



URBAN IQ

Property Market Snapshot

DECEMBER 2022

RPM²

Urban IQ

UDIA RESEARCH AND MARKET INSIGHTS

December 2022

URBAN IQ is a research report for the Victorian urban development industry.
www.udiavic.com.au

Thank you to UDIA platinum partner

RPM[®]

for providing the information contained within this report.

Disclaimer

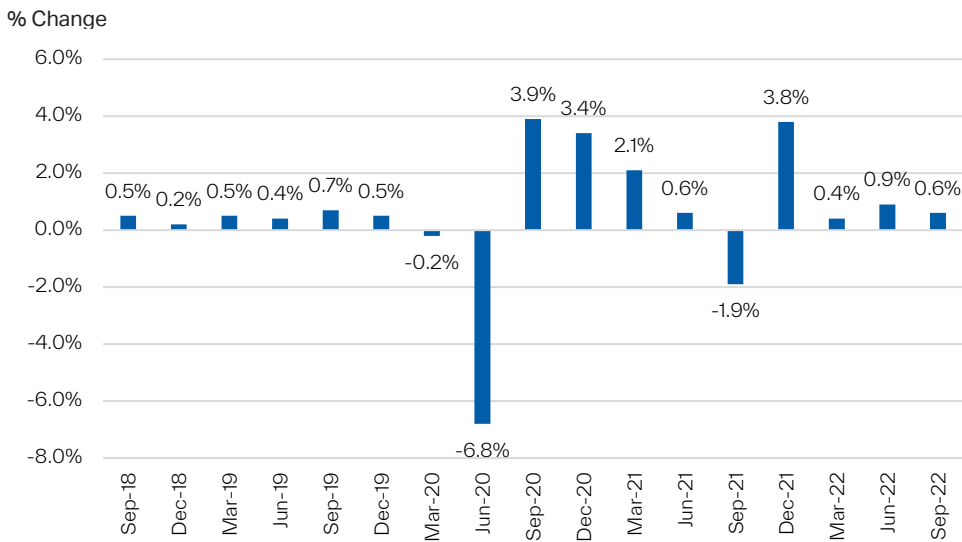
Although reasonable care has been taken in the preparation of this document, RPM Group take no responsibility for the accuracy of the information contained herein. It is recommended that all the information be verified if it is to be used for commercial purposes.

Contents

ECONOMIC OVERVIEW	04
POPULATION	09
LAND MARKET SNAPSHOT	10
MELBOURNE RESIDENTIAL MARKET	14
VIC BUILDING AND FINANCE ACTIVITY	15
AFFORDABILITY	17
OUTLOOK	18
ABOUT RPM GROUP	20
UDIA PRINCIPLES FOR THE WAY AHEAD	21

Economic Overview

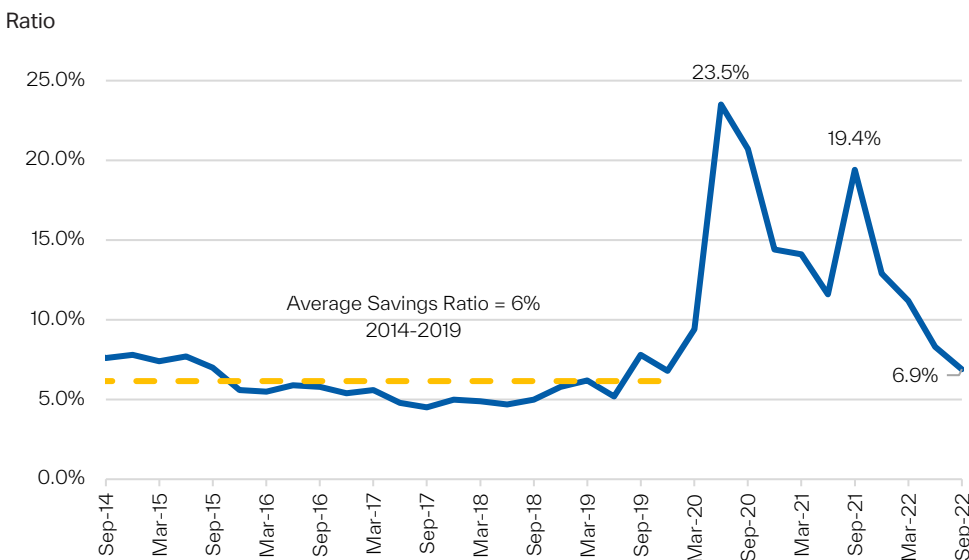
GROSS DOMESTIC PRODUCT



Source: Australian Bureau of Statistics

Australia's quarterly GDP continued to grow achieving 0.60% over Q3 2022. However, this was more modest than the previous quarter (0.80%).

