UDIA State of The Land 2023

National Residential Greenfield and Apartment Market Study

Released March 2023

UDIA
Urban Development Institute of Australia
NATIONAL

The Paper Mill Precinct by Coronation Property (NSW)

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 dwellings).

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 for our major capital cities and recommendations for policy reform and development.

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Bayswater Estate by Bisinella Developments (VIC)
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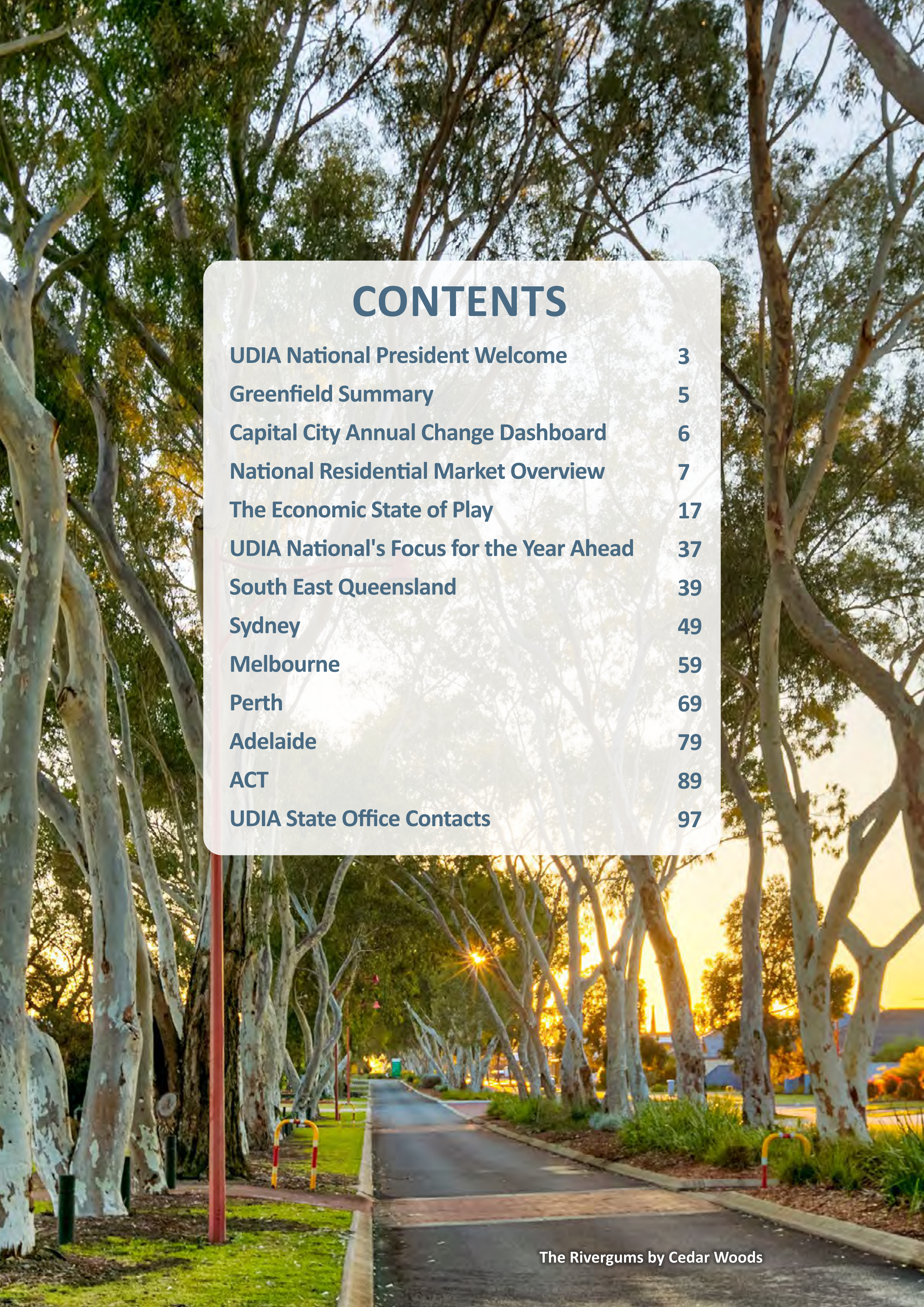


The Rivergums by Cedar Woods

WELCOME TO THE 2023 ANNUAL STATE OF THE LAND REPORT

Once again, the Urban Development Institute of Australia (UDIA) State of the Land 2023 report has delivered the industry's most comprehensive overview of new home markets across our major capital cities.

The 2023 State of the Land is a critical resource for industry to understand market dynamics, particularly in an increasingly challenging economic environment. Paradoxically, housing supply shortages are set to follow a period of record completions. These shortages are caused by unprecedented rises in material costs, labour shortages, leading to high inflation, cost of living pressures and interest rate rises.

The UDIA State of the Land report is intended to help industry confidently navigate these times and seize the opportunities which will follow.

A healthy development and construction industry is essential for both the economic and social success of the nation. Development remains a highly effective primer for economic productivity and activity. The State of the Land Report is therefore a trusted barometer for that productivity.

The 2023 report is particularly important, as it is the first edition which follows the decisions made during the uncertain Pandemic times. The then Federal Government harnessed industry capacity through HomeBuilder and housing stimulus to pull the economy through and underpin jobs. Now, the report presents an insight into the post-Pandemic period in a time of accelerating costs and international headwinds.

The conclusions are fascinating and present a roadmap of what needs to happen to deliver supply, improve affordability and allow the industry to drive productivity.

A key insight is that high interest rates have been the inflection point for the decline in established house values, with a 9.1% drop since the peak in April. It has precipitated one of the steepest declines on record – though at the time of the report, some signs of an uptick are beginning to show – yet housing affordability has continued to deteriorate.

Even with the post pandemic and geopolitical headwinds, the drop in home purchasing activity and prices have been muted by low levels of available housing supply, which is effectively putting a hand-brake on the decline. Combined with a return to normal levels of immigration, overall housing supply remains low, and rents have pushed to their highest level on record due to low vacancy rates.

This shows just how critically important housing supply is for the market. It is the reason Government needs to focus on boosting development-ready land supply if it is to have any hope of achieving its ambition to permanently ease housing affordability and improve the delivery of at-market, affordable and social housing alike.

Against this background, we have seen land sales recede sharply which will only make it harder to boost supply in the market.

National annual residential greenfield lot releases decreased by 40% in 2022, with a total of 45,360 lots released across the capital city markets, yet prices continued to rise in line with the prediction made in last year's UDIA State of the Land report.

We also saw greenfield sales drop by 49%, as the effects of higher interest rates, rising costs of living, and general economic uncertainty were being felt by the community.

The UDIA State of the Land report is a bellwether warning for Governments to act now to ensure housing supply is brought online, and affordability does not become even worse. We continue to see a national trend that highlights a steady decline in new housing supply since the peak in 2017.

Purchasing power and interest rates are pulling Australians out of the market at a time when costs continue to increase. Even with an easing in the established market, more pressure is being placed on households to cover their housing costs through their mortgages and in higher rents.

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

These initiatives are the responsibility of all levels of Government to ensure our industry can continue to deliver homes for all Australians.

We thank Research4 and CoreLogic who serve as our research partners. Their comprehensive evidence- led work is the hallmark of this report. We are very grateful for nbn's on-going support for UDIA and particularly as the 2023 State of the Land's Major Sponsor. I also deeply thank the UDIA team from across Australia who compile, draft and manage the State of the Land project. We look forward to continuing our work on the critical issues facing the Australian development industry.

Maxwell Shifman
UDIA National President

"The UDIA State of the Land report is a bellwether warning for Governments to act now to ensure housing supply is brought on line and affordability does not become even worse. We continue to see a national trend of steady decline of new housing supply since the peak in 2017."

Maxwell Shifman, UDIA National President

Activating reservoir reserves for healthy communities by SA Water (SA)

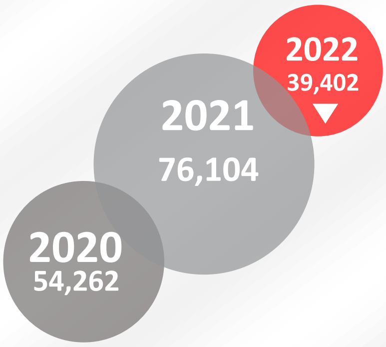
UDIA State of the Land 2023

Greenfield Summary

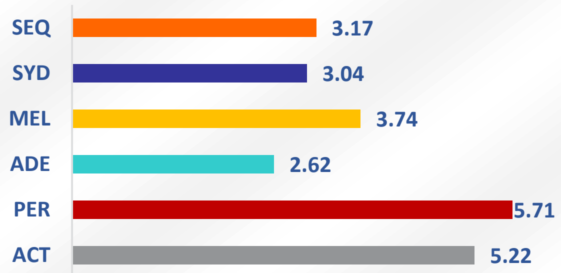
NEW RELEASES (2022)

		Annual Change
SEQ	9,726	▼ 42%
SYD	6,374	▼ 35%
MEL	17,309	▼ 46%
ADL	3,716	▼ 37%
PER	7,463	▼ 20%
ACT	769	▼ 59%

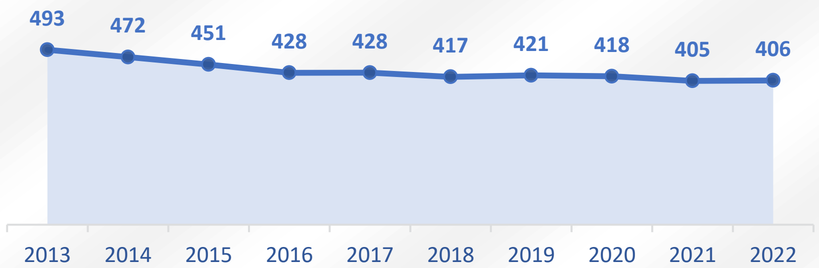
NATIONAL ANNUAL LOT SALES



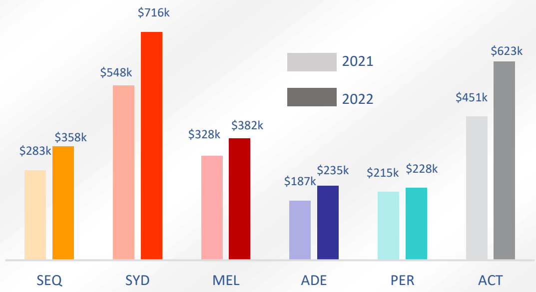
TRADING MONTHS OF STOCK (as at Q4 2022)



COMBINED CAPITAL CITIES ANNUAL MEDIAN LOT SIZE (sqm)



MEDIAN LOT PRICES (2021 v 2022)

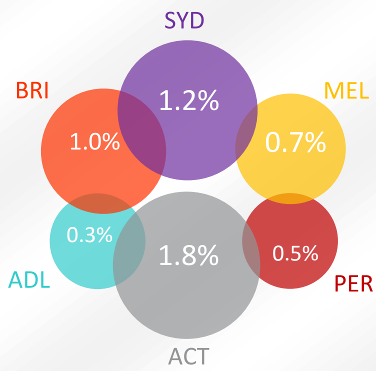


Multi-Unit Summary

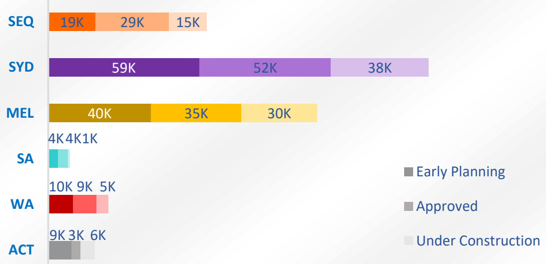
NEW UNIT COMPLETIONS (2022)

		Annual Change
SEQ	6,180	▼ 13%
SYD	15,966	▲ 3%
MEL	15,548	▼ 5%
ADL	1,876	▼ 14%
PER	2,033	▼ 20%
ACT	3,826	▲ 22%

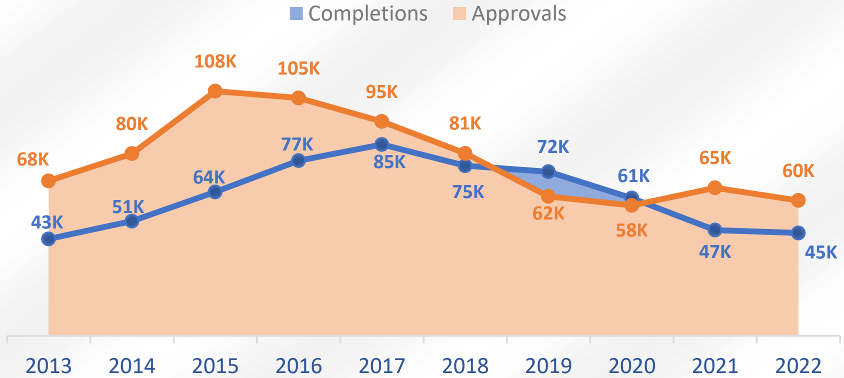
VACANCY RATES (as of Feb 2023)



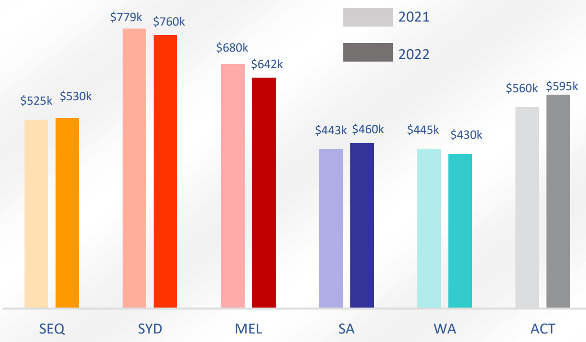
UNITS PIPELINE (as at Q4 2022)



ANNUAL NATIONAL NEW UNIT COMPLETIONS AND APPROVALS



MEDIAN SALE PRICE OF NEW UNITS (2021 v 2022)



UDIA State of the Land 2023

Capital City Market Performance Dashboard – Annual Change (2021 – 2022)

		SEQ	Greater Sydney	Greater Melbourne	Greater Adelaide	Greater Perth	ACT
	Total New Dwellings Completed	11% ↑	9% ↑	32% ↑	16% ↑	-5% ↑	17% ↑
Greenfield Market	Greenfield Lot Sales	-52% ↓	-44% ↓	-54% ↓	-39% ↓	-30% ↓	-70% ↓
Greenfield Market	Greenfield Lot Releases	-42% ↓	-35% ↓	-46% ↓	-37% ↓	-20% ↓	-59% ↓
Greenfield Market	Greenfield Median Lot Price	26% ↑	31% ↑	17% ↑	25% ↑	6% ↑	38% ↑
Greenfield Market	Greenfield Median Lot Size	421sqm ↑	378sqm ↑	352sqm ↓	442sqm ⇆	375sqm ⇆	472sqm ↓
Multi-Unit | Infill Market	Multi-Unit Sales Volume (New)	-35% ↓	-57% ↓	-32% ↓	-25% ↓	-22% ↓	-3% ↓
Multi-Unit | Infill Market	Multi-Unit Completions	-13% ↓	3% ↑	-5% ↓	-14% ↓	-20% ↓	22% ↑
Multi-Unit | Infill Market	Multi-Unit Median Sale Price (New)	1% ↑	-2% ↓	-5% ↓	4% ↑	-3% ↓	6% ↑
Multi-Unit | Infill Market	Under Construction	32% ↑	1% ↑	23% ↑	-54% ↓	14% ↑	-9% ↓

NATIONAL RESIDENTIAL MARKET OVERVIEW

NATIONAL GREENFIELD PERFORMANCE SNAPSHOT, 2022

- Across Australia, the greenfield development sector experienced an unprecedented 49% annual reduction in sales activity in 2022.
- All capital city greenfield markets experienced a cliff-fall in annual land sales in 2022, ranging from a 70% decline in the ACT, a 54% decline in Melbourne, down to a 30% decline in Perth.
- Responding to the greatly weakened demand profile, as well as due to the capacity challenges felt as we exited the pandemic period, a total of just 45,357 lots were released across 2022, representing a 40% decrease on 2021, a 16% drop on the 10-year average, and the lowest volume of land released to market since 2019.
- Despite the drop off in new land sales activity the national median lot price rose by 20% to reach $391,546, with all capitals except for Perth recording double digit median price growth.
- The spike in median lot pricing drove a 24% increase in the national greenfield land price ($ per square metre), which ranged from a 44% growth in the ACT's land price to a modest 6% growth in Perth.
- UDIA estimates that there were approximately 60,510 completions of detached houses in the nation's greenfield release areas in 2022, representing a 35% annual growth on 2021 completions.

NATIONAL MULTI-UNIT PERFORMANCE SNAPSHOT, 2022

- The national new-build multi-unit sector also experienced a significant decline in sales activity in 2022, with settled sales for new apartments and townhouses down 34% on 2021 and 54% below the decade average.
- The 2022 sales volumes across the combined capital cities totalled just 16,780 on a 12-month rolling basis to the end of 2022. This is the lowest volume of multi-unit sales recorded in over twelve years, underscoring the ongoing depressed state of the national apartment market.
- Median pricing for new apartments flat-lined across the combined capital cities to deliver a median sale price of $569,500 at the end of December 2022, which reflected a decline of 0.4% on 2021.
- There was a total of 45,430 multi-unit completions across the capital cities which was 25% below the decade average with forward modelling anticipating further unit completion reductions over the coming three years.
- Underpinning the weak multi-unit sales performance has been the on-going retreat of investors and pressure on developers from unprecedented construction cost increases, financing challenges and productivity delays.


Golden Bay by PEET Ltd and DevelopmentWA (WA)

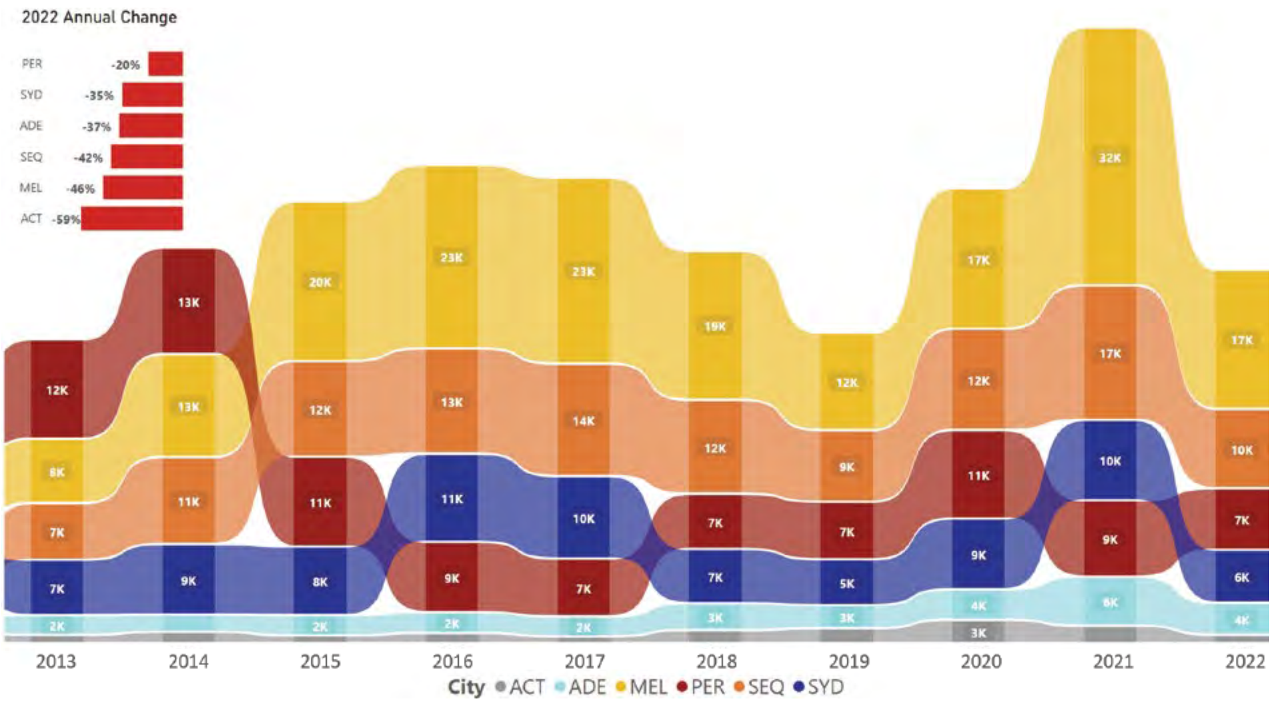
GREENFIELD MARKET ANALYSIS

DATA STATEMENT: UDIA's State of the Land reporting 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 principal greenfield data for reporting on market activity and for forecasting forward detached dwelling completions across the nation's greenfield release corridors.

Lot Releases

- **National** residential annual lot releases decreased by 40% in 2022, with a total of 45,360 lots released across the capital city markets, which was 12% lower than the decade average.
- Despite a 46% drop in releases in 2022 **Melbourne** retained its prominent role as the nation's largest greenfield market with a total release to market of 17,310 lots across the year which was 6% down on the decade average.
- **SEQ** recorded a 42% drop in lot releases in 2022 with a total of 9,730 releases, which still resulted in mega-city region retaining the mantle of the second largest greenfield market in the country. This volume of release activity was 16% below the decade average.
- Lot releases dropped by 35% in **Sydney** with 6,370 lots released to market across the year, which was 22% lower than the decade average and 41% lower than the peak achieved in 2016.
- Following the national trend, **Perth's** greenfield market release volumes decreased by 20% in 2022 to total 7,460 lots, which was 43% lower than the 2014 peak of release activity.
- While **Adelaide's** developers released 37% less lots in 2022, with a total of 3,720 lots released to the market, this was a volume 25% higher than the decade average.
- The **ACT** land market was especially weak in 2022 with a 59% reduction in lot release activity with just 769 lots released to market, which was 38% lower than decade average and 71% lower than the peak of 2020.

Annual lots Released



Source: UDIA; Research4

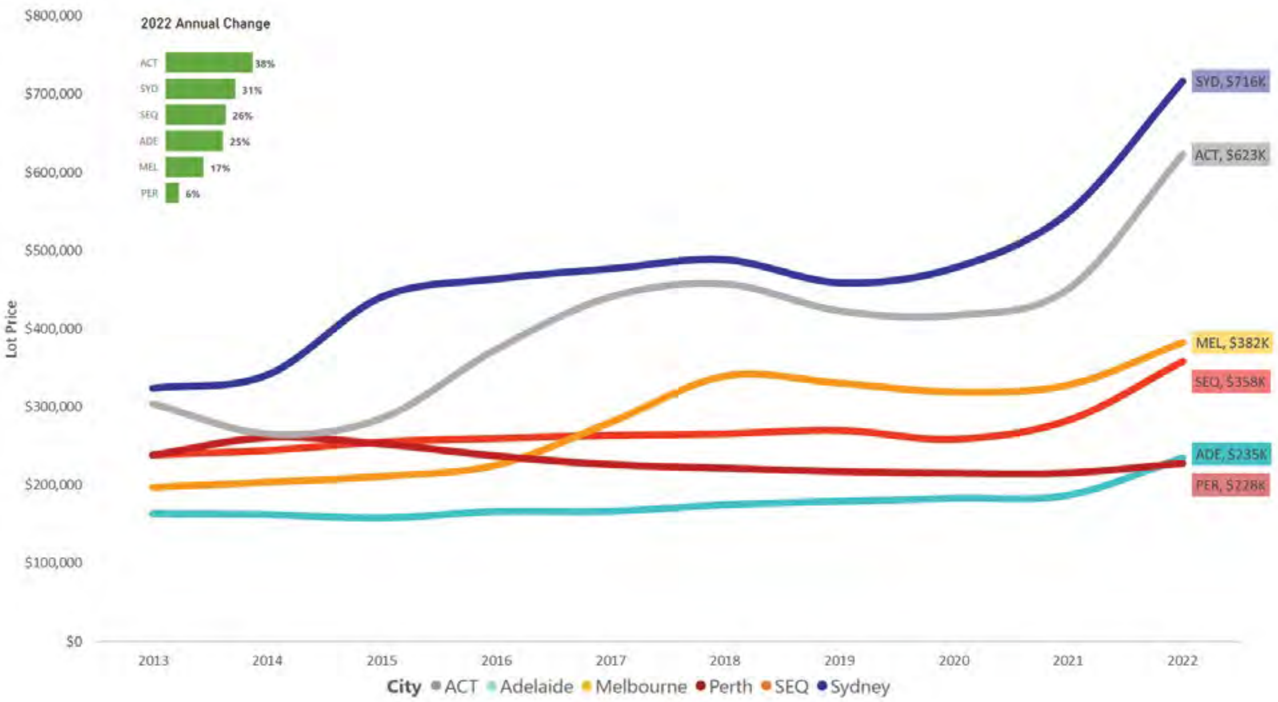
1 http://www.researchfour.com/#what-we-do

NATIONAL RESIDENTIAL MARKET OVERVIEW

Lot Prices ($)

- The most expensive greenfield market, **Sydney**, recorded an eye-watering 31% increase in median pricing in 2022, finishing with a year-end lot price of $716,381. This median lot pricing increase was largely driven by a spike in the June and September quarter pricing profile.
- The **ACT** recorded a record breaking 38% lift in the median lot price, to bring the Nation's Capital to $622,863 and further entrench Canberra as the second least affordable greenfield market in the country.
- The high-volume **Melbourne** market recorded a 17% annual increase in median lot pricing to finish the year at $382,125, 12% higher than the previous peak median land price in 2018.
- **SEQ** recorded a 26% annual price uplift to $357,717 which positions the important greenfield market as 50% cheaper than Sydney but is now only 6% cheaper than Melbourne. The hitherto affordability advantage SEQ held over Melbourne has continued to close since 2018 when there was 22% pricing differential between the two markets.
- **Adelaide** recorded the greatest single yearly price growth result in a decade with the median lot price escalating by 25% in 2022 to $234,500. This pricing jump moves Adelaide from being the most affordable capital city to the second most affordable.
- With **Perth's** median lot pricing only growing a moderate 6% in 2022 to $227,750 it has taken over the mantle of Australia's most affordable capital city greenfield market – the first time it has held this title in over a decade.

Median Lot Price

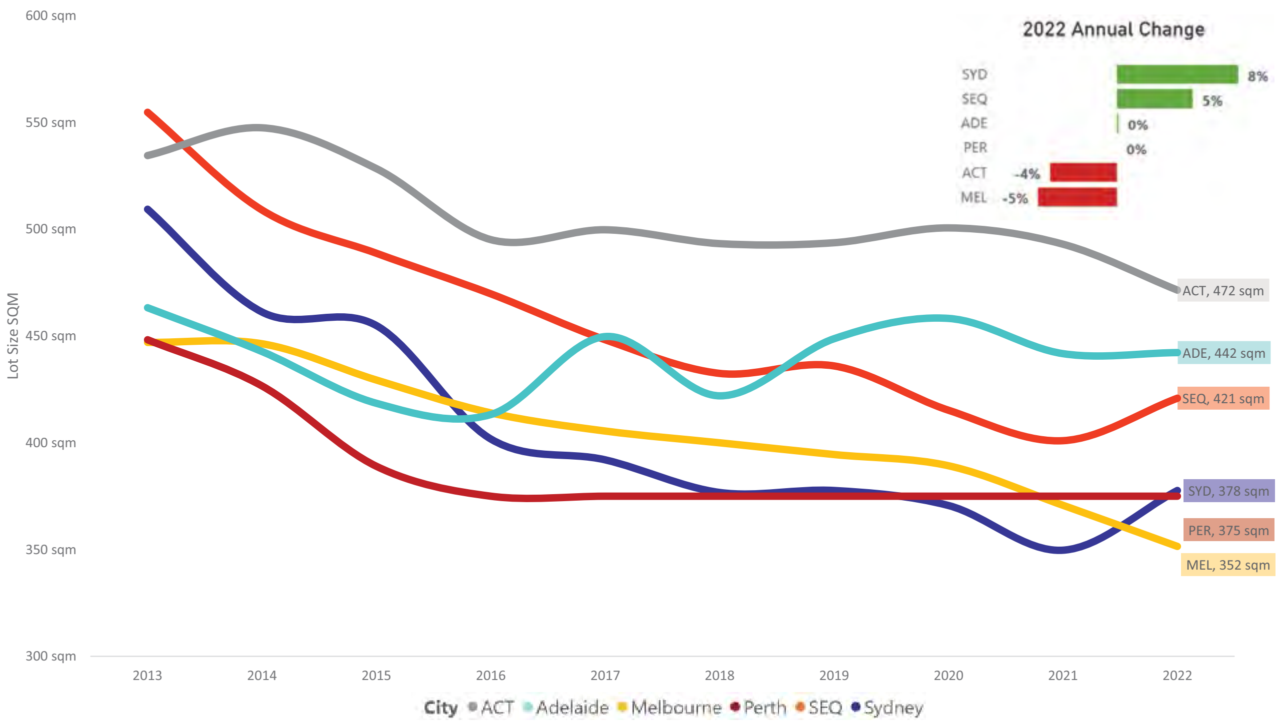


Source: UDIA; Research4

Lot Sizes (sqm)

- The national median lot size held steady in 2022 to remain at 406 sqm, which is the first time in five years there wasn't an annual reduction across the combined capital cities.
- It was however a mixed picture across the nation with **SEQ's** median lot size lifting 5% to 421 sqm and Sydney's lifting 8% to 378 sqm, while Melbourne's fell 5% to 352 sqm.
- In **Perth** the median lot size remained at 375 sqm for the seventh consecutive year, and with **Sydney's** rebound in median sizing, Perth once again holds the smallest median lot size in the country.
- The **ACT's** median lot size dropped 4% to 472 sqm, however this still positions the ACT to retain the largest median block sizes, while there was no change in Adelaide with the median lot size remaining at 442 sqm.

Median Lot Size



Source: UDIA; Research4

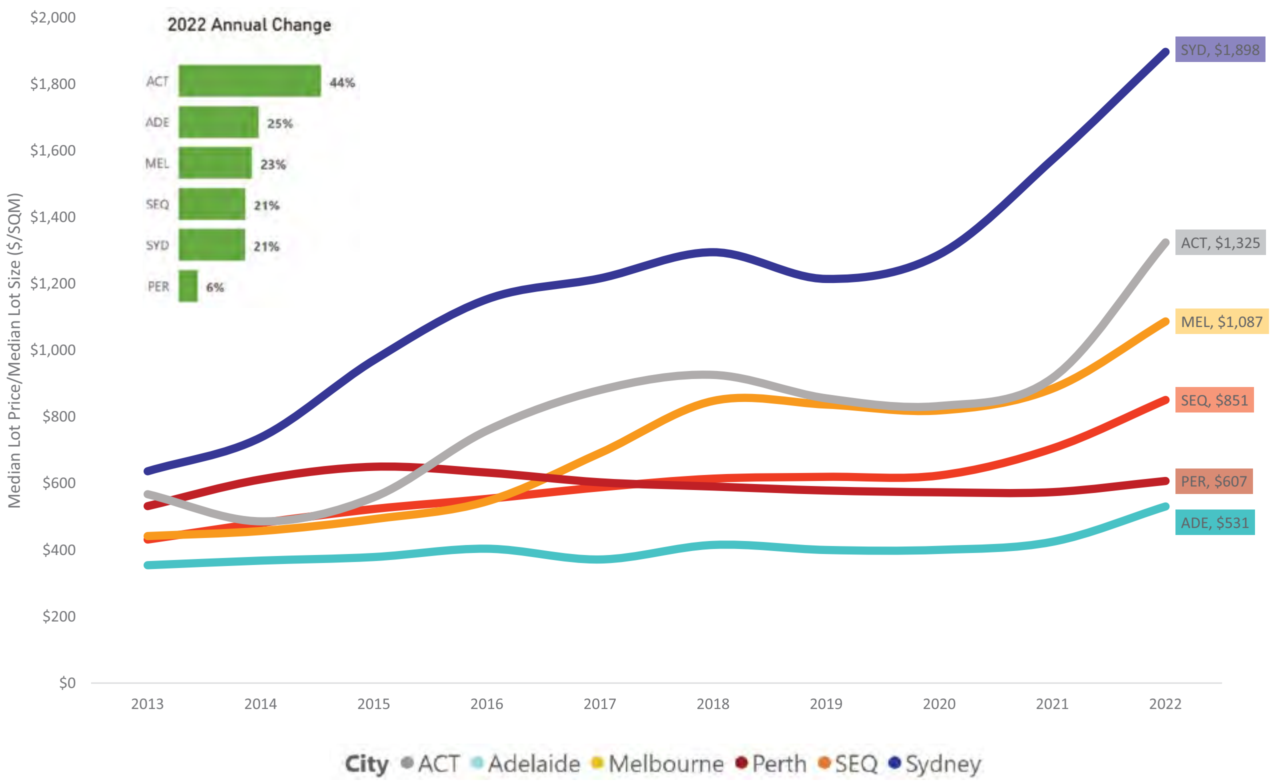
Catherine Park Estate by Harrington Estates (NSW)

NATIONAL RESIDENTIAL MARKET OVERVIEW

Land Price ($/sqm)

- The steep increases in lot prices has delivered a 24% growth in the **national** land price in 2022 with strong per square metre growth recorded across most markets.
- **ACT** recorded the most substantive annual growth with a 44% rise in land price to $1,325 per sqm.
- **Adelaide's** metropolitan land rate lifted by the greatest amount in a decade with a 25% uplift to $531 per sqm, still the lowest in the country.
- **Sydney's** land price lifted 21% to $1,898 per sqm, which reflects a 47% rise in two years.
- **Melbourne's** land price increased 23% in 2022 to $1,087 per sqm which reflects a 32% increase since 2020.
- **SEQ** recorded a 21% growth in land pricing to $851 per sqm; and
- **Perth's** land price increased by a comparatively very modest 6% to $607 per sqm.

Median Land Price



Source: UDIA; Research4

Rivermark by Hesperia (WA)

MULTI-UNIT MARKET ANALYSIS

Data Statement: CoreLogic is once again this year's State of the Land exclusive provider of apartment and multi-unit data and 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 is excluded from the analysis.

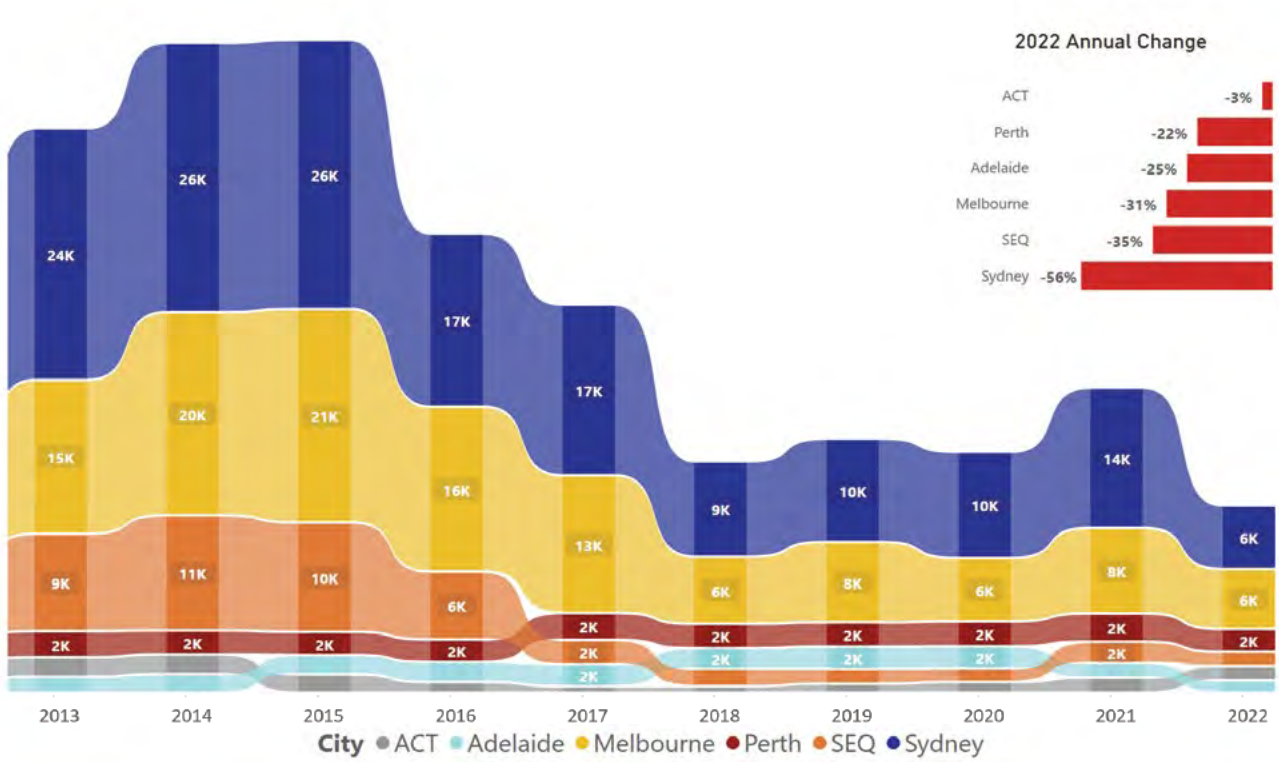
New Multi-Unit Unit Sales Activity

- Multi-unit sales volumes of new supply remained subdued across the capital cities in 2022 with all markets recording reduced sales transaction activity.
- **Sydney's** new unit sales transactions for 2022 were down 56% on the preceding year and 64% on the decade average, delivering a total of 5,994 sales. This metropolitan multi-unit sales volume is approximately one fifth of the sales achieved at the peak of activity in 2016.
- **Melbourne's** annual new multi-unit settled sales annual volumes decreased 31% across the year to 5,626 sales, which is 53% below the decade average yearly sales.
- **SEQ** also recorded a significantly lower year in new apartment transactions with just 1,186 settled sales, down 35% on 2021 volumes and down 78% from the decade average.
- **Perth's** multi-unit sector experienced a drop in sales in the September quarter reflecting broader housing market momentum, to record 1,928 sales for 2022, reflecting a 22% fall on 2021 volumes and 7% below the decade average.
- **Adelaide's** anaemic new multi-unit market recorded 906 sales across 2022, 43% lower than the decade average and down 25% on 2021 volumes.
- **ACT** multi-unit sales volumes remained steady with 1,138 settled sales for 2022 which is 8% higher than the decade average.

New Multi-Unit Pricing

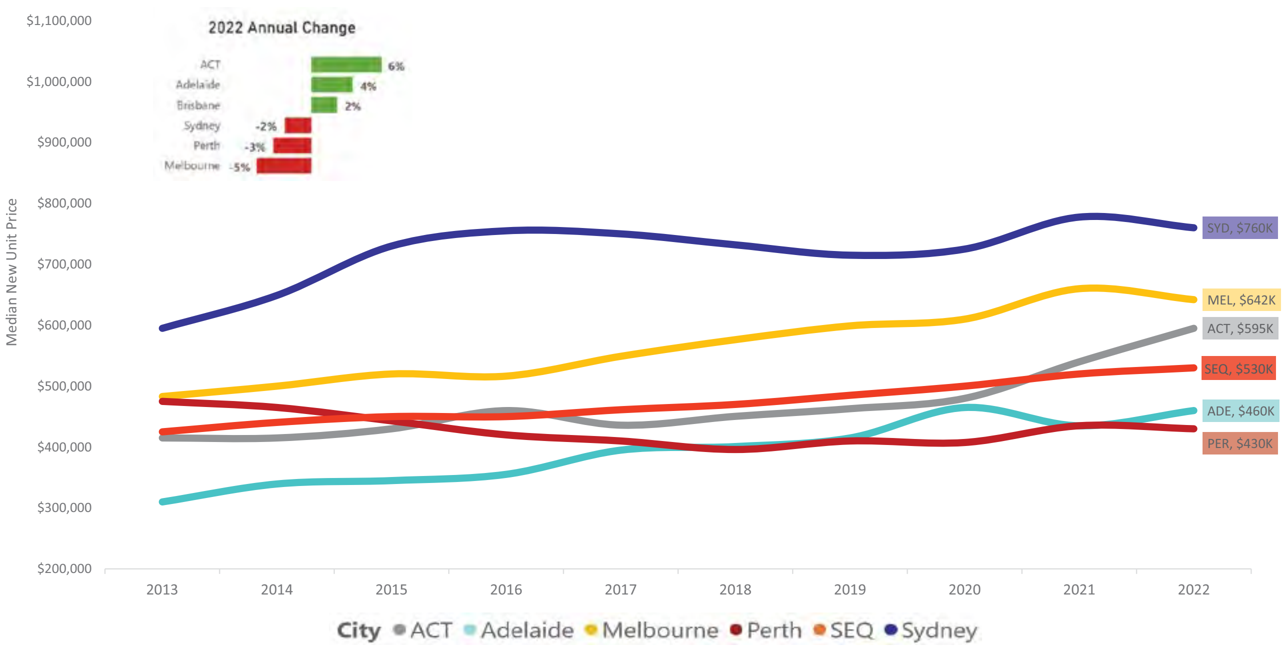
- Pricing of new multi-unit stock remained relatively flat across 2022, with the overall combined capital city price remaining at the same level as 2021 to close 2022 at $569,500.
- **Sydney** recorded an 2% annual decline of new unit pricing across 2022 to $760,000, however the Harbour City remains 33% more expensive than the combined capital city new unit average.
- **Melbourne** recorded a 5% annual price fall in 2022 to record a new unit median price of $642,000, which was 16% cheaper than Sydney and 13% above the combined capital city average.
- **SEQ's** new unit prices increased by 1% over the year, recording a median new unit sale price of $530,000.
- **ACT** unit pricing recorded the strongest growth across the capitals to increase by 6% a across the year at $595,000, which is now 4% higher than the combined capital city average median pricing.
- **Adelaide's** new unit pricing increased 4% in 2022 to $460,000.
- **Perth's** new units recorded a 3% pricing drop across 2022 to finish the year at $430,000, which still reflects an 10% reduction of median new unit stock pricing achieved in the peak of 2014 and is the lowest capital city sale price achieved this year.

Annual Median New Multi-Unit Sales Volumes



Source: UDIA; CoreLogic

Annual Median New Multi-Unit Sale Price



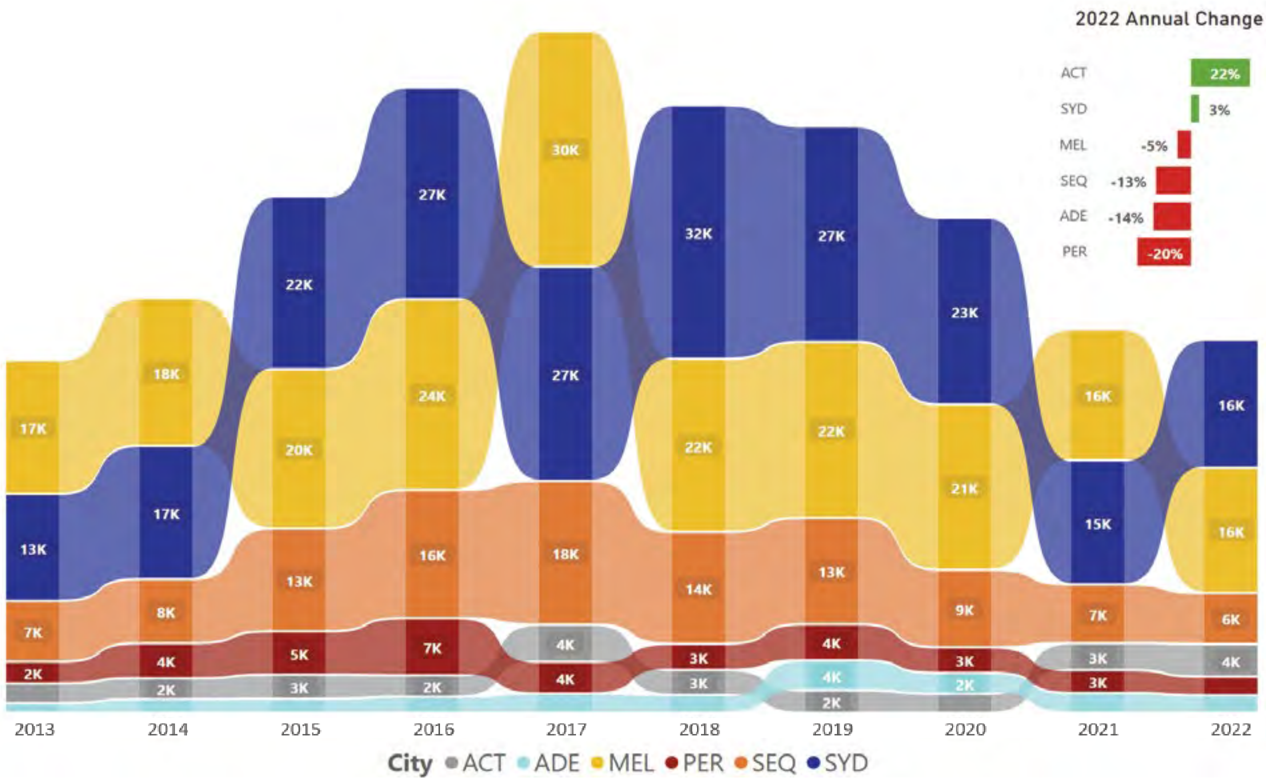
Source: UDIA; CoreLogic

NATIONAL RESIDENTIAL MARKET OVERVIEW

Construction Activity

- There was a 3% annual decrease in total multi-unit dwelling completions in 2022 across the combined capital cities, with a total completed supply yield of 45,429 units. This quantum of new build apartment and townhouse supply is down 45% on the peak supply achieved in 2017.
- **Sydney** recorded 35% of the capital city apartment completions in 2022, however annual volumes increased 3% to record a total of 15,966 units, which is 50% below the peak supply achieved in 2018.
- **Melbourne** remained the other focal point for new multi-units with 15,548 completed in 2022, reflecting 34% of new capital city supply. Annual completions dropped by 5% on 2022, and 47% from the peak achieved in 2017.
- **SEQ** registered 6,180 new unit completions in 2022, which was down 13% from 2021 and 65% below the peak of 2017.
- **Perth** registered its lowest level of multi-unit completions in a decade with volumes dropping by 20% across the year to total 2,033 units.
- **Adelaide's** multi-unit annual completions fell 14% in 2022 to 1,876, with the **ACT** producing an increased new supply quantum in 2022 of 3,826 up 22% on the preceding year.

Annual Median New Multi-Unit Completions



Source: UDIA; CoreLogic

MULTI-UNIT PIPELINE ANALYSIS

Data Statement: CoreLogic has produced point-in-time estimates of the multi-unit pipeline based on a December 2022 and December 2021 snapshot of the market leading Cordell Construction database.

Key Findings

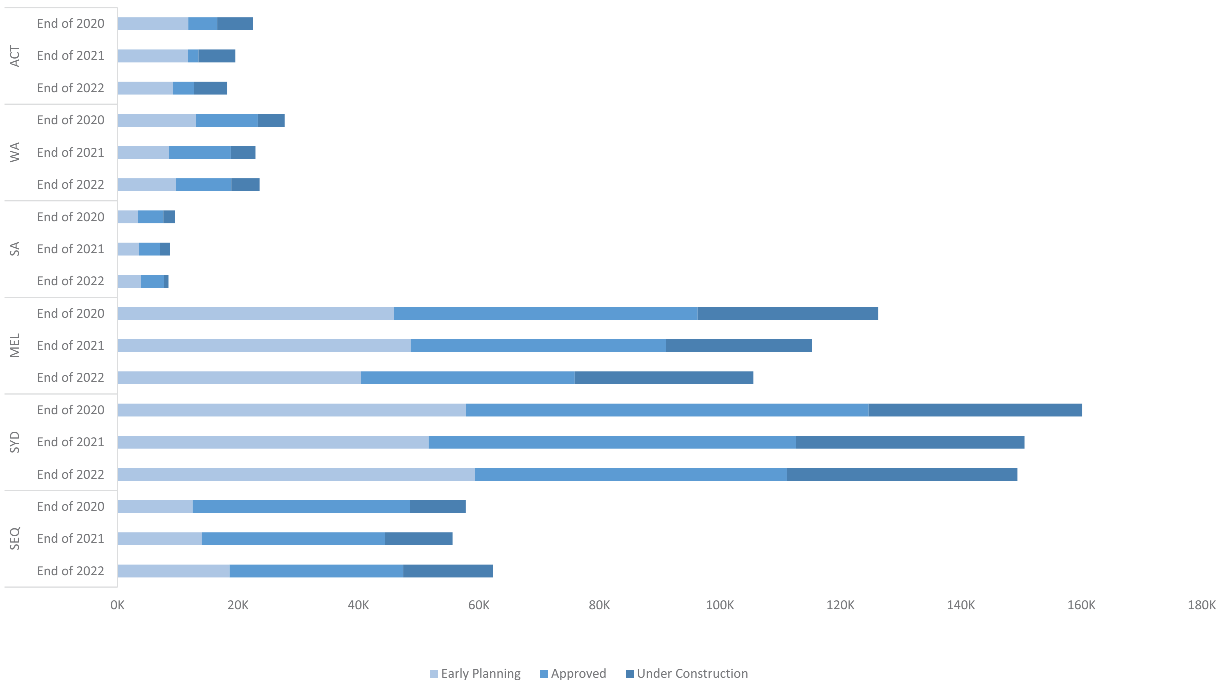
The forward pipeline for new multi-unit supply (comprising units in the ‘Under Construction’, ‘Approved’ and ‘Early Planning’ categories) across the combined capital cities reduced by 1% across the year, with pipeline contraction recorded in most cities.

Melbourne recorded the greatest capital city pipeline reduction with an 8% aggregate retraction, followed by **Sydney** and the **ACT** (-7%). Sydney and Melbourne are the nation's key apartment markets (holding 69% 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 **SEQ** pipeline increased by 12% across the year, led by a 33% increase of units in ‘Early Planning’ and an 32% increase of units under construction.

The **Perth** multi-unit sector stabilised to record a 3% increase in pipeline volume (led by increased supply in the early planning phase), while the Adelaide pipeline decreased by 3% over the year.

Capital City Multi-Unit Pipeline by Status



Source: UDIA; CoreLogic

Activating reservoir reserves for healthy communities by SA Water (SA)

THE ECONOMIC STATE OF PLAY 2023

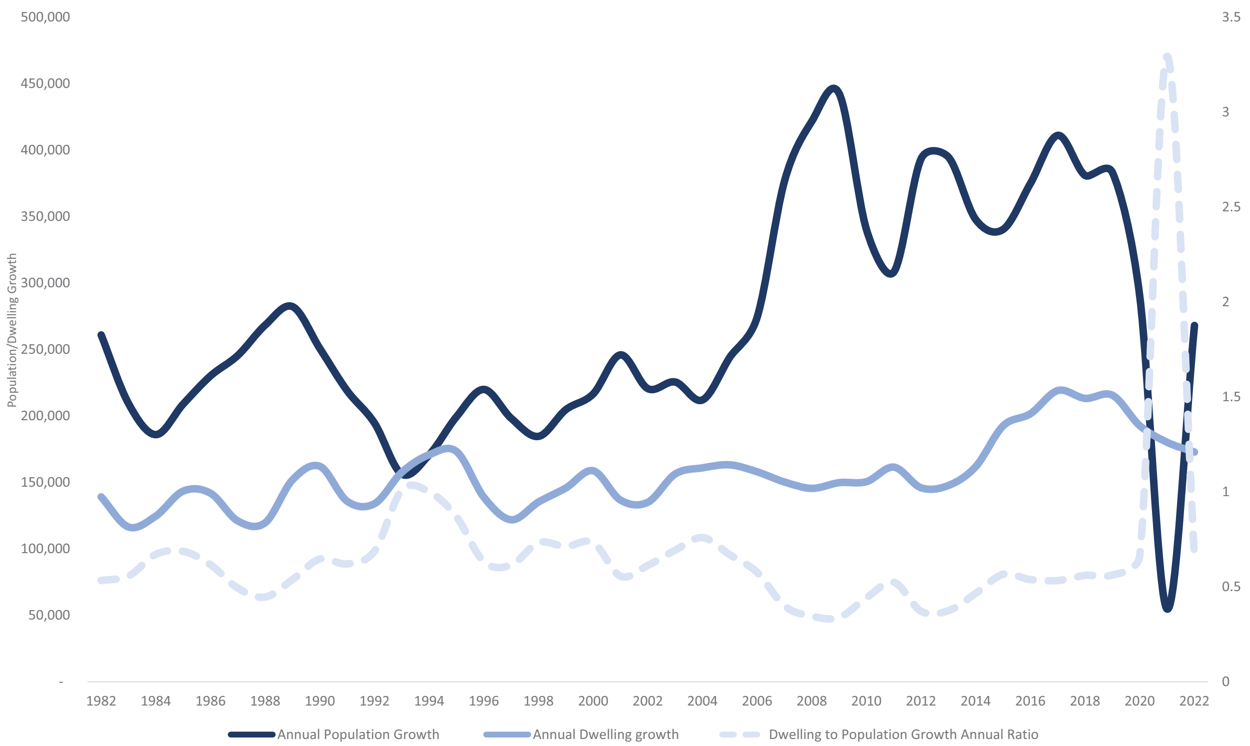
The Top Nine Factors Shaping Forward Housing Market Performance

1. New Dwelling Growth Not Keeping Pace with Population Growth
2. Population Growth & Net Overseas Migration
3. Tightest Rental Market in Recent History
4. Reduction in Housing Credit
5. Robust but Softening Employment Outlook
6. Slight Easing of Housing Affordability Pressure
7. Construction Costs Escalation
8. Housing Diversity
9. Forward Dwelling Supply Pipeline

1. New dwelling growth not keeping pace with population growth

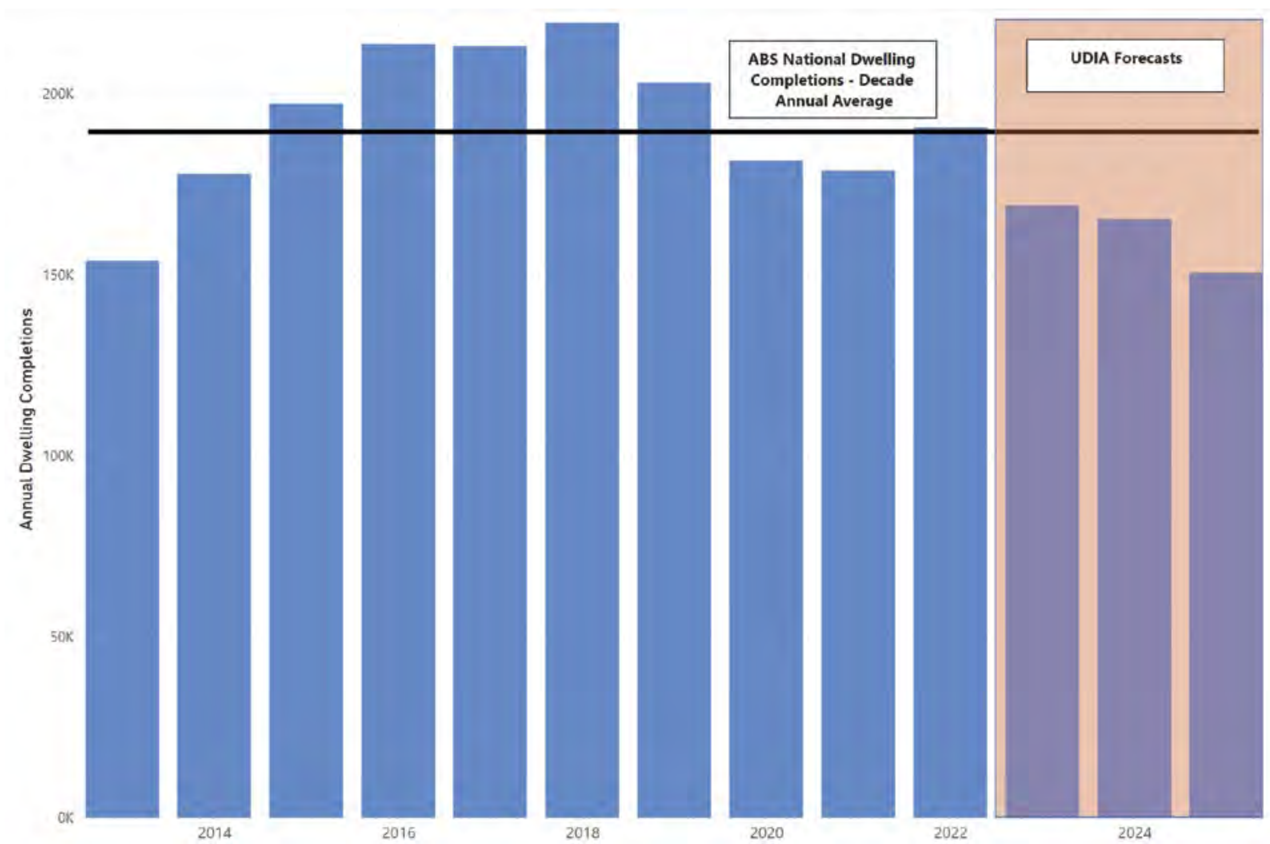
- UDIA’s long run analysis of national population and dwelling growth highlights a serious divergence in new dwelling supply not keeping pace with upward fluctuations in population growth.
- The long run annual average net population growth in Australia (1982-2022) has been around 270,000 and annual dwelling additions of 156,000. This translates to a dwelling to population growth average of 0.67 per annum over the last 40 years. Critically however, this under-represents the dwelling delivery in recent years.
- The significant inflection of net population growth recorded from 2007 and maintained until the commencement of the pandemic in 2020 has necessitated a heightened dwelling supply response, which only emerged at the national scale from 2015 when annual dwelling additions increased circa 30% to average around 200,000 net additions per year.
- The dwelling to population ratio plunged to an average of 0.4 between 2007 and 2014 before returning to around 0.67 in 2020, before the pause in overseas migration drove an anomalous spike in the ratio in 2021 before returning to 0.64 in 2022.
- This significant lag in new dwelling supply highlights the formidable challenge facing the development industry to adequately respond to major alterations to changes in demand.
- The significant undersupply of new dwellings through the 2007 to 2014 period underpins the current rental market crisis and the broad-based erosion of national housing affordability.
- Historically UDIA’s State of the Land reporting covers on average 56% of total national net dwelling additions. Extrapolating UDIA's modelled forecasts for the combined capital cities (refer to page 33 ‘Forward Dwelling Supply Pipeline’) highlights that total national completions are likely to continue to retract over the coming three years and will total approximately 150,000 dwellings in 2025.
- This will be 20% below the national dwelling completions achieved across the 2012-2021 period and is circa 50,000 dwellings below the annual average of 200,000 dwellings required to meet the Federal Government’s plan to build one million homes under the National Housing Accord.

Annual Population Growth v Dwelling Growth, Australia



Source: UDIA; ABS

National Dwelling Completions and UDIA Forecast

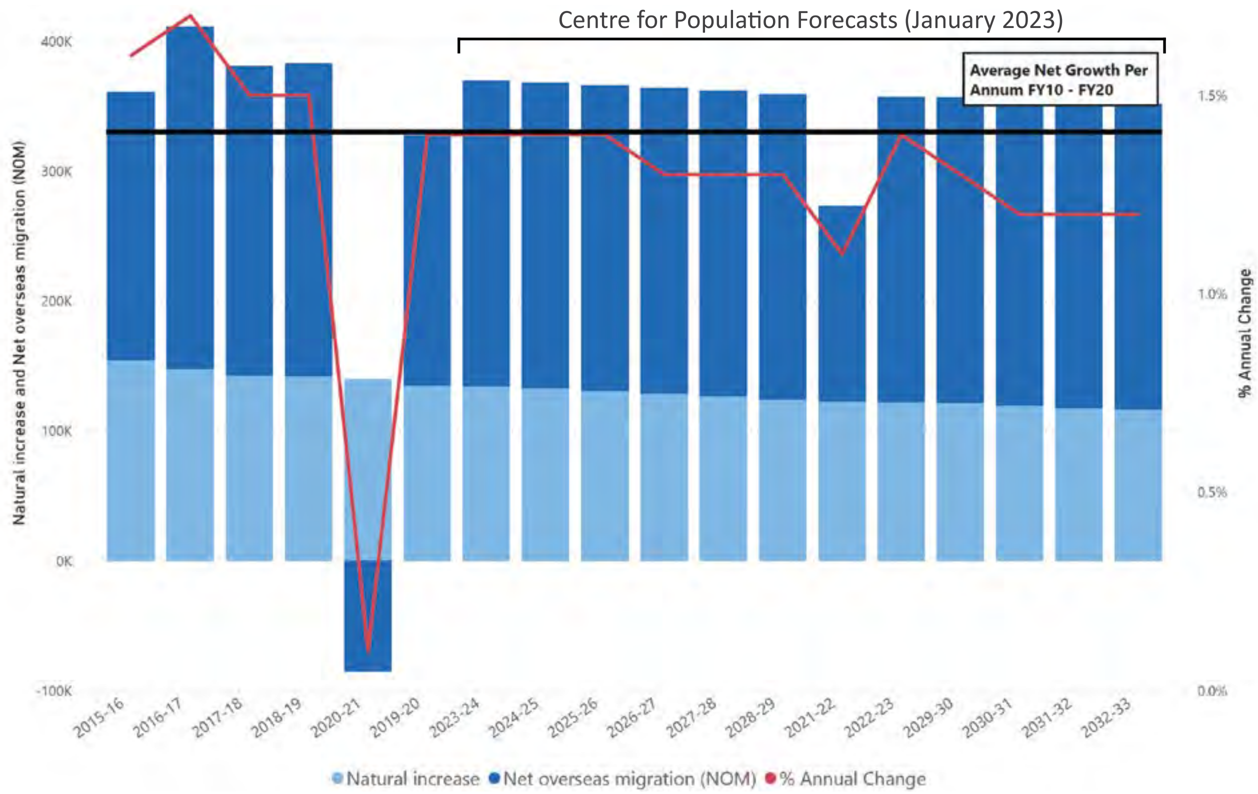


Source: UDIA; ABS; Research4; CoreLogic

2. Population Growth & Net Overseas Migration

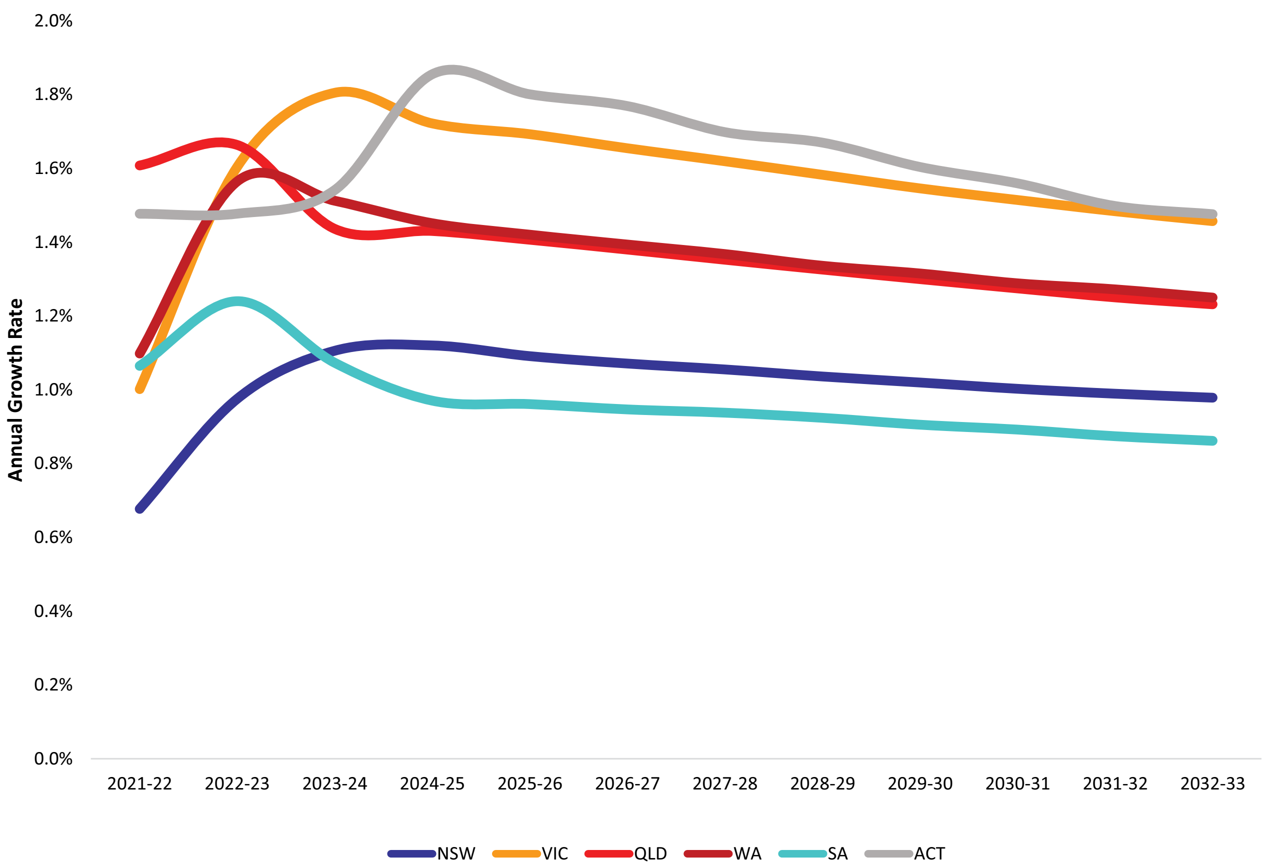
- Population growth is the primary driver of underlying demand for new dwellings in Australia, with net overseas migration (NOM) historically responsible for 56% of demand.
- The Australian Government's Centre for Population's (CfP) latest projections (January 2023) forecasts the return to pre-pandemic NOM of circa 235,000 in 2022/23. NOM plunged to-85,000 through 2020/21 with Australia's international borders closed, but bounced back quickly in 2021/22 to 150,400 with the staged reopening of borders from November 2021.
- The latest CfP forecasts reflect a faster return to normalised levels of NOM than the previously released projections of December 2021, which predicted NOM wouldn't return to the 235,000 level until a 2024/25 – two years later than the latest forecasts. The Australian Bureau of Statistics latest demographic data release recorded an annual NOM of 303,700 for the 12 months to September 2022.
- The quicker than expected return of overseas migration and higher than expected levels of NOM may help buttress the forward housing demand profile, in light of the decline in broader consumer sentiment persisting through the current phase of interest rate hikes.
- NSW and Victoria are the largest beneficiaries of new overseas arrivals (accounting for circa 66% of the national share) with the CfP forecasts predicting NSW will receive an average annual NOM growth of 74,000 persons and Victoria an average of 76,500 persons to 2032-33.
- QLD's NOM is forecast to average 29,000 a year over the coming decade which is complimented by an average of 24,100 persons a year growth expected through net interstate migration (NIM).
- Historically QLD is a strong beneficiary of movement of people from NSW and Victoria, however the diminished affordability gap between Victoria and SEQ may lessen this northern migration trend over the coming years.
- WA and the ACT are the only other two jurisdictions expected to return a positive NIM over the coming decade with a net average annual gain of 1,590 and 550 persons respectively – growth levels which will not drive significant levels of new dwelling demand.

Population Growth & Components, Australia



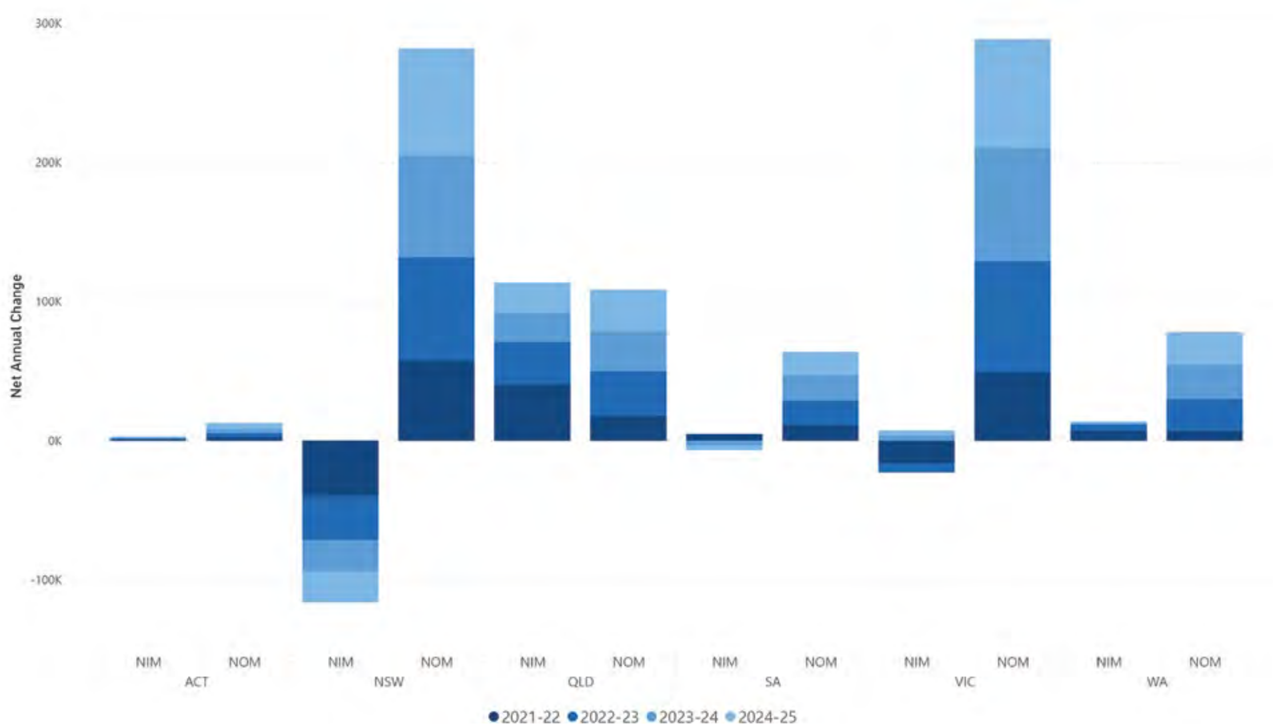
Source: UDIA; Centre for Population

Population Growth Projections FY 22-FY33



Source: UDIA; Centre for Population

Net Overseas Migration (NOM) and Net Interstate Migration (NIM) Projections FY22-FY25

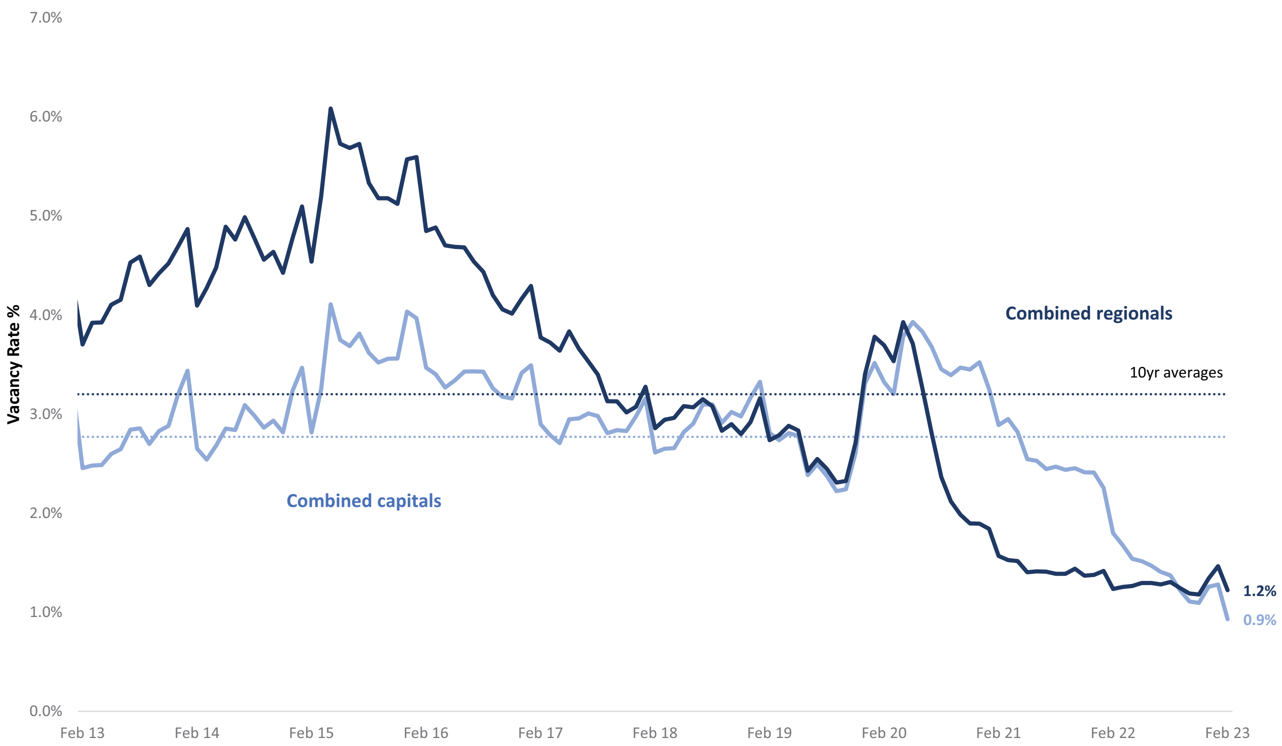


Source: UDIA; Centre for Population

3. Tightest Rental Market in Recent History

- Rental listings and rental vacancy rates are at historic lows across all the major capital cities and even more acute in certain regional markets. As the result of a chronic under supply of new dwellings through the 2007-2015 period rental vacancy rates have continued to tighten to the lowest levels on record.
- CoreLogic's long run tracking of national rental listings calculated that there were just under 100,000 total rental listings nationally at the end of January 2023, which was forty percent lower than the 5-year average despite a higher population. At the close of the December quarter the national vacancy rate was around one percent which compares to the long average of three percent.
- The lack of rental stock on the market has been placing strong upward pressure on rental pricing which increased 13.4% in the 12 months to January 2023 for units and 8.8% for detached dwellings.
- CoreLogic observe that household formation changes through the pandemic have likely contributed to higher rental demand, however the shift towards smaller rental households will likely reverse as renters look for ways to reduce rental costs.
- With overseas migration continuing to return to normalised levels it is expected that all rental markets are likely to experience higher demand keeping vacancy rates very low across the coming 12 months and beyond.

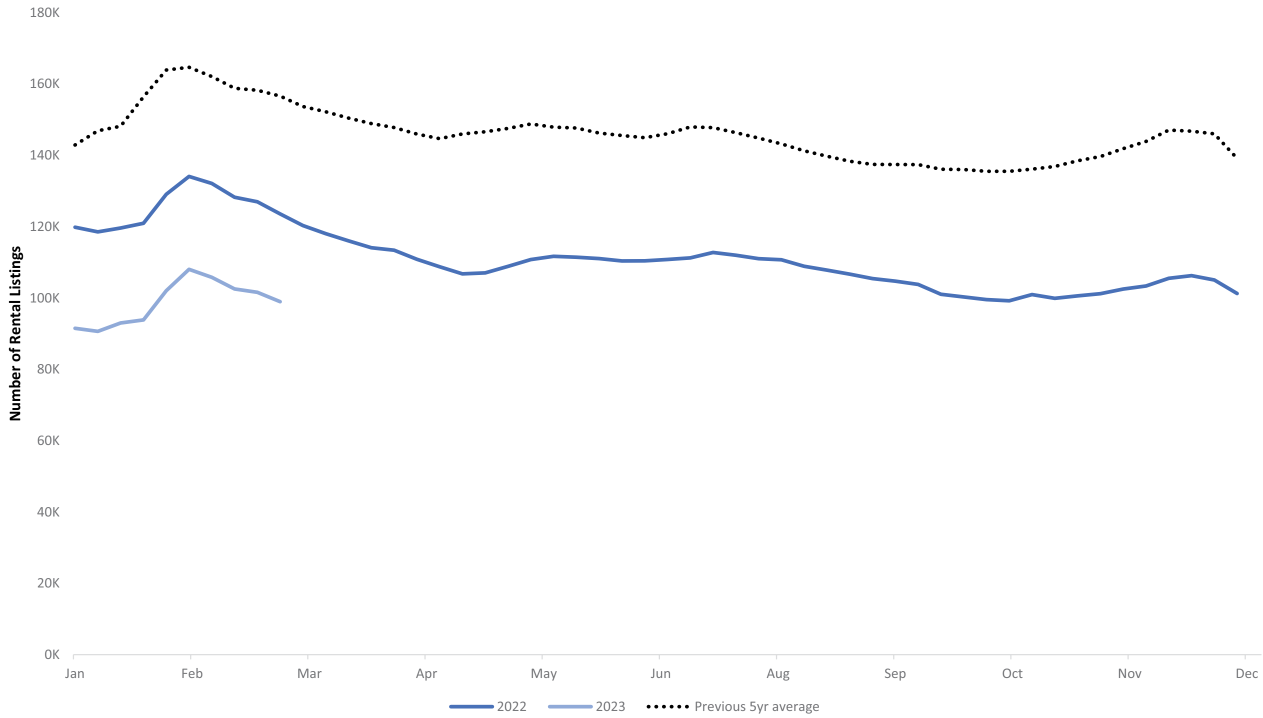
Rental Vacancy Rate



Source: CoreLogic

NATIONAL RESIDENTIAL MARKET OVERVIEW

Total Rental Listings, National Dwellings



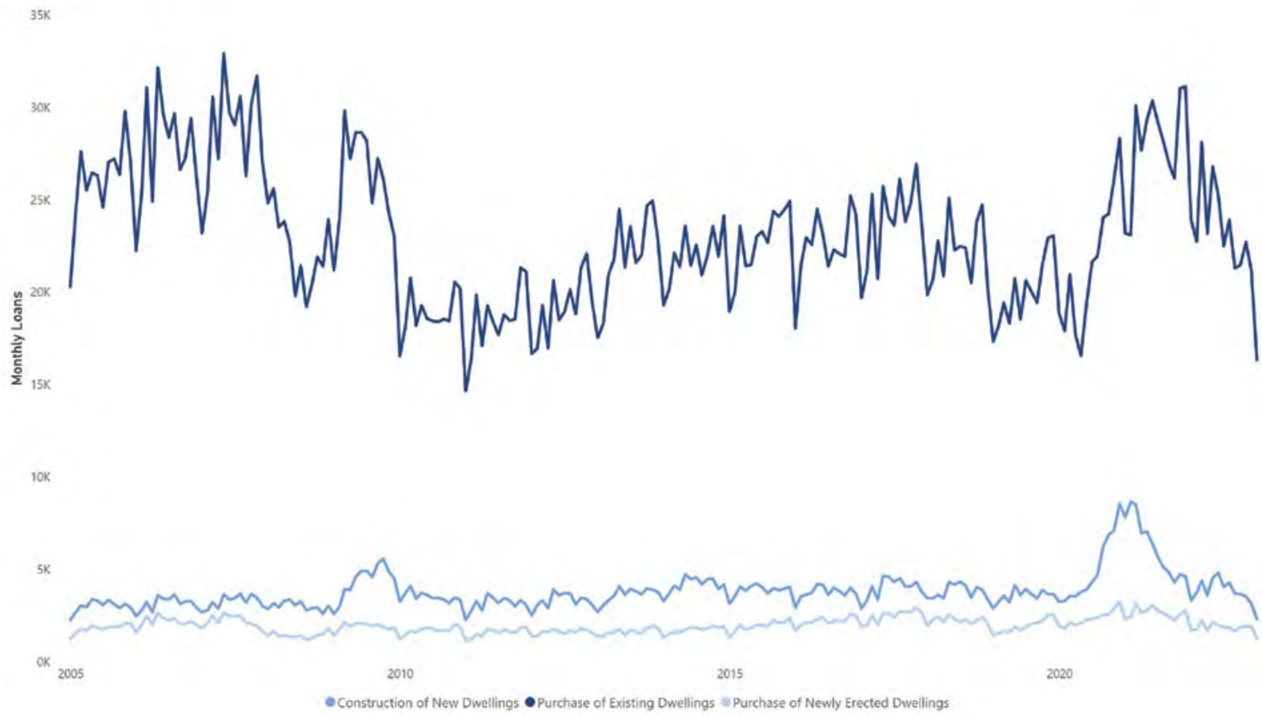
Source: CoreLogic

Activating reservoir reserves for healthy communities by SA Water (SA)

4. Reduction in Housing Credit

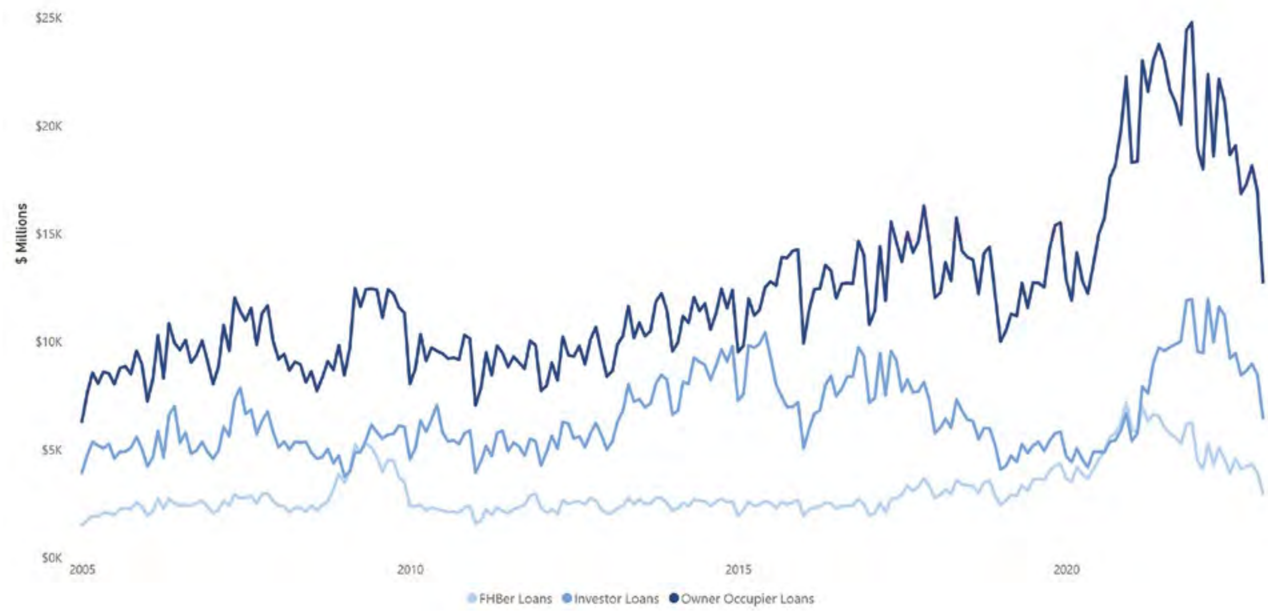
- Industry, consumer and media interest on the Reserve Bank of Australia's monthly Board meetings has rarely been higher than over the past year as the RBA Board has voted to raise the cash rate a record 10 consecutive times between May 2022 and March 2023.
- In response to soaring inflation, the rising cash rate has driven the owner occupier standard variable rate and the investor standard variable rate up to the highest levels since October 2011.
- According to RateCity, as at February 2023 the average borrower with a $500,000 loan is likely paying an extra $908 a month since rates started to rise, and for a $750,000 loan adding an extra $1,362 a month.
- The escalation in borrowing costs has had a dramatic impact on home loan lending with owner occupier loans down 22% in the 12 months to January 2023, investor loans down 28% and First Home Buyer loans down 21%.
- Lending for the construction of dwellings has plummeted by 45% below the long run average and loans for newly erected dwellings are down 40%. The rising interest rate environment has also driven national lending for established market properties down to levels not seen for five years and 28% down on the long run average.
- With most market analysts anticipating further interest rate rises over the coming months, it is expected that lending levels will continue to recede, placing further downward pressure on housing market activity across the balance of 2023.

Monthly Owner Occupier Home Loans by Purpose, Australia



Source: *UDIA; ABS*

Monthly Home Loans by Purchaser Class, Australia



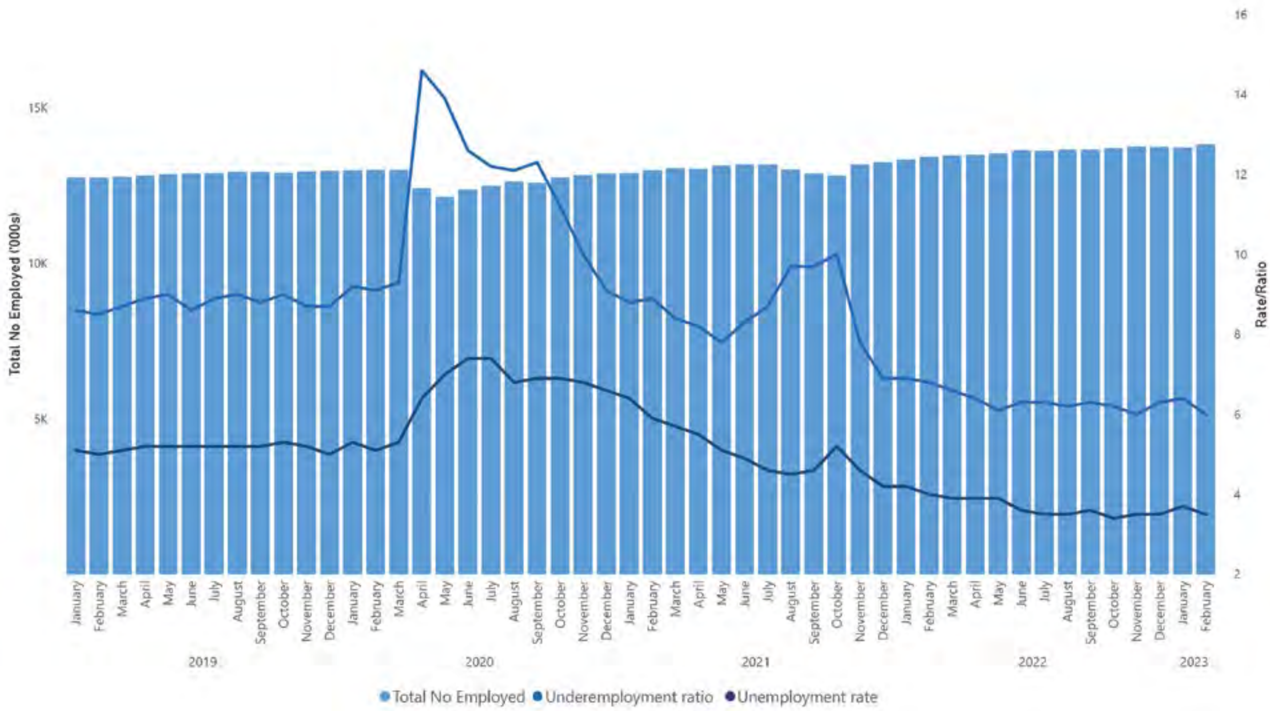
Source: UDIA; ABS

The Point by Moremac (VIC)

5. Robust but Softening Employment Outlook

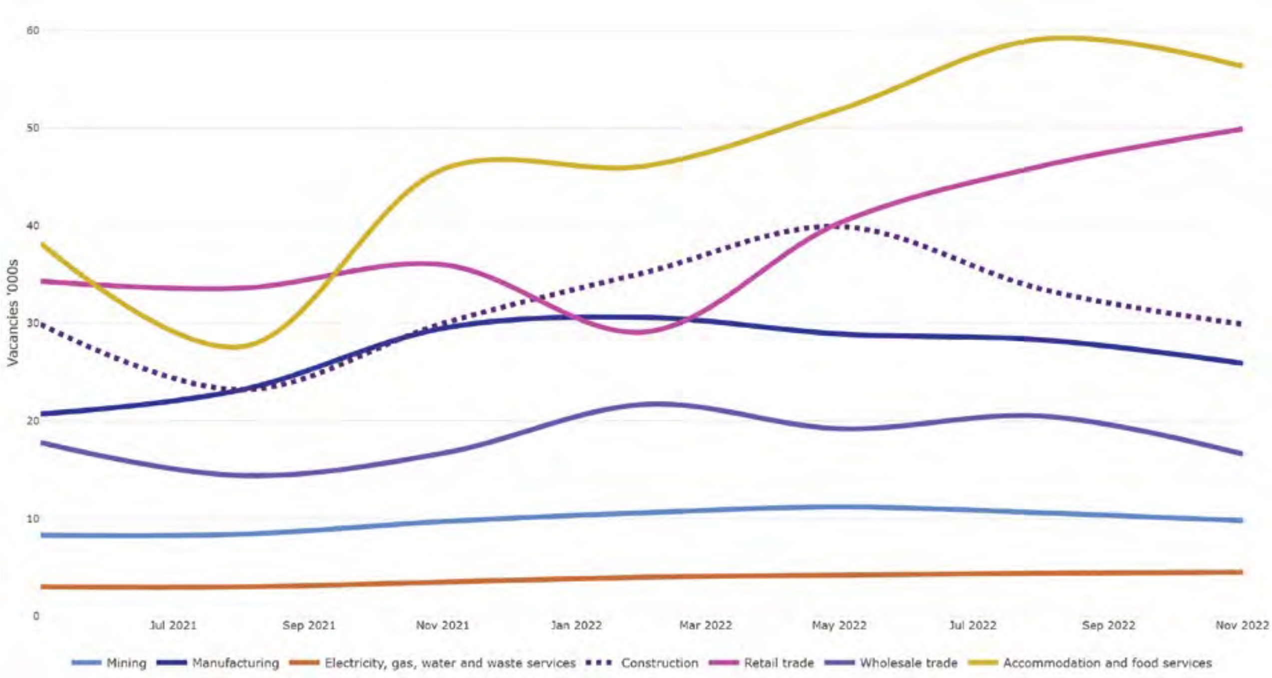
- Economic conditions and the state of the job markets are cornerstone drivers to new housing demand.
- Following the initial COVID shocks in March and April 2020, labour markets held up remarkably well across the ensuing period, with government COVID support measures helping keep unemployment and underemployment 1.3 ppts and 1.6 ppts below decade averages.
- However, the economic outlook has deteriorated markedly over the last 12 months with the RBA's February 2023 Economic Outlook forecasting economic growth to slow this year as rising interest rates, the higher cost of living and declining real wealth weigh on growth.
- GDP growth is expected to slow to only 1.5 percent during 2023 and 2024 before edging back up to 1.75 per cent in 2025. The RBA predicts that the unemployment rate will remain around 3.5 per cent until mid-2023 before rising as growth in output slows.
- The construction sector currently employs 1.294 million people nationally (full time and part-time) which is the largest size the sector has been on record. In the 12 months to November 2022 the construction workforce grew by 11.9% with 137,700 additional jobs being created.
- After peaking at ~40,000 job vacancies in May 2022, the construction sector has seen an easing of vacancies with a 11% reduction in the three months to November 2022. This indicates that the in-flow of skilled migration to the sector has picked up, assisting the broad-based labour shortages experienced across sectors over the last few years.

Australia Total Employed Persons, Unemployment Rate and Underemployment Rate



Source: UDIA; ABS

Job Vacancies by Industry, Australia



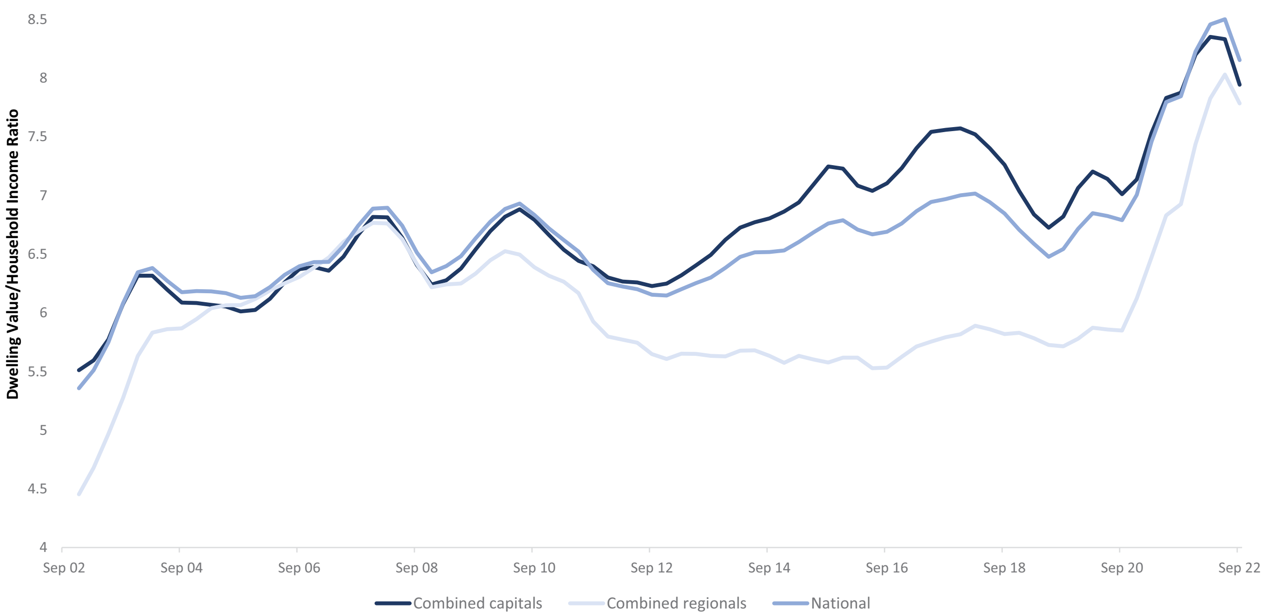
Source: UDIA; ABS

Republic by Geocon (ACT)

6. Slight Easing of Housing Affordability Pressure

- According to CoreLogic, national dwelling values peaked in April 2022 and at a macro-level are falling at the fastest pace on record. Driven by rising interest rates national home values have dropped by 9.1% to February 2023, with NSW recording the largest decline of 12.1%, followed by Queensland (9.3%), Victoria (9.1%) and the ACT (-9.1%).
- SA (-1.5%) and WA (-0.6%) have recorded far smaller aggregate value declines to date, however it is notable these States had far smaller value increases compared with the Eastern States and Territory in the preceding period.
- Housing values would need to fall significantly more across most cities before wiping out the pricing increases recorded across the COVID period. CoreLogic estimates that the if national values declined by 20% this would take values back to a similar level of January 2021.
- The decline in dwelling values has had a slight positive impact on overall housing affordability, with the national dwelling value to household income ratio easing from 8.5 at the end of March 2022 to 8.15 at the end of September. This was the first decline of the ratio developed by CoreLogic and ANU since mid-2018.
- The housing affordability ratio retracted to 7.94 for the combined capital cities and to 7.78 for the combined regional areas.
- While the national affordability ratio moderated across 2022, the escalation in borrowing costs more than cancelled out the benefits prospective home purchasers might have garnered from price declines.

Dwelling value to household income ratio



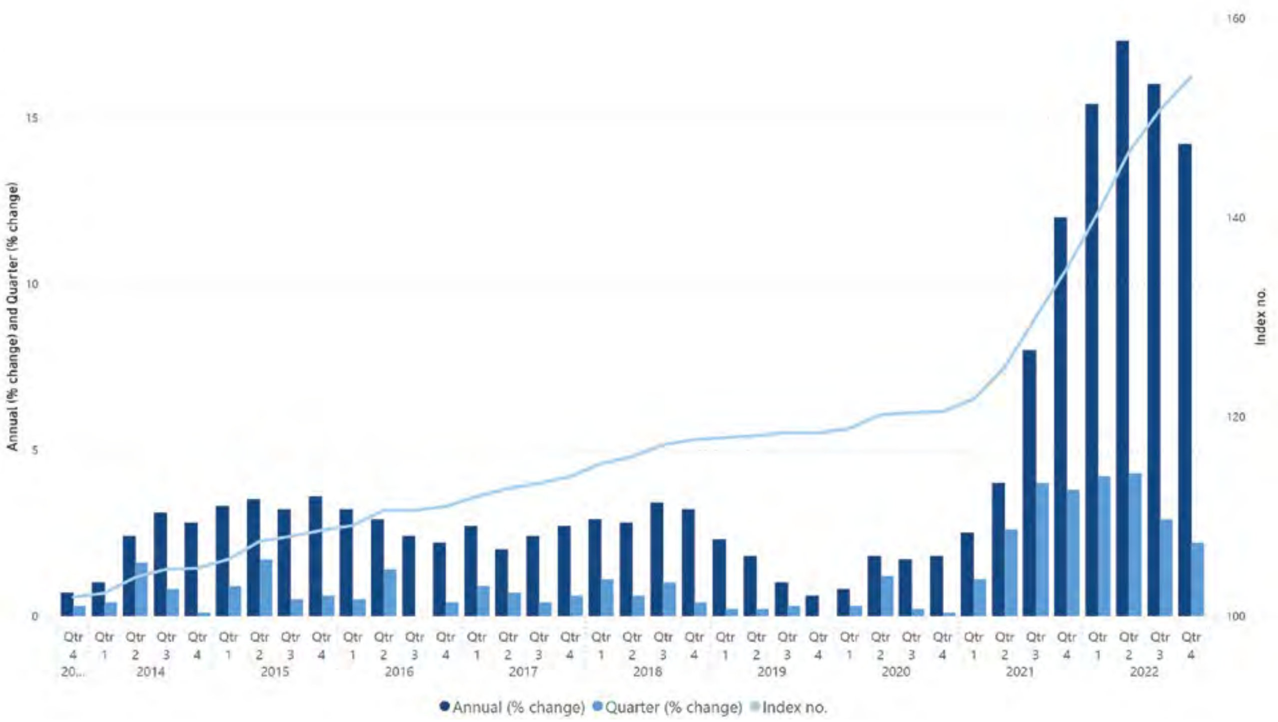
Source: CoreLogic

Montego Hills by Villawood Properties (QLD)

7. Construction Costs Escalation

- International supply chain disruptions due to the global pandemic, increasing freight costs and broad-based production shortages have resulted in very significant construction material shortages, which placed upward pressure on housing construction input costs.
- At a national scale the Australian Bureau of Statistics tracking of building material pricing for housing construction rose ~30% increase in the last two years based on the Input Pricing to House Construction index
- Over the last twelve months (to the end of December 2022) the Index rose 14.2%, however the pace of price growth eased in the second half of the calendar year of 2022. The main contributors to the rising input costs were:
    - Timber, board and joinery (+2.1%), driven by cupboards and built-in furniture (+5.6%), due to supply constraints for plywood, and increased glass prices.
    - Other materials (+3.1%), driven by plaster products (+3.3%), due to increasing global gypsum prices, and high manufacturing and freight costs.
    - Concrete, cement and sand (+5.0%), driven by ready mixed concrete (+4.8%), due to increased costs for sand, cement and aggregate, coupled with high demand from the construction sector.

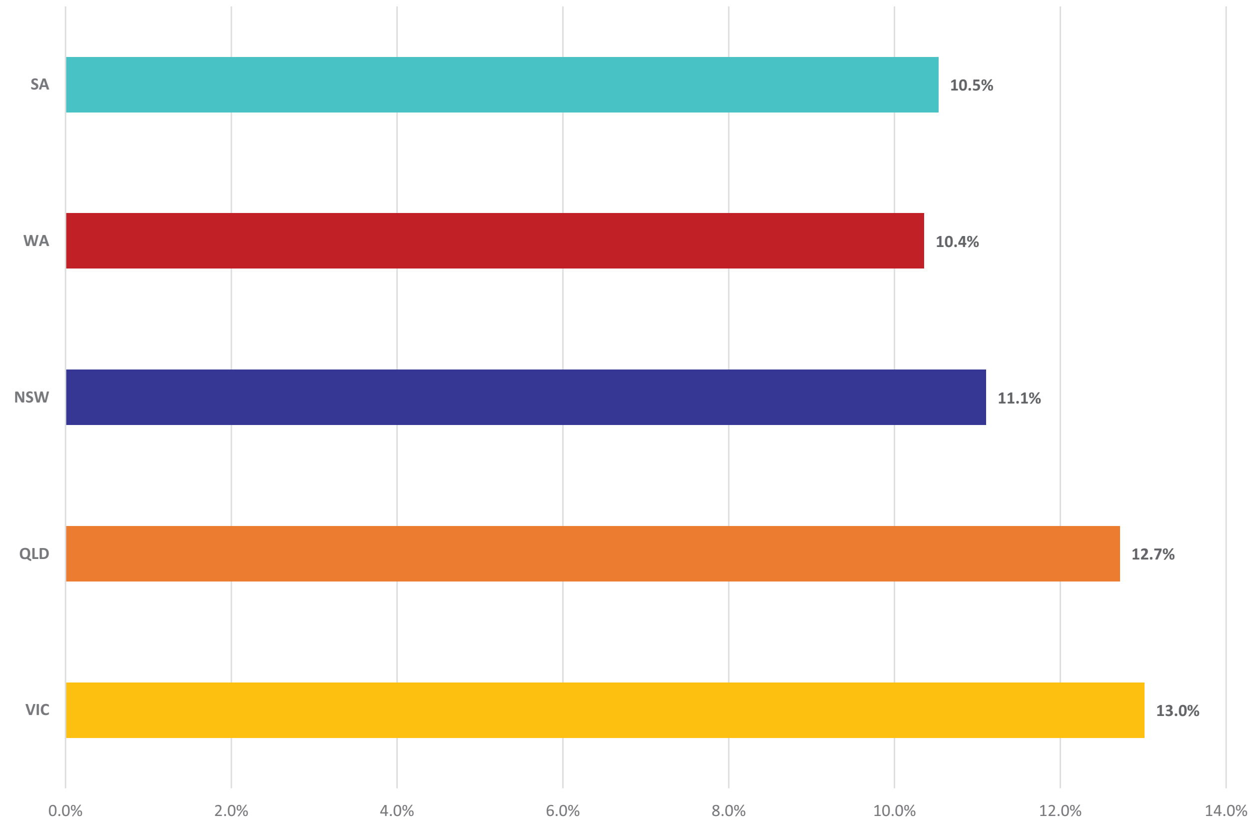
Input prices to house construction



Source: ABS

- The uplift in construction costs has been experienced across all capital cities with the greatest escalations being experienced in Victoria (+13%) and Queensland (+12.7%) according to the Cordell Construction Cost Index (CCCI) across the 12 months to December 2022.

Change in Cordell Construction Cost Index, 12 Months to December 2022



Source: CoreLogic

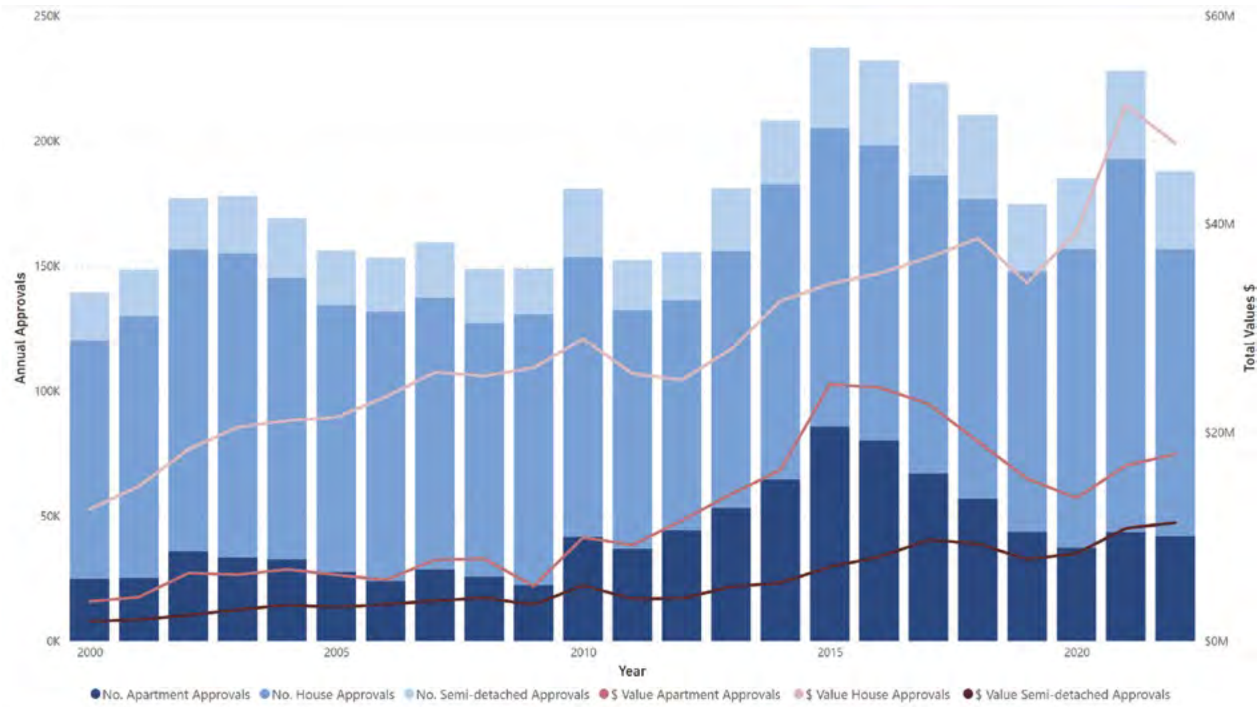
- While construction costs increases have started to slow the impact of the recent cost input inflections have been significant for various types of residential project feasibilities – particularly higher density projects.


Wentworth Point Marinas Master Plan by Billbergia (NSW)

8. Housing Diversity

- The moderation of demand for higher density apartment products, evidenced through the COVID period persisted in 2022, with approvals for apartments remaining 22% lower than the decade average.
- Some of this demand profile has switched to 'missing middle typologies', which includes townhouses, row and terrace houses, which recorded a total of 31,100 approvals nationally in 2022 and was 7.6% higher than the long run average.
- While there was a significant 23% annual drop in detached house approvals in 2022, this moderation reflects more normalised levels of house approvals, following the end of the major housing stimulus programs such as HomeBuilder and the end of historically low interest rates.

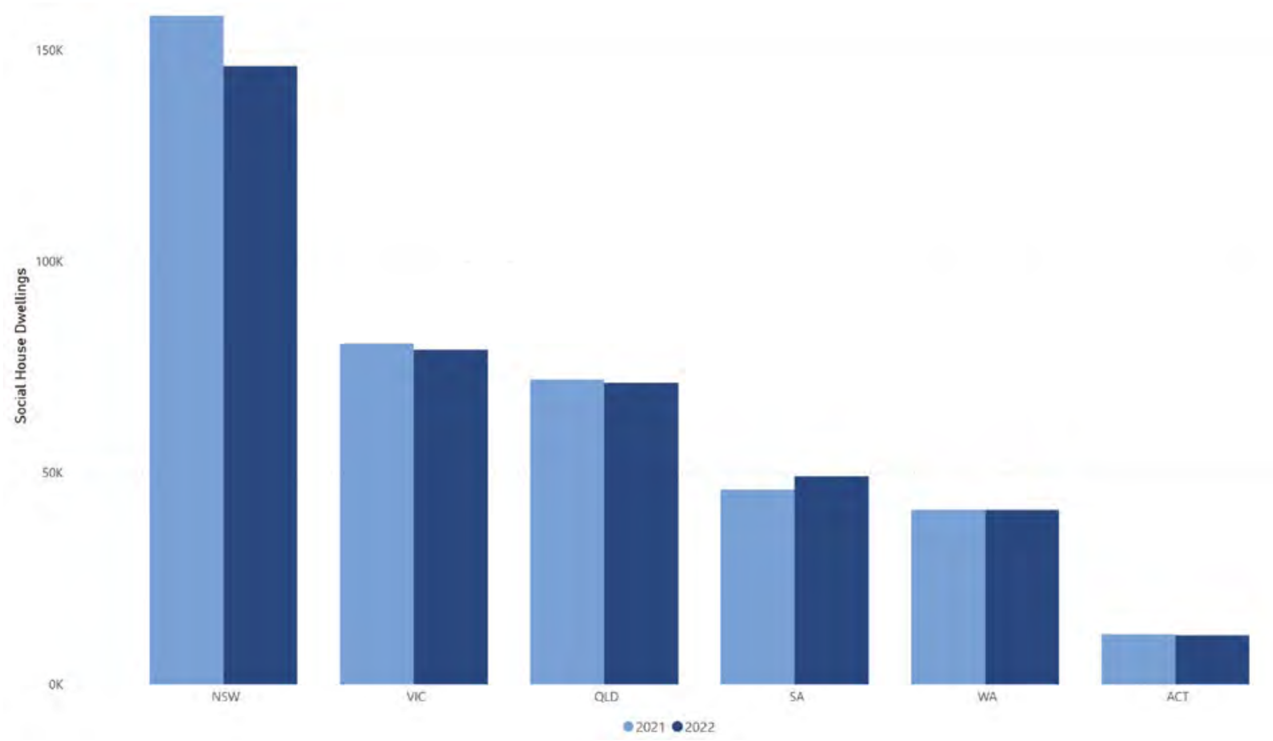
Dwelling Appovals by Volume and Value



Source: UDIA; ABS

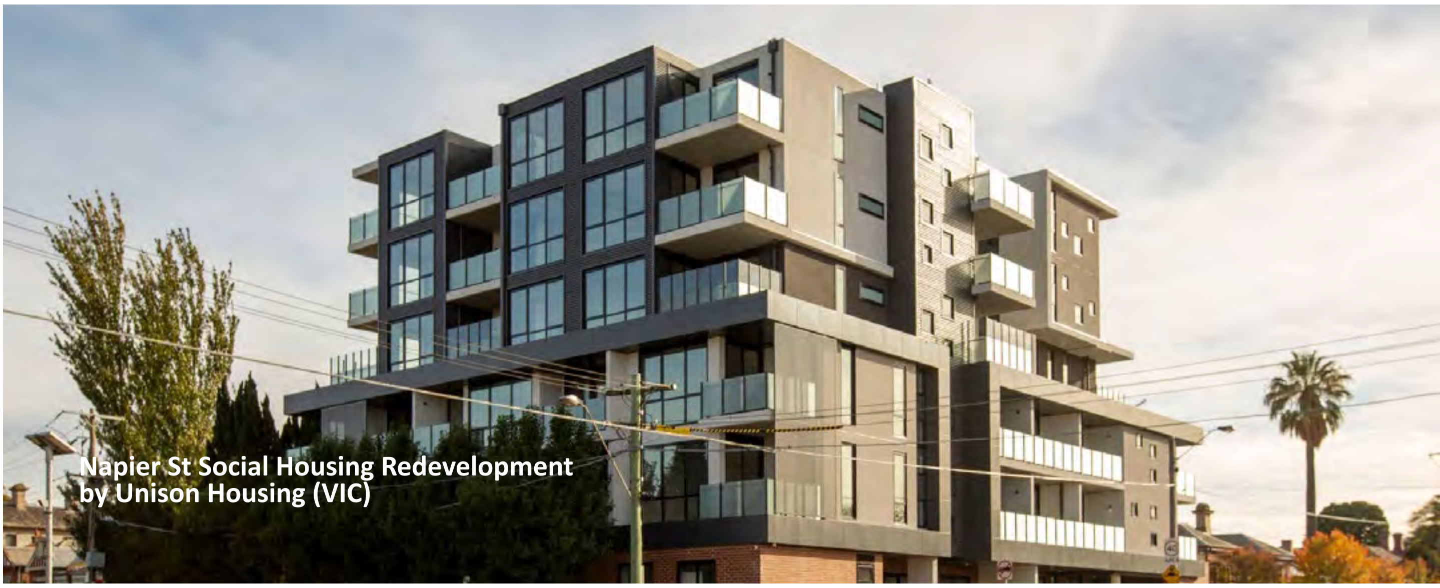
- The other important dimension to housing diversity is the escalating demand for social and affordable housing. UNSW research has revealed that the supply of social housing (with rents capped at 25% of income) has halved in the last thirty years, with total social dwelling shortfalls estimated at around 102,900 (Compass Housing 2021) and affordable dwelling shortfalls around 173,000 (AHURI 2021).
- According to the Australian Institute of Health and Welfare at June 2021 there were 440,200 social housing dwellings across Australia, which reflected a 3.8% growth from June 2012 (AIHW). Over this time public housing dwellings decreased by 9.5% to 299,500 dwellings, while Community Housing dwellings increased by 70% to 108,500 dwellings which is part reflected transfers of public housing to the community housing sector.
- NSW has recorded the strongest growth in social housing dwellings with an 8% increase over the 2012-2022 period, underpinned by a doubling of Community Housing units to 52,960. This quantum of Community Housing units in NSW is commensurate with the rest of all other State and Territories combined.

Social Housing Dwellings



Source: UDIA; AIHW

- According to estimates provided by the Parliamentary Library (August 2022), there is a national shortfall of circa 524,000 social housing and affordable dwellings across the country and this is projected to grow to 670,600 dwellings by 2032. This estimate takes into account people who are homeless, currently on social housing waiting lists and low-income renters who are in rental stress.
- The recently announced National Housing Accord is seeking to deliver an additional 20,000 new social housing dwellings over the coming five years. In addition, the Government's Housing Australia Future Fund (HAFF) is being established to drive a further 30,000 social and affordable dwellings over the coming five years. These are two of a number of initiatives aiming to boost social and affordable housing. Whilst these will be welcome net additions to the social housing dwelling stock, it will do little to move the dial on overall social and affordable housing demand.



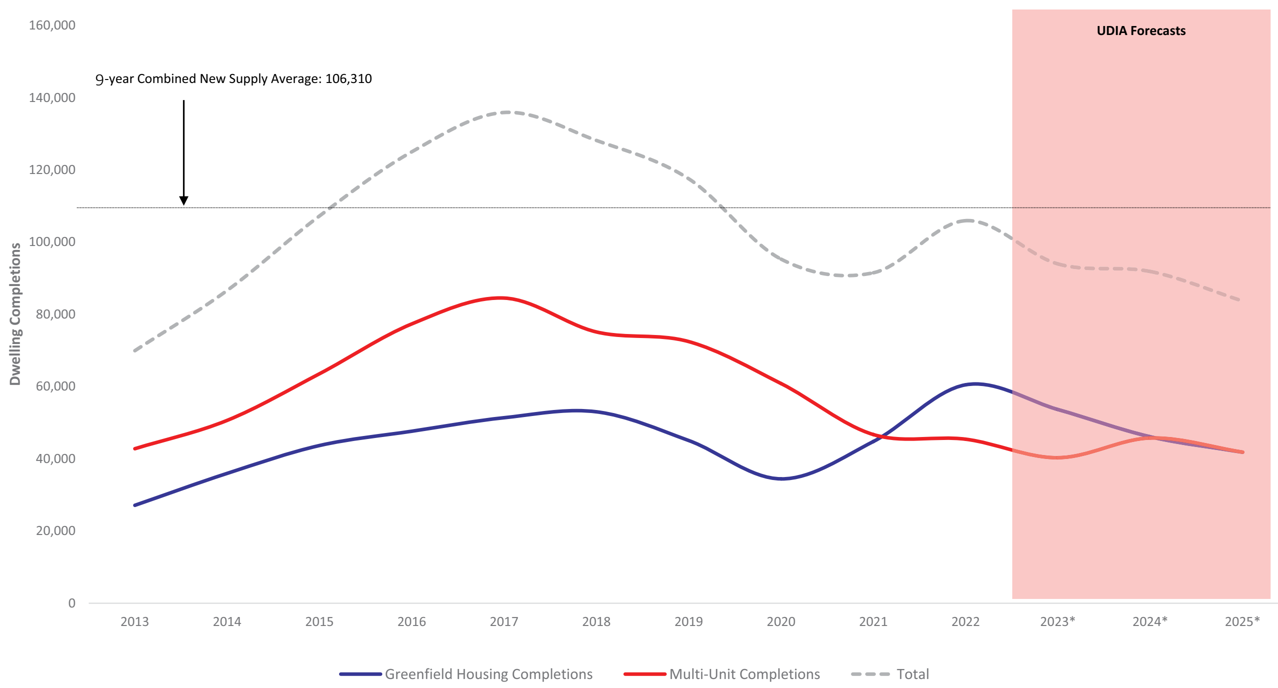
Napier St Social Housing Redevelopment by Unison Housing (VIC)

NATIONAL RESIDENTIAL MARKET OVERVIEW

9. Forward Dwelling Supply Pipeline

- UDIA modelling indicates there was a total of circa 105,900 dwellings completed in 2022 in our assessment of combined capital city new residential market supply[2].
- The 2022 new dwelling supply quantum was a 15% uptick on 2021 completions and underpinned by a record-breaking total of 60,500 detached dwellings delivered in the nation's greenfield release corridors.
- UDIA's modelling of current and forward pipeline activity indicates there will be an 11% retraction in combined capital city new residential market supply to be delivered in 2023 to total 93,950 dwelling completions, with a further reduction to 91,800 completions in 2024 and then a further 9% drop in 2025.
- UDIA's estimate of 83,680 new market supply completions in 2025 will be the lowest volume of completions achieved across the combined capital cities since 2013, unless there are rapid and significant policy changes.
- The forecast volume in 2023 of the combined supply from greenfield corridors and multi-unit and infill completions will be 31% below the output achieved in the peak of production in 2017 and 12% lower than the nine year average achieved between 2013-2022.
- The extremely strong greenfield sales activity recorded in 2020 and 2021 will have largely worked through the construction phase in the out-years of the forecast, with multi-unit completions dropping approximately by a third by 2025.
- In summary, the strong recent performance of the national greenfield sector has helped buttress the on-going softness in multi-unit supply, however with both the greenfield and multi-unit sectors set to experience reduced output in the coming three years, aggregate capital city new residential market supply will decline to the lowest levels recorded in a decade.

Dwelling Pipeline Outlook, Combined Capitals



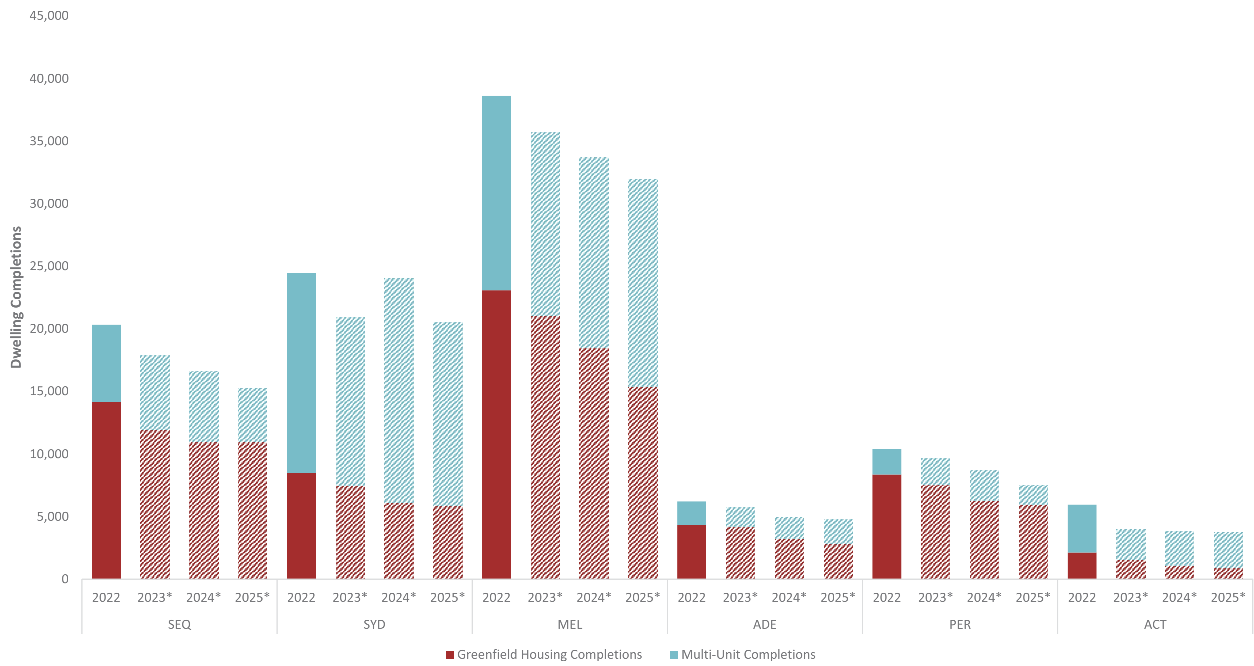
Source: UDIA; ABS; CoreLogic; Research4

2 These forecasts include 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 by 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 to be lower than actual realised new supply.

Capital City New Dwelling Supply Annual Growth Forecasts, 2023 to 2025 Summary

- **Sydney**: the forward outlook for new dwelling completions remains muted driven by an on-going retraction of multi-unit supply. A combined 20,900 dwellings are expected to be delivered in 2023, down 14% from 2022 and the lowest volume to be completed in a decade across the Harbour City.
- **Melbourne**: with between 31,000 to 35,000 new dwellings to be delivered in each of the coming three years Melbourne will remain the largest new home market in the country, however the on-going unwinding of momentum in the multi-unit sector will drag on overall residential product completion volumes.
- **SEQ**: while greenfield completions are expected to remain steady at around 11,000 per year for the next three years, a 60% retraction of multi-unit completions will drive overall completions 28% lower than the long run average by 2025.
- **Perth**: on-going weakness of the multi-unit sector will drag overall completions to around 25% lower than the long run average in 2024 and 35% lower in 2025 when only 7,500 completions are forecast.
- **Adelaide**: after out-performing in 2022 with a record 6,200 completions, activity is set to drop by 7% in 2023 and a further 14% in 2024, before stabilising at around 4,800 completions which is 12% higher than the long run average.
- **ACT**: On-going robustness in the multi-unit sector will help compensate for forward retraction in greenfield completions, with overall yields to decline only modestly over the coming three years.

Capital City - UDIA Completions Forecast



Source: UDIA; ABS; CoreLogic; Research4

NATIONAL RESIDENTIAL MARKET OVERVIEW

RESEARCH PARTNER: CORELOGIC NATIONAL RESIDENTIAL MARKET OUTLOOK 2022

Eliza Owen, Head of Australian Research, CoreLogic

The Australian housing market is entering 2023 off the back of an extraordinary cycle. An unprecedented hike in the cash rate, the withdrawal of fiscal-stimulus post lockdowns and a plummet in consumer sentiment has seen the largest national decline in home values on record.

National home values have declined -9.1% from April 2022 to February 2023. Notably, this was off the back of one of the fastest upswings in home values, an increase of 28.6% over 20 months. National home values would need to decline a further 12.9% to reach pre-COVID levels.

While the past three years reflected extremities in interest rates and housing values, 2023 may see an end to large market fluctuations. Housing values are likely to fall further over the start of the year, with three of the four major banks now expecting the cash rate to peak at 4.1%. However, the monthly pace of housing value declines has generally became smaller since August last year. The downturn in values may be insulated to an extent by low levels of residential listings, and pressures in the building sector may also weigh on new supply.

A strong bounce-back in overseas migration, ongoing strength in rental demand and a peak in the rate hiking cycle are the main tailwinds for the Australian property market in 2023. The main headwinds include household adjustment to high inflation and interest rates, particularly as more mortgages transition from fixed to variable terms over the course of the year.

Canopy by Stockland (WA)

RESEARCH PARTNER: RESEARCH4 NATIONAL GREENFIELD LAND OUTLOOK 2022

Colin Keane, Director, Research4

All markets have been recording a drop-in activity. Nationally, current activity levels compared to pre-Covid levels are 25 percent lower.

The National Greenfield market has been following the forecast modelled reduction in activity. This reduction in activity is being driven by a correction in underlying demand. 2020 and 2021 brought forward demand which has resulted in lower levels of demand across 2022. This demand correction is expected to continue across 2023.

Separate to this correction, there is now a level of uncertainty across the market, both from the industry and also the potential customer base. This uncertainty is resulting in lower than modelled levels of activity across markets.

Uncertainty is being fuelled by the rising cost of living, shrinking household saving rates and changing lending rates. The purchasing power or capacity of the customer is falling with each rate rise along with the cost of doing business.

From an industry perspective, the cost of production will be posing a problem in terms of reconciling the retail price of a block with a reduced level of purchasing capacity. While mulling over this conundrum, large parts of the industry will focus on settling past sales and ensuring that land sold in 2021 and 2022 is safely converted into cashflow, before addressing the demand affordability issue now facing the market.

This current period of uncertainty is sowing the seeds for a future spike in activity. Though activity levels are expected to remain low for most of 2023, economic uncertainty will be deferring parts of 2023 housing demand. This unmet demand will be building in the background, and when the time is right will push to the surface. The question, is how long can demand go unmet?

SEQ and Sydney are the markets where unmet demand has become a real issue. SEQ has the capacity to respond to this demand, but Sydney lacks the capacity to deliver affordable product. Melbourne and Adelaide have brought forward demand, therefore lack a buffer against the current downturn. Perth is balanced.

Generally, 2023 is likely to be defined by two distinct halves. The first half of the year will be defined by very low levels of demand and critical issues around affordability and or purchasing capacity. The industry is likely to settle for low sales with very little movement on price. As demand is shallow, offering price discounts will bring about low yields in terms of activity.

The second half of the year will see the need from both industry and customers to be more active in the market. Industry will need to generate sale volumes, while housing demand will be under pressure to find a home. The market will still be defined by low levels of capacity. This setting may trigger, price discounting, rebates, and incentives alongside a greater inflow of smaller product. It will be a period of intense competition for markets such as Melbourne.

In summary, 2023 should be a year of low sale volumes and stable pricing. Most markets should experience some downward pressure on pricing by the close of 2023. The degree of price correction will be shaped by the direction lending rates take over the coming 12 months. As it stands further rate rises are expected, which will mean that land prices across select markets may need to move sooner rather than later.

UDIA NATIONAL'S FOCUS FOR THE YEAR AHEAD

With the election of a new Federal Government on 21 May last year, the Albanese Government has refocused the national agenda around several core issues impacting Australians including:

1. Environmental protection and EPBC reforms;
2. Initiatives to combat declining housing affordability and boosting affordable and social housing through the Housing Australia Future Fund;
3. Easing cost of living impacts;
4. Boosting skilled migration, education and training.

UDIA National has been working with Government throughout the last 12 months on the policy surrounding key Federal promises. The Federal Government initiatives that dovetail with UDIA recommendations include:

- **50,000 places annually under the Home Guarantee Scheme.**
- **$128.5 million Environmental Protection and Biodiversity (EPBC) Act reforms.**
- **Increase National Housing Finance and Investment Corporation's (NHFIC) liability cap** by $2.0 billion for 10,000 affordable dwellings.
- **Increase of net overseas migration to bolster labour shortages across all sectors.**
- **$37 billion in city shaping infrastructure funding commitments.**
- **$2.8 billion to support Australian apprenticeships.**
- **$3.7 billion for a new skills agreement for up to 800,000 training places.**
- **$10 billion Housing Australia Future Fund for 30,000 social and affordable homes in 5 years.**
- **Commitment to build one million well-located homes over five years from 2024.**
- **$350 million in additional funding for another 10,000 new affordable homes** with a further 10,000 from states and territories.
- **The Housing Accord commitment** for industry and Government to build affordable and social housing and tackle supply problems caused by land release and zoning policies.
- **10,000 places annually under the Regional First Home Buyer Support Scheme.**
- **10,000 places annually in the Help to Buy scheme.**
- **New National Housing Supply and Affordability Council to manage and target housing supply.**
- **National Housing and Homelessness Plan.**

In 2023, UDIA National is focussing Government attention on using these initiatives to solve the core problems impacting the industry and wider community.

Specifically, in the last 12 months, the capacity for people to enter the housing market has deteriorated, pushing them out of the market while housing supply also diminishes. This means a deepening affordability crisis across the country as people disengage from the market rather than purchase.

Despite the short-term price declines in the current market, long term shortages of land for new dwellings persistently put upward pressure on prices and ordinary Australians are forced to rent for longer, at higher rates, inevitably pushing more into social and affordable housing, that suffers the same supply scarcity.

Affordability issues are largely the result of a chronic lack of development-ready land. The causes are well known: a lack of enabling/major infrastructure, insufficient zoned land, clogged approval systems and now, financing challenges for developers and purchasers alike.

Harmony by
AVID Property Group (QLD)

The issues are causing an ever-widening housing supply gap:

- There are numerous calculations for social and affordable housing shortfalls. The Parliamentary Library (August 2022) recently calculated there is a national shortfall of circa 524,000 social and affordable dwellings across the country. More conservative estimates across all housing tenures are that current total dwelling shortfalls are circa 200,000 for at-market housing, 173,000 for affordable housing (AHURI 2021) and 102,883 for social housing (Compass Housing 2021).
- The 2021 National Housing Finance and Investment Corporation (NHFIC) Review identified that we need ~45,000 affordable/ social houses each year over the next 20 years.
- Government and Community Housing Providers (CHPs) combined, only produce 8,500 affordable and social houses each year. The National Housing Accord (Accord) and Federal Housing Australia Future Fund (Future Fund) might bring that up to circa 19,000 per year.
- By 2025 Australia needs another 20,000 at-market dwellings each year according to NHFIC, over and above the 160,000-200,000 dwellings we already build each year.

Government and CHPs are unable to close this housing gap on their own. Bridging the growing new housing gap requires a whole of market (private and CHP) approach.

Through the Accord, the Federal Government has set out a vision for greater collaboration across all three spheres of government, recognising the need for greater productivity to help resolve the underlying supply and housing problems, to set Australia on the right path.

UDIA is supporting the Government initiatives with proposals that focus on core problems including:

1. Boost dwelling supply across the housing spectrum and remove barriers to delivery, namely:

    - **Boosting housing supply and infrastructure** across Federal, State and Territory Governments through the National Housing and Homelessness Agreement and Accord- target, monitor and incentivise housing supply, infrastructure, planning and environmental outcomes.
    - **Establishing a UDIA Development Ready Land Pipeline metric** to benchmark housing performance, target, monitor and manage housing supply and constraints on supply.
    - **Limiting reliance on Inclusionary Zoning and new property taxes** which jeopardise affordability across the housing spectrum, negatively impacting future affordable housing.
    - **Streamlining Environmental Reform** to ensure housing supply is not hamstrung by complex/slow approval processes that hold up development and increase housing costs.
    - **Fast tracking skilled workers through training and migration** to ensure there is enough labour to reduce delays and bolster capacity to match housing supply to demand.

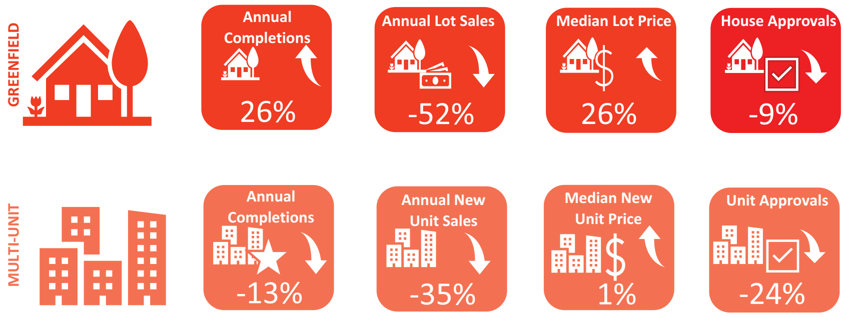
2. Close the housing gap by harnessing CHP and private industry's capability to build housing at scale across Build to Sell (BTS) and Build to Rent (BTR) including:

    - **Fixing the legislation impeding more institutional investment in BTR** to make it competitive with other international markets.
    - **Assisting Government to design the Future Fund incentives that cover the funding gap for affordable housing** and harness the private market's ability to deliver at-scale affordable/ social housing and affordable BTR.
    - **Expanding NHFIC's ability to act as a private partnership interface with CHPs** to ensure more affordable housing projects are built using private developer capability and funding.
    - **Driving changes to at-market BTR** so that it can compete as an equal asset class with traditional property investments and Build to Sell developments.

SOUTH EAST QUEENSLAND

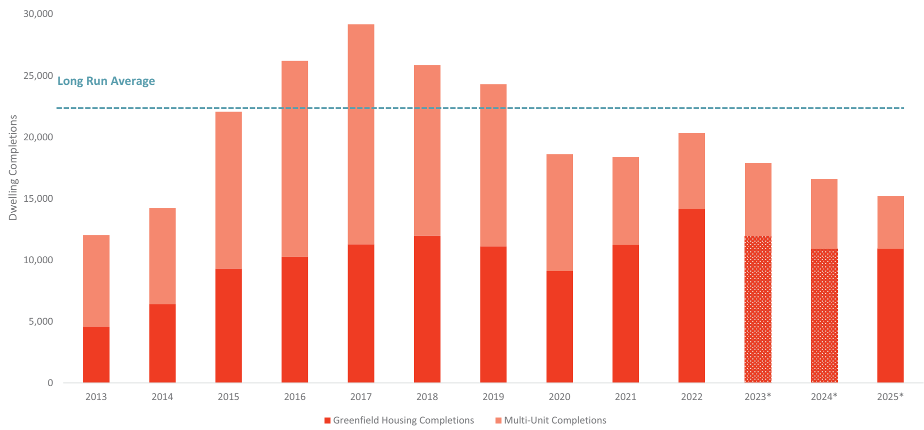
Montego Hills by Villawood Properties (QLD)

SUMMARY



- The South East Queensland (SEQ) region had a significant decline in new residential market activity in 2022 led by a retraction of greenfield land sales which fell 52% on 2021 volumes.
- Activity remained subdued in the new multi-unit sector with sales remaining at decade lows and further softening the forward pipeline.
- A combined total of 20,330 new dwellings were completed in 2022 across the SEQ's greenfield release and multi-unit sectors. This reflects a 11% uplift in new dwellings added in 2022.
- UDIA's modelling is predicting a further dip in new dwelling supply completions[1] in 2023 before likely moderation in 2024 and 2025, driven by further contraction in multi-unit production, which will not sufficiently offset the upswing expected in homes being completed in the greenfield growth corridors.

New Residential Market Supply



Source: UDIA; Research4, Core Logic, ABS

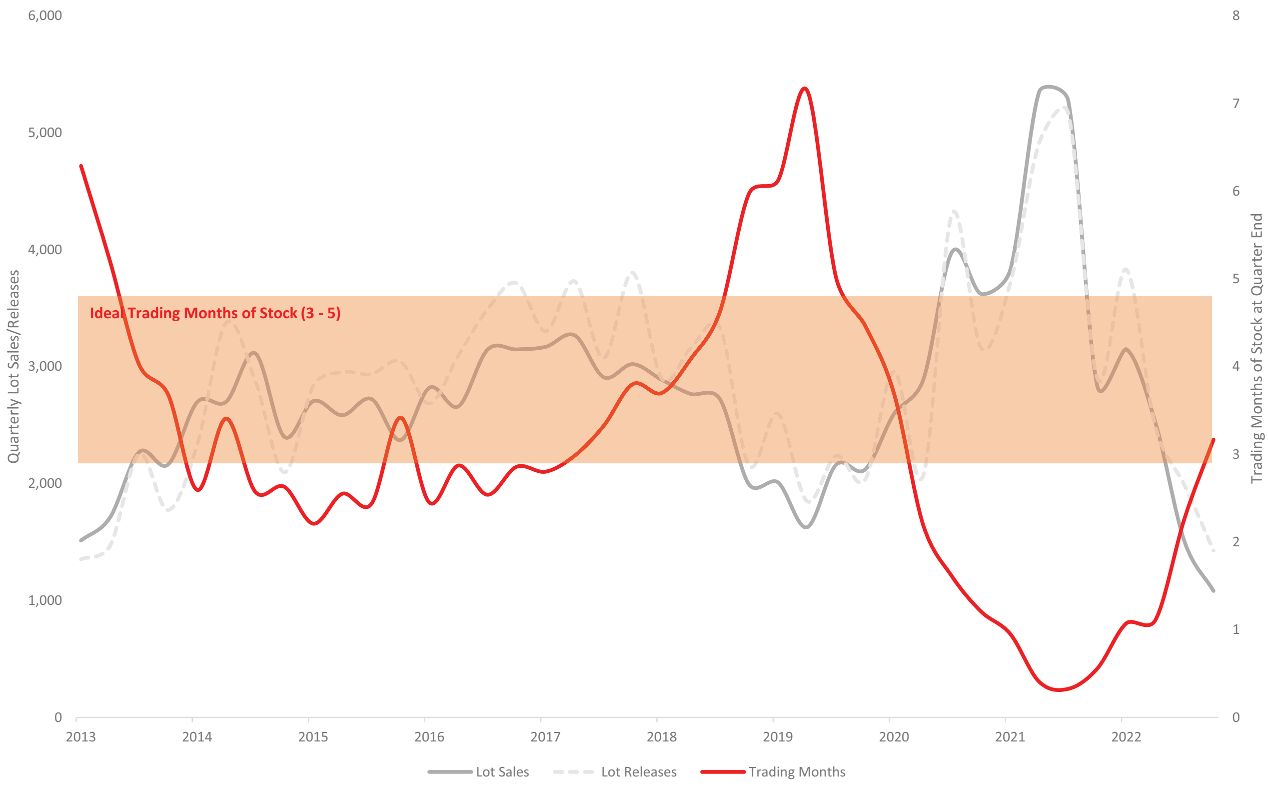
1 These forecasts include estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered by State of the Land reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely to be lower than actual realised new supply.

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The SEQ greenfield market recorded a spectacular retraction in greenfield land sales in 2022 with aggregate annual sales down 52% on 2021 levels.
- Greenfield land sales volumes retracted progressively across the year with an average of 1,050 sales per month in the March quarter down to 360 sales a month in the December quarter – the lowest level in a decade.
- The SEQ share of total national land sales since 2009 has averaged 21% which was the same share of total sales activity recorded across 2022.
- Responding to the softening demand profile, developers released just 9,730 lots to market across 2022 which was down 42% on 2021 and 16% lower than the decade average.

Greenfield Market Activity



Source: UDIA; Research4

DEVELOPER INSIGHT

Stephen Harrison

Director, Harrison Development Group

For Queensland and in particular the south-east corner, 2022 was a year of continued growth as it navigated its way in a post COVID environment. With interstate migration at almost record numbers, strong employment growth and an ongoing affordability advantage over southern states, it saw demand continue throughout the development industry. This has however led to supply led challenges, with a lack of housing and rental vacancy rates in some beachside suburbs at the lowest levels seen in decades.

The State Government recognised the challenges in supply by convening the Housing Summit in October 2022. It's now imperative that the State, in conjunction with local governments implements the outcomes of the summit and identify significant additional capacity for growth in the South-East Queensland Regional Plan, along with innovation in delivery models and a focus on diversity in housing supply. This will ensure that those who wish to share in the envious Queensland lifestyle in 2023 have an opportunity to do so.

SOUTH EAST QUEENSLAND

Stock Levels

- At the close of the December quarter 2022 the number of residential lots on a price list was equal to 3.2 months of demand.
- Stock levels returned to the 'ideal trading band' of 3 – 5 months worth of stock in the December quarter which was the first time the stock of available lots had been back to this balanced trading band since the March quarter of 2020.

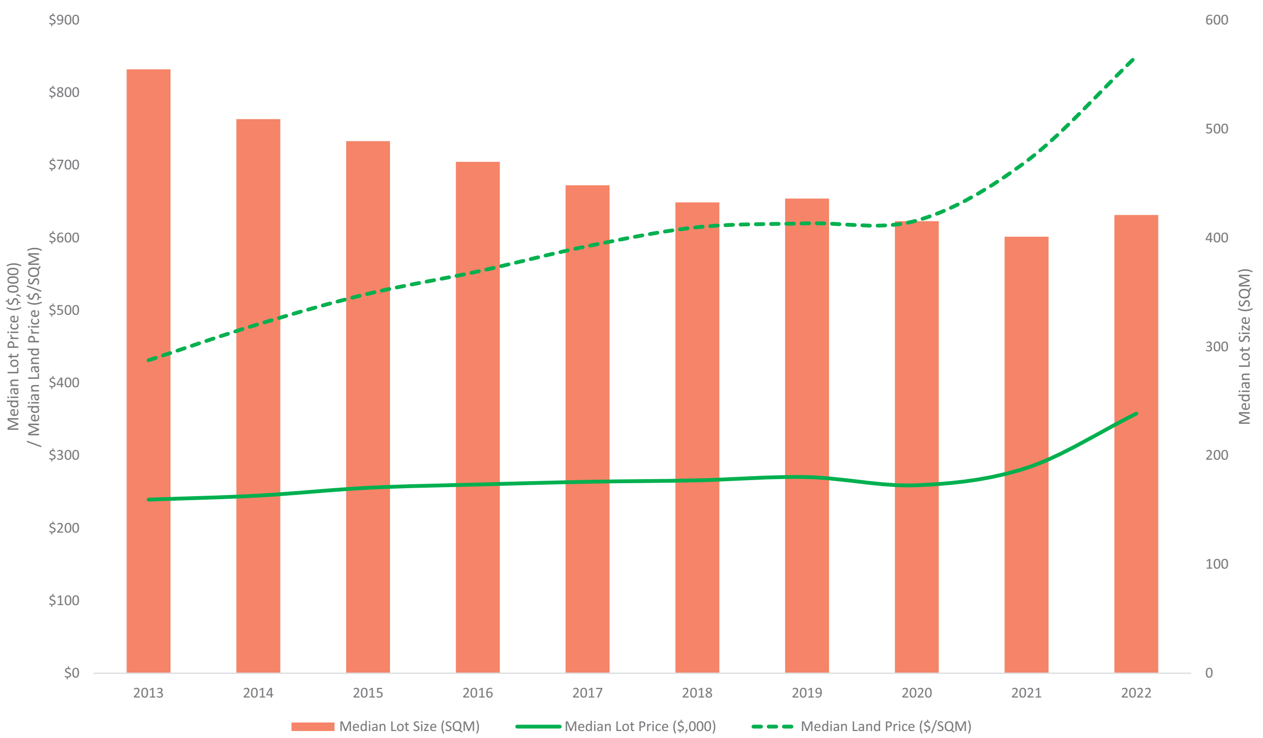
Greenfield Projects

- There was an average of 100 active trading estates across the year which represents a drop of 22% from 2021. In the March quarter just 94 projects recorded sales reflecting a broad array of projects which completed trading across the year.
- Research4 observed that the SEQ market recorded 63 new estates for the year with an average capacity of 198 lots. The rate of new replacement estates for the 2022 year was just below the long running average of 78 estates per annum.

Greenