2021, a year-on-year increase of 9%, and 50% below the peak of 4,415 units delivered in 2017.
- The largest supply of completed multi-units were delivered in Canberra's inner metropolitan areas, less than 10km from the GPO, where 1851 units were completed across the year, equating to 83% of new supply. This reflects strong unit completion in Campbell, postcode 2612, with 702 units which was the most of any postcode for the year, and postcode 2617 in Canberra's northwest with 441 units which includes Kaleen, Belconnen, and Bruce.
- The postcode which contributed the third most to new multi-unit supply was 2601 (Canberra) which had 391 new unit completions in 2021.

Median New Unit Price & Annual Unit Completions



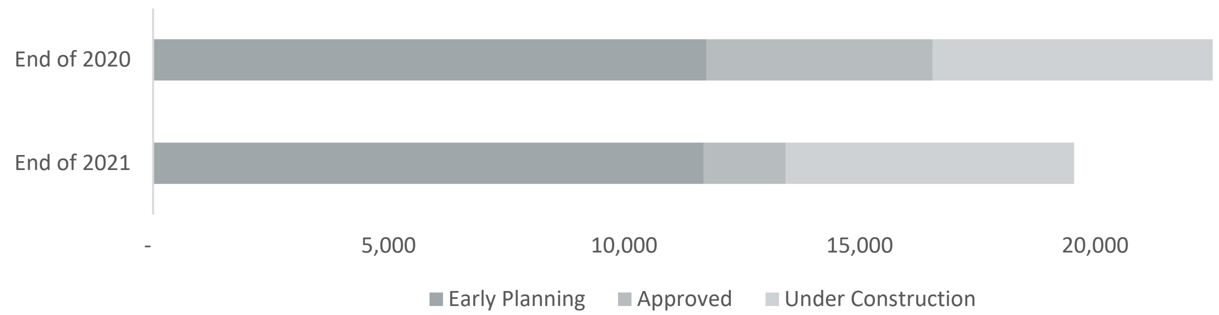
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2020 and December 2021 snapshot of the market leading Cordell Construction database.

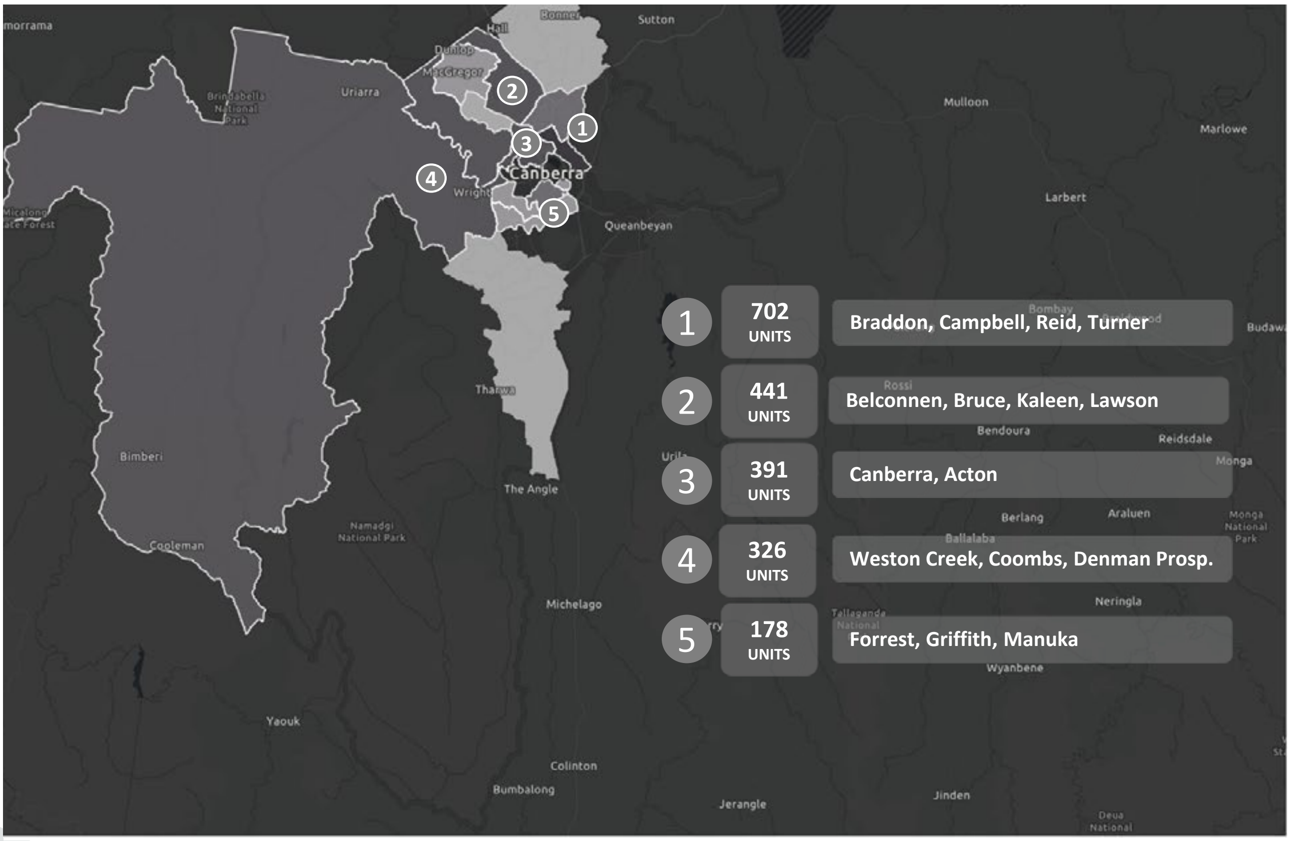
- The total active pipeline in the ACT numbered 19,552 units, which is a 13% decrease on 2020 signalling a further softening of the industry confidence in forward demand.
- The pipeline recorded a 64% decrease of units which have been approved in 2021, which has driven the aggregate growth of the ACT multi-unit pipeline, while units in the early planning phase remained stable at circa 11,684 units, and there was a 3% increase of units in construction as of December 2021.