HOUSEHOLD SAVINGS RATIO

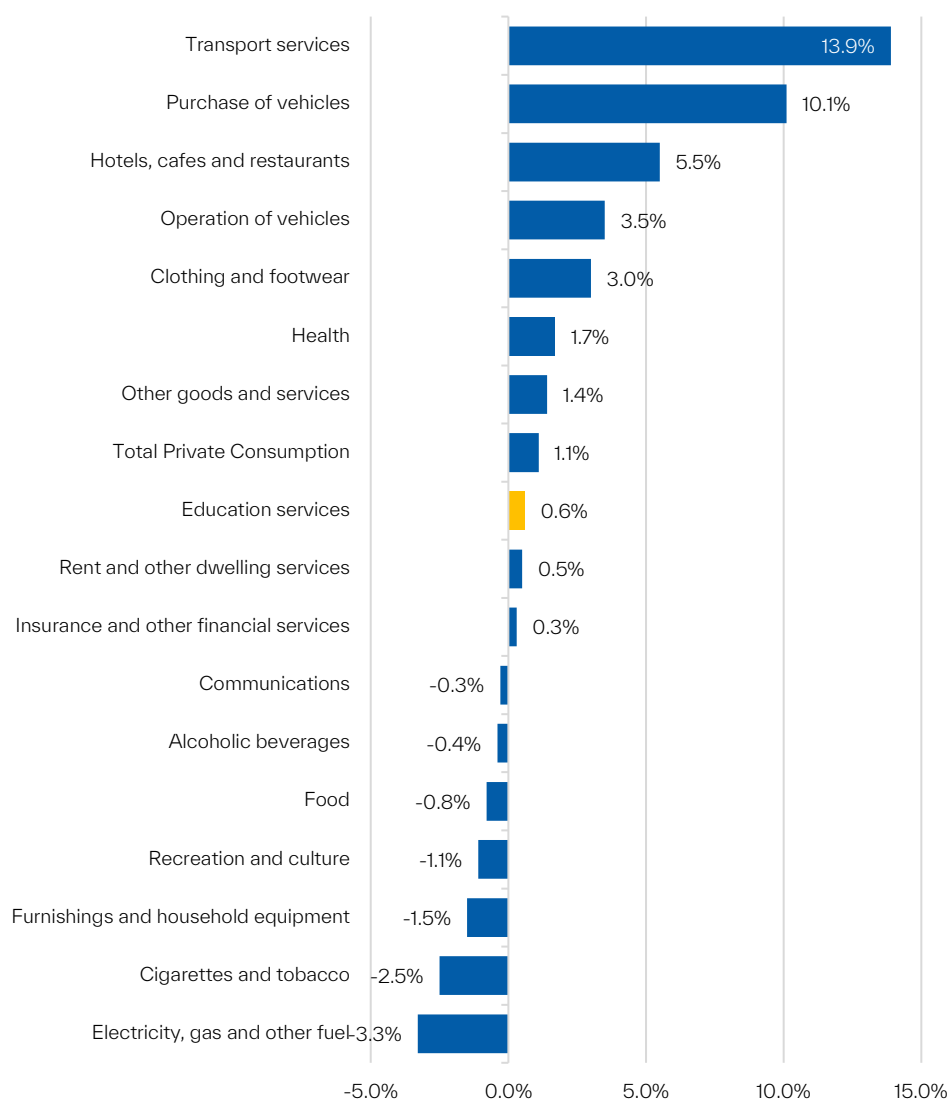


Source: Australia Bureau of Statistics

Consumer spending has been defiantly strong with many maintaining consumption patterns by drawing down on savings accumulated through the last two years.

HOUSEHOLD CONSUMPTION

Quarterly Change in Household Consumption Expenditure



Increased spending on services has been driven by dining out and travel. While there has been a strong uplift, the total value of consumption remains below that recorded pre-pandemic.

Source: Australia Bureau of Statistics

INTEREST RATES



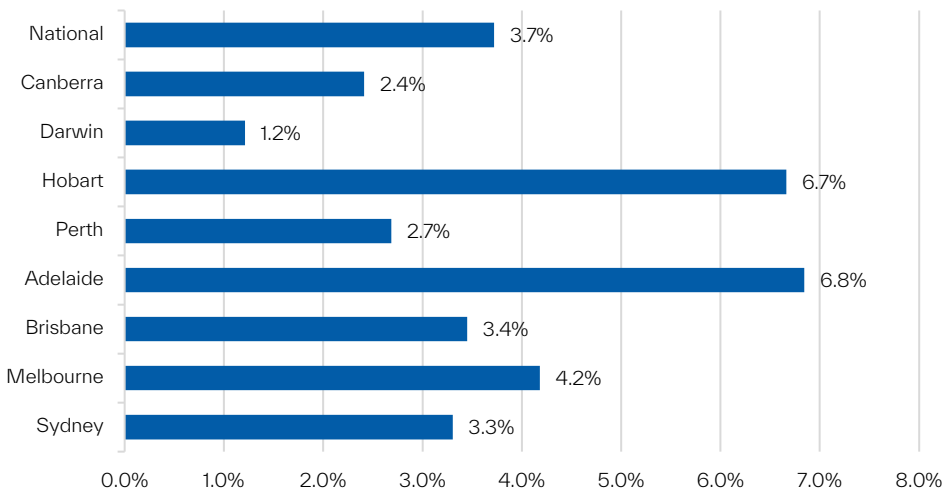
The cash rate is now the highest in a decade following the RBA's 25 basis point increase in December to 3.1%.

The RBA is anticipating inflation to peak at 8.0% in the 12 months to December then soften through 2023 before hovering just above 3% in 2024.

Source: Reserve Bank of Australia

CPI AND THE NEW DWELLING INDEX

Quarterly & Change in New Dwelling Purchase Index



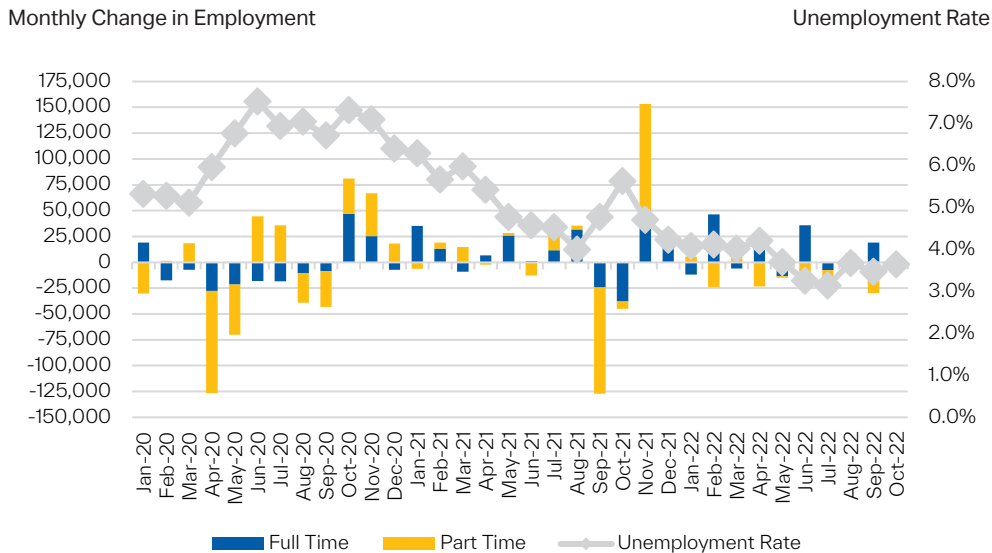
7.3%
Australian CPI Q3 Y.O.Y

3.7%
CPI Index for New Dwellings
Q3 2022

1.3%
CPI Index for Rents
Q3 2022

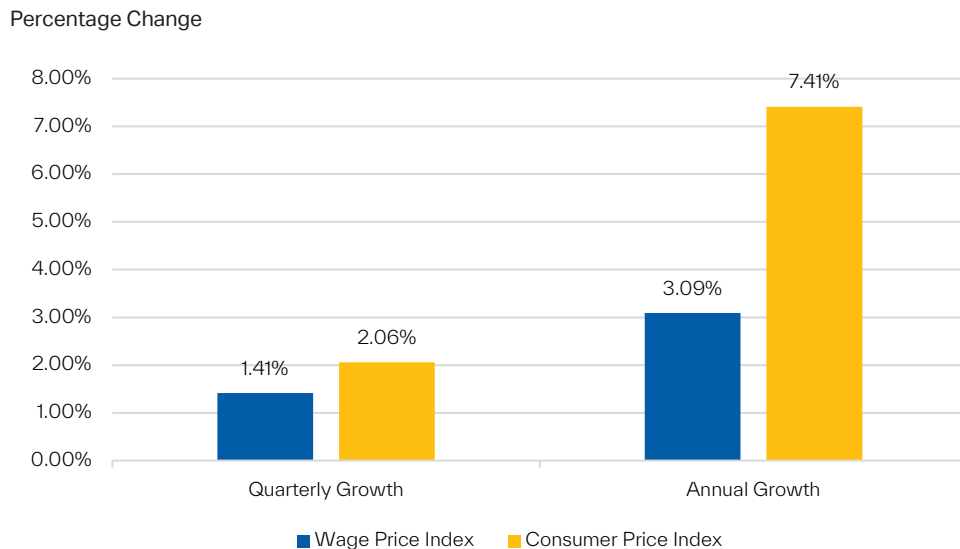
Source: Australian Bureau of Statistics

LABOUR MARKETS



Full time employment in Victoria grew by 10,900 jobs in Q3 representing 10% of total full time jobs created nationally. Conversely, part-time jobs fell by 18,200 suggested there is movement from part-time to full-time work.

Wages vs. CPI

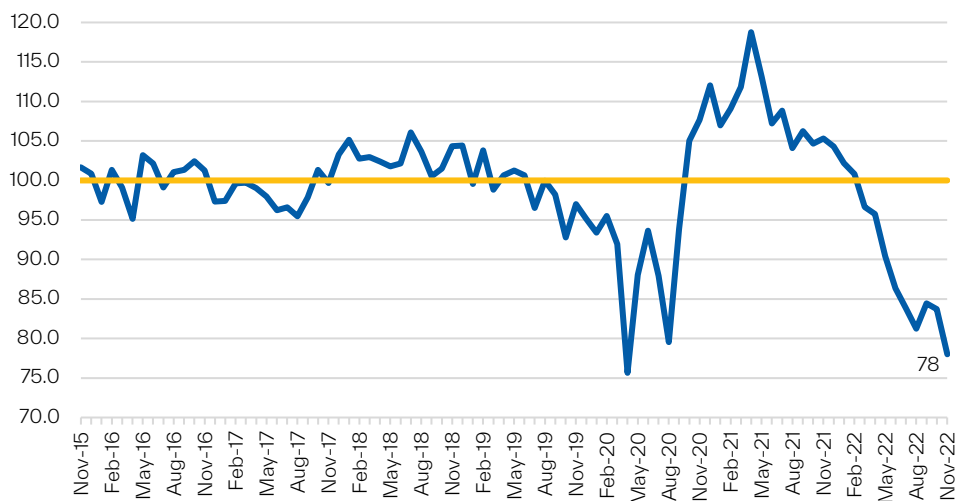


Victoria's wage price index rose by 1.4% over the quarter, and 3.09% annually, both of which are below their respective CPI figures.

Source: Australian Bureau of Statistics

MARKET SENTIMENT

Consumer Sentiment - Index = 100

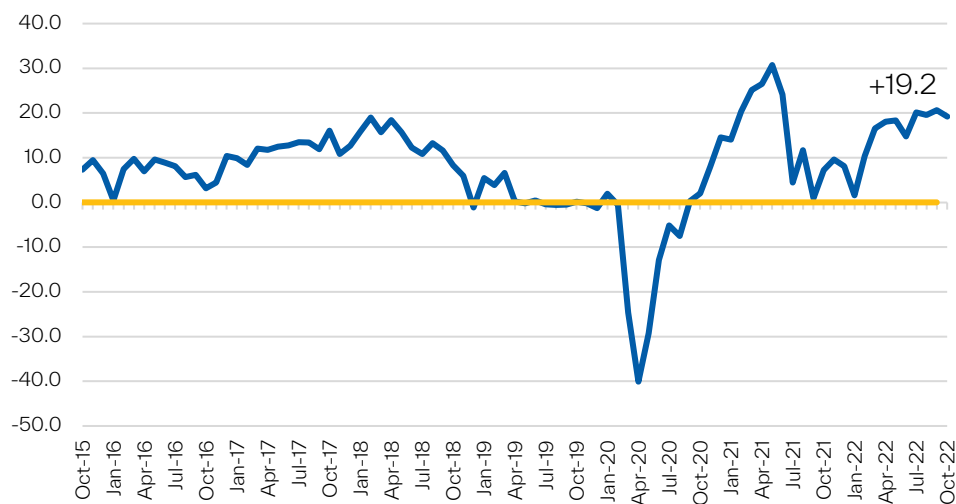


Consumer sentiment continues its fall, declining 6.9% in November to a reading of 78.0.

The impact and expectations of elevated inflation and interest rates on household budgets are key drivers.

Source: Westpac-Melbourne Institute Consumer Sentiment Index

NAB Business Conditions Index



Business conditions have eased slightly, but remain relatively high at 19.2.

Source: National Australia Bank Business Survey

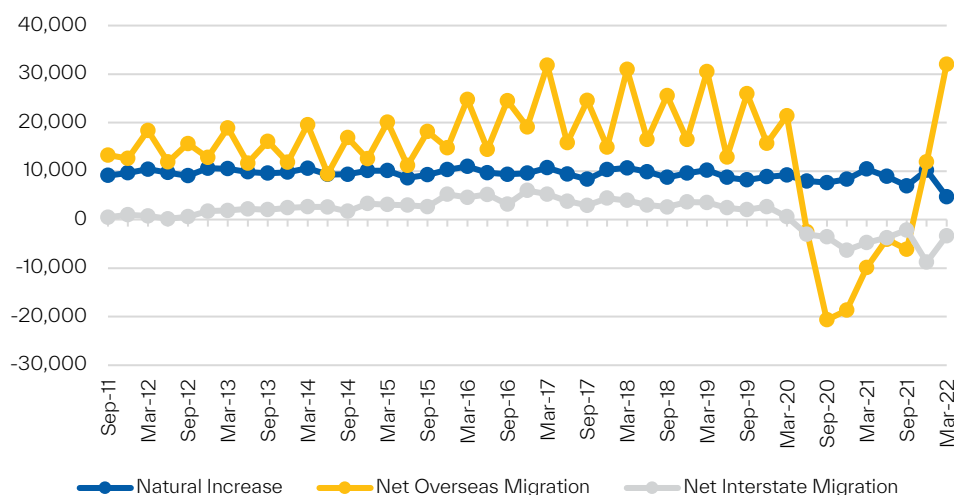
Victorian Population

Victoria's population increased 33,373 in Q1 2022 (latest available data), driven by a strong return in net overseas migration (+32,014). This recovery has exceeded expectations with the Centre for Population lifting forecast estimates between March and October this year.

+33,373

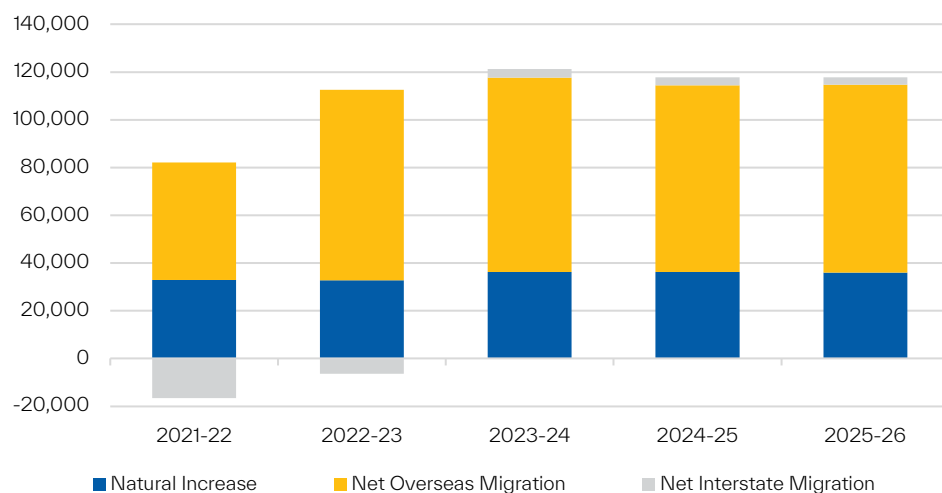
Victorian Population Growth
Q1 2022

Population Components



Source: Australian Bureau of Statistics

Population Projections



Source: Australian Government Centre for Population

Land Market Snapshot

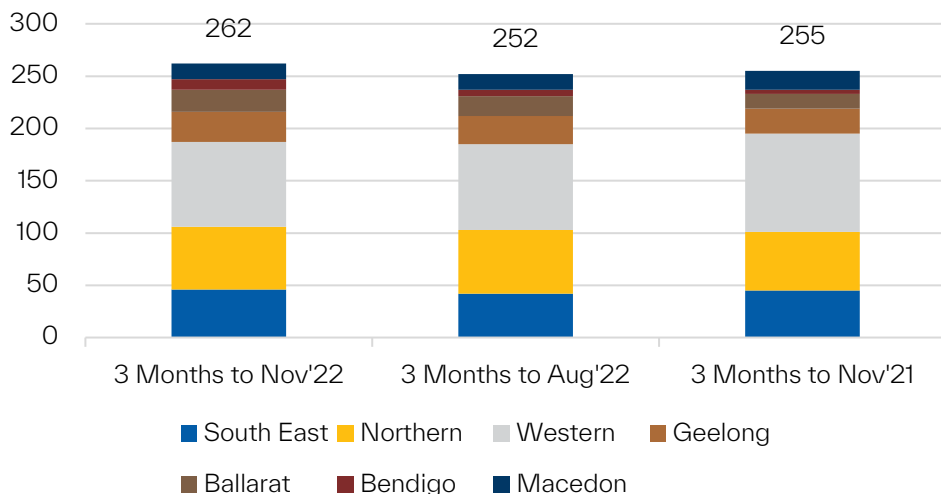


Growth areas included in land market analysis are:

- South East (LGAs of Casey and Cardinia)
- Northern (LGAs of Hume and Whittlesea, and Beveridge-Wallan area)
- Western (LGAs of Melton and Wyndham, and Bacchus Marsh area)
- Geelong LGA
- Ballarat LGA
- Bendigo LGA
- Macedon (LGA of Macedon Ranges and Mitchell (part))

ACTIVE ESTATES

Count

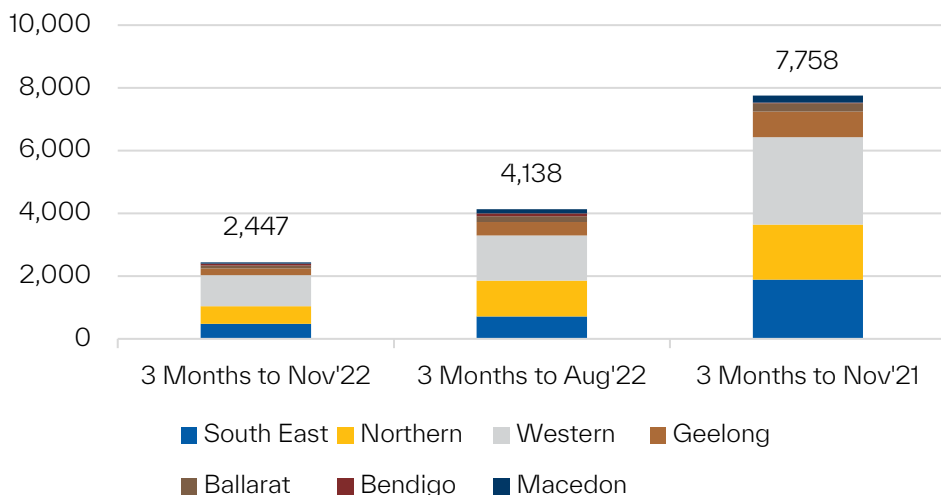


Compared to the same time last year, Bendigo saw the most significant change, added 6 new estates to sit at 10 active estates in the 3 months to November 2022.

Source: RPM Research, Data & Insights

LOT SUPPLY

New Lot Releases

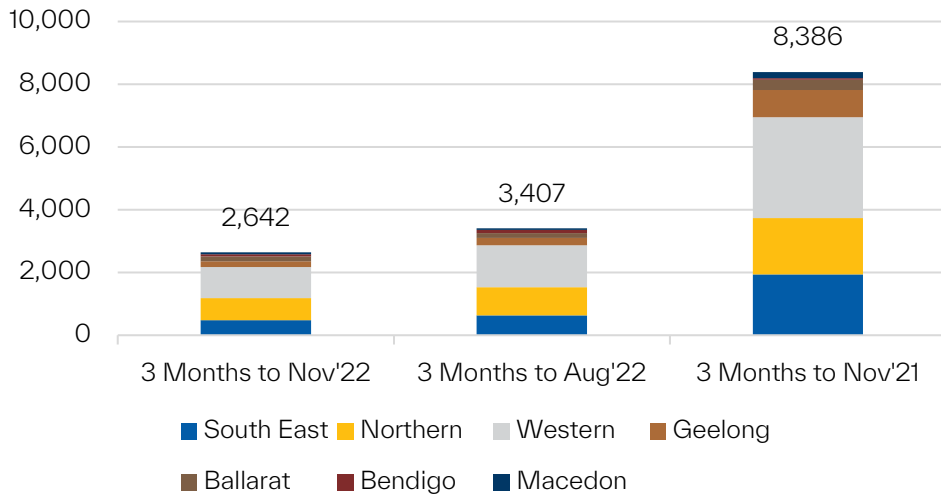


Despite total active estates increasing, new lot supply during the three months to November 2022 continued to diminish. This is attributable to lower overall levels of stock absorption (2,642 lots last 3 months).

Source: RPM Research, Data & Insights

LOT SALES

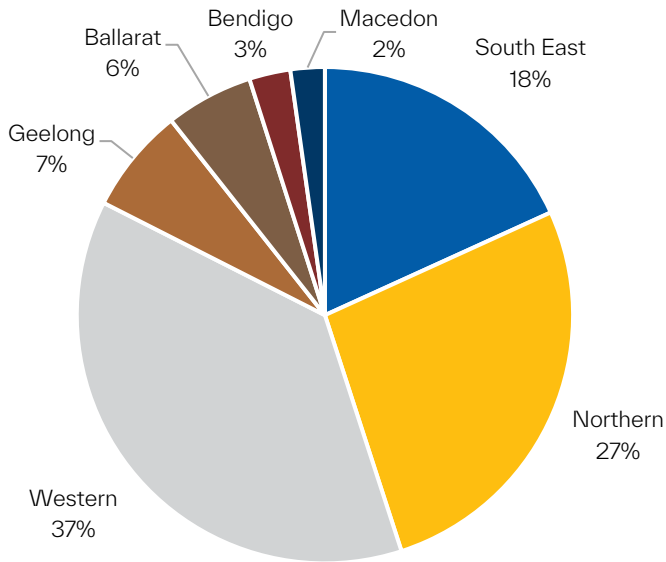
Gross Lot Sales



Persisting inflation, and rising interest rates are continuing to affect the market, with the 2,642 gross lot sales in the 3 months to November 2022 reducing again from the previous 3 month period.

Source: RPM Research, Data & Insights

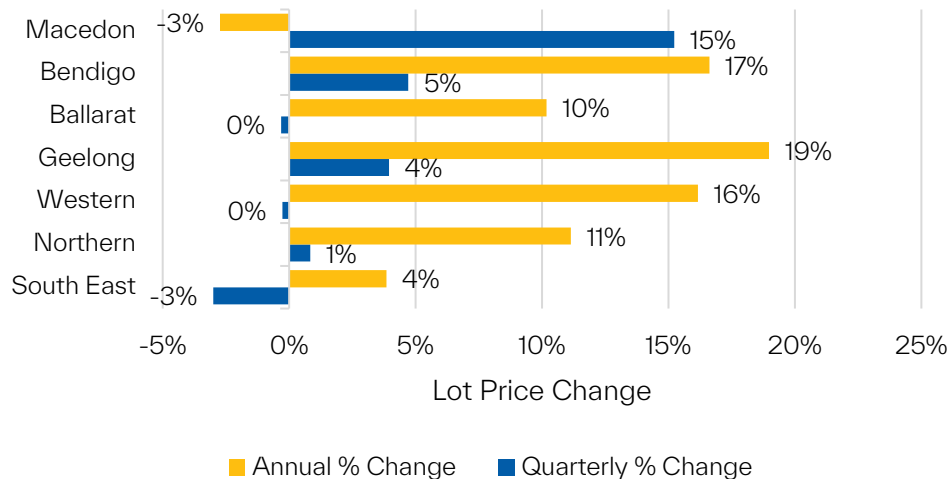
SHARE OF SALES BY CORRIDOR



Source: RPM Research, Data & Insights

LOT PRICE CHANGE

Percentage Change

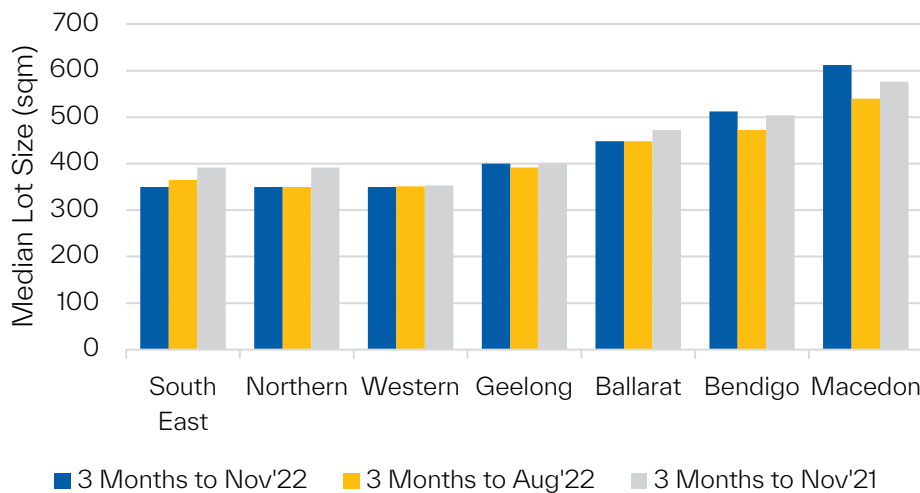


Annual lot price growth rates remain significant, although most recent prices are showing signs of stabilising.

Source: RPM Research, Data & Insights

LOT SIZES

Median Lot Size (sqm)



Greater Melbourne continues to favour increasingly smaller lots as cost of living pressures mount. It's median lot size now sits at 350sqm.

Source: RPM Research, Data & Insights

Melbourne Residential Market



\$993,000

Median House Price

-7.4% change from Q2 2022

-8.1% from Q3 2021



\$648,000

Median Unit Price

-7.4% change from Q2 2022

-4.1% from Q3 2021



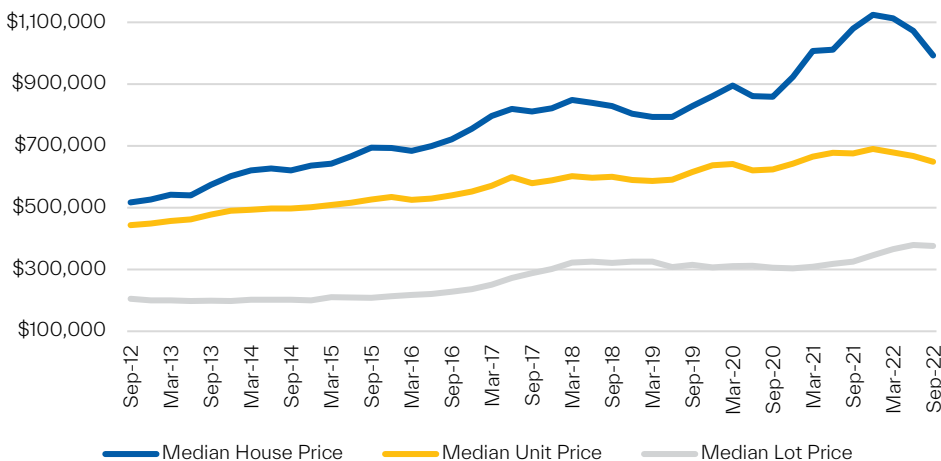
\$376,000

Lot Price

-0.8% change from Q2 2022

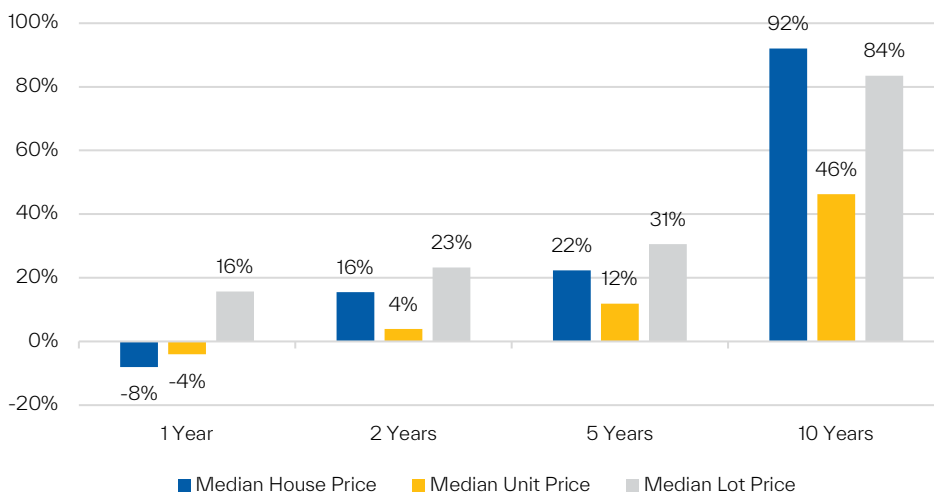
+15.7% from Q3 2021

Median Price



The impacts of ongoing interest rate rises and subsequent impacts to borrowing capacity continue to create headwinds for the Melbourne residential market.

Price Change



Source: Real Estate Institute of Victoria & RPM Group

Building Activity

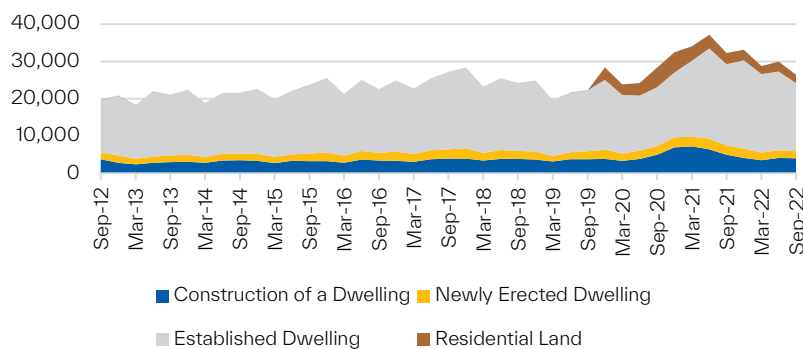
VICTORIA BUILDING AND FINANCE ACTIVITY



26,491

Total Owner Occupier Loan Approvals
-11.6% vs. last quarter

New Loan Applications



Source: Australian Bureau of Statistics



\$496,795

Average FHB loan size (-1.2%)

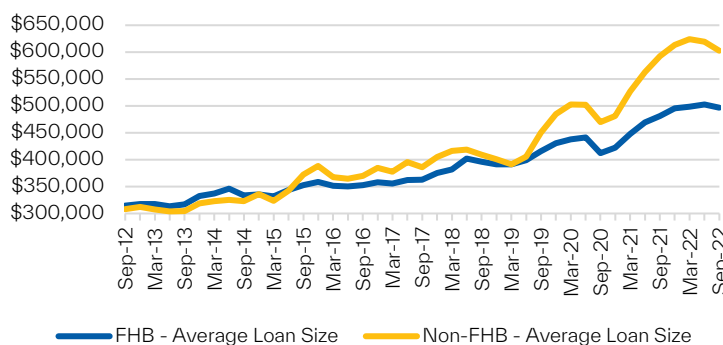
Reflecting the impact of interest rates and cost of living impacts.

The total value of new owner occupier loans (excluding refinancing) decreased by 13.5% in Q3 and 14.5% year on year.

Detached Home Approvals

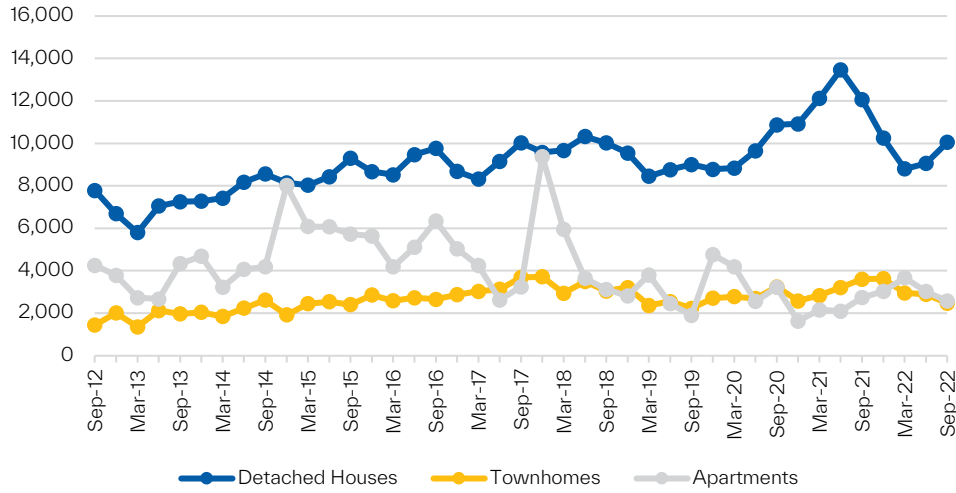
10,049 approvals recorded over Q3, compared with decreases for both townhomes and apartments.

Average Loan Value



APPROVALS AND COMMENCEMENTS

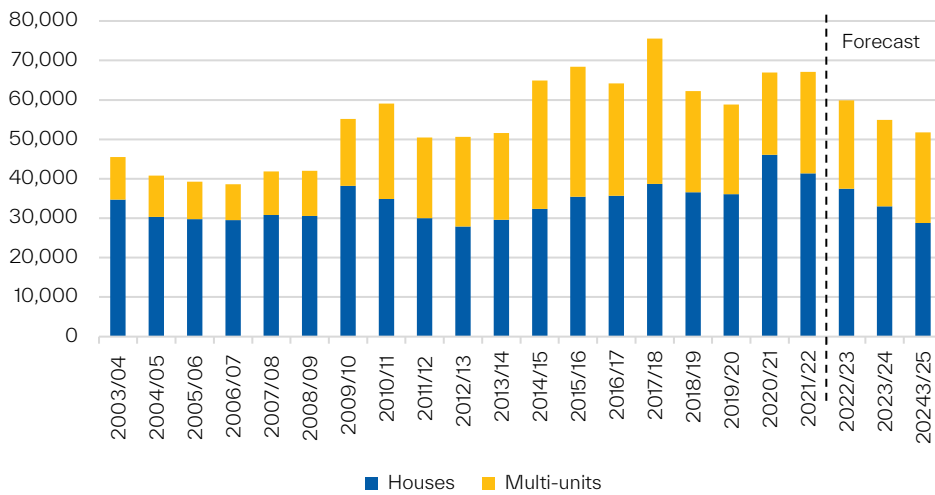
Approvals



Victorian dwelling approvals saw a 0.9% increase over Q3, driven by elevated approvals across detached dwellings (+11%).

Source: Australian Bureau of Statistics

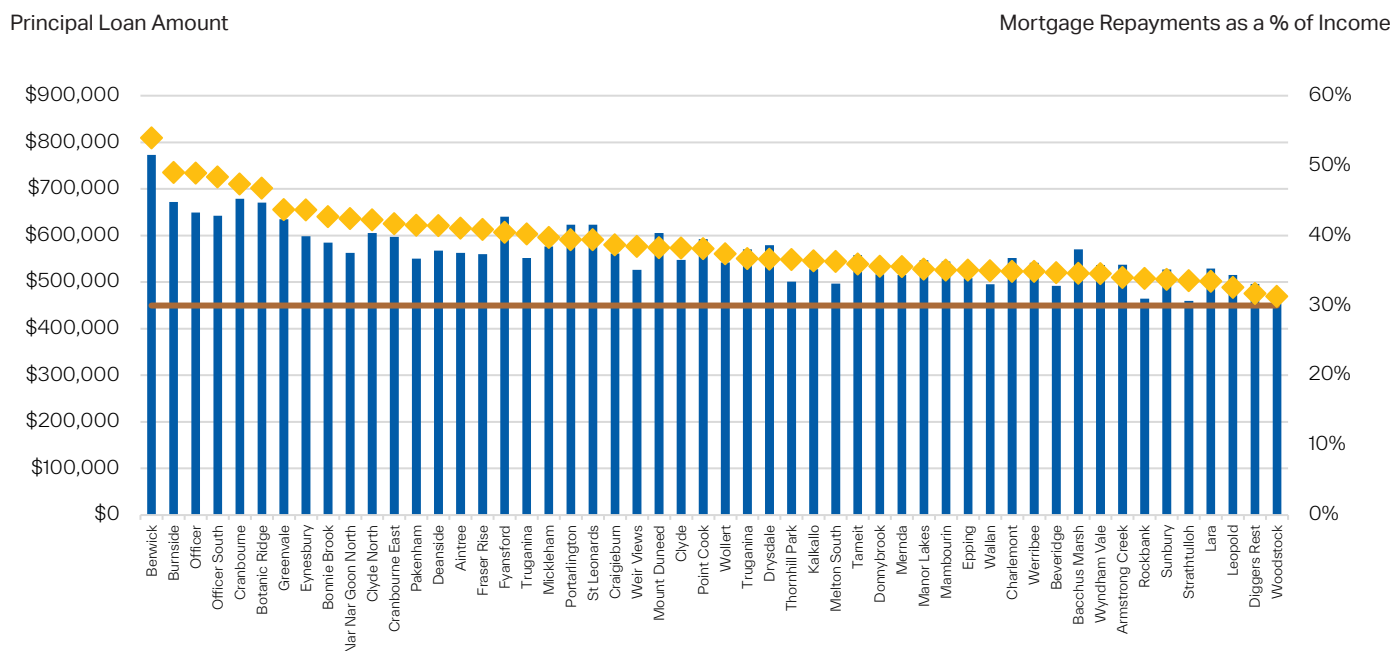
Commencements



House commencements have moderated from the HomeBuilder peak, but remain historically high.

Source: Housing Industry Association

Growth Area Affordability



Source: RBA, ATO & RPM Group

Historically, the common benchmark for identifying housing stress in Australia has been identified as those that allocate at least 30% of disposable household income to finance their mortgage. This ratio has been in place for decades but recently, there is a growing view that the ratio should be closer to 35% to 40% to reflect today's market.

More and more suburbs are now under mortgage stress. Only eight suburbs across the growth areas had a household income ratio below 35% - a drop for 16 suburbs in Q2 and 37 suburbs in Q1.

This chart depicts the median lot price in Q3 2022 by suburb, along with a median anticipated construction cost and net income by corridor. The median construction costs and incomes are taken from RPM's Internal Buyer Surveys. The construction cost ranges from \$271,429 in Mitchell and \$362,500 in Moorabool while income levels reflect net levels to provide a more accurate level of disposable income. In addition, the chart also assumes a 20% deposit has been paid and mortgage repayments are based on a 30 year loan at the discounted standard variable rate in of 4.4%.

Outlook

Tailwinds



RE-OPENING OF STATE AND INTERNATIONAL BORDERS

Net overseas migration is a key driver of economic growth. Its return will boost economic activity and alleviate staff shortages across industries.



TIGHT LABOUR MARKET TO UNDERPIN WAGE GROWTH

Low unemployment (currently 3.5% nationally at Sep-22), is expected to persist, and will offset to some degree, any further inflation and interest rate rises.



CONSIDERABLE PIPELINE OF RESIDENTIAL CONSTRUCTION PROJECTS

The success of HomeBuilder and the record breaking year that was 2021 will continue to feed public and private dwelling investment.

Headwinds



COST OF LIVING PRESSURES

Inflation to remain above RBA target band of 2-3% placing continued pressure on household budgets.



ONGOING CONFLICT IN EASTERN EUROPE

May exacerbate supply chain issues, resulting in further inflationary pressures, particularly on oil.



FURTHER INTEREST RATE RISES FORECAST THROUGH TO MAY NEXT YEAR

Continued reduction in buyer capacity and household expenditure.





RPM Group is a true industry leader, pioneering new benchmarks in market intelligence, know-how and innovation. With a proven track record since 1994, our unsurpassed market knowledge and data-driven insights have ensured our partners achieve excellent outcomes, and our clients, exceptional returns.

A full-service property business, we pride ourselves on customer service through every step of the process, from site diligence, acquisition and master-planning, through to launch, marketing and sales strategies. Our continued expansion and re-investment into our research services mean we offer unsurpassed market intelligence and data-driven insights to our clients, to help drive the continued growth of their projects and asset portfolio.

AT A GLANCE

- Victoria's leading residential development sales and marketing agency
- Full-service sales and marketing, research and advisory capability
- Unsurpassed track record of delivering outstanding returns for clients
- Unparalleled breadth and depth of research to optimise client decision making
- \$3 billion englobo land transactions
- 3,000 property sales in the last 12 months
- 40+ active projects
- 40,000+ total yield of current projects

UDIA

These values will guide UDIA as we continue on our journey of growth and as we further solidify our long term, sustainable position as the urban development industry's association of choice.



TRUST

Trusted by governments, regulators, industry, media and the public.



COLLABORATION

Engage in genuine collaboration to yield positive community outcomes.



RESPECT

Ethical conduct, and respect for people and the environment.



RECOGNITION

Celebrate the good, hard work of Victoria's urban development industry.



IMPACT

Work that makes a meaningful impact.



INNOVATION

Embrace innovation while maintaining respect for our history.

The Victorian division of the Urban Development Institute of Australia (UDIA Victoria) is a non-profit, peak industry body. We are supported by a membership of land use and residential property development organisations, across the private sector and Victoria's public service.

Since 1975, UDIA Victoria has given industry a voice in the policy-making process. We tackle the issues having the biggest impact on Victoria's liveability – spanning topics such as the planning system, housing affordability, infrastructure, sustainability, employment and the economy.

Our suite of research and education initiatives ensures the urban development industry is best-placed to meet Victoria's housing, employment, and social needs.

Our events and annual awards program connect and celebrate the people who breathe life into Victoria's urban heartbeat.



RPM²

+61 3 9862 9555

Suite 1, Level 26

2 Southbank Boulevard

Southbank, VIC 3006

rpmgrp.com.au