Multi-Unit Active Pipeline Analysis



Source: UDIA; CoreLogic

Annual Multi-Unit Completions by Postcode



Source: UDIA; CoreLogic

ACT

Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2011	1,924	$427K	1,706	$415K	-	-
2012	1,468	$425K	1,673	$408K	-	-
2013	1,678	$415K	1,507	$410K	3,216	2,186
2014	1,703	$415K	1,502	$410K	2,229	2,316
2015	1,487	$430K	1,737	$411K	3,160	2,735
2016	742	$460K	1,947	$410K	4,898	2,390
2017	345	$436K	2,187	$420K	3,385	4,415
2018	345	$451K	2,356	$425K	5,785	2,800
2019	580	$463K	2,384	$430K	3,583	2,517
2020	751	$480K	2,645	$450K	3,569	2,043
2021	1,080	$540K	3,230	$500K	3,892	3,056

Source: UDIA; CoreLogic; ABS

RESEARCH PARTNER: CORELOGIC ACT 2022 OUTLOOK

As of January 2022, the ACT dwelling market as a whole had experienced 30 months of un-interrupted growth. High incomes, secure government employment and relatively low levels of advertised stock have contributed to strong price growth, alongside low interest rates. The Canberra house market has seen particularly strong growth, and the premium on Canberra median house values over units was around $437,000 at January 2022, the second-highest price gap of the capital cities behind Sydney.

While this is in part due to preferences for larger homes through the pandemic, it is also a reflection of the residential construction space, where the development of detached homes remains low relative to units. Both the house and unit market are likely to see a slowdown in demand over the next 12 months, as affordability constraints and potentially higher interest rates reduce housing demand.

ABOUT UDIA

THE URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA (UDIA) IS THE PEAK BODY REPRESENTING THE URBAN DEVELOPMENT INDUSTRY IN AUSTRALIA.

UDIA represents more than 2,100 companies including developers and a range of professionals involved in the development industry including lawyers, engineers, town planners and contractors.

UDIA OFFICES AROUND AUSTRALIA

UDIA NATIONAL
0411 468 741
udia.com.au

UDIA VICTORIA
03 9832 9600
udiavic.com.au

UDIA QUEENSLAND
07 3229 1589
udiaqld.com.au

UDIA NEW SOUTH WALES
02 9262 1214
udiansw.com.au

UDIA WESTERN AUSTRALIA
08 9215 3400
udiawa.com.au

UDIA SOUTH AUSTRALIA
08 8359 3000
udiasa.com.au

UDIA NORTHERN TERRITORY
0457 882 793
udiant.com.au

Maxwell Shifman

National President
UDIA National

udia@udia.com.au

KIRSTY CHESSHER-BROWN

Chief Executive Officer
UDIA Queensland

kchessher-brown@udiaqld.com.au

STEVE MANN

Chief Executive Officer
UDIA NSW

smann@udiansw.com.au

MATTHEW KANDELAARS

Chief Executive Officer
UDIA Victoria

matthew@udiavic.com.au

PAT GERACE

Chief Executive
UDIA South Australia

geracep@udiasa.com.au

TANYA STEINBECK

Chief Executive Officer
UDIA Western Australia

tsteinbeck@udiawa.com.au

UDIA STATE OF THE LAND 2022

25 King, Brisbane Showgrounds by Lendlease

Howard West by C Street Projects

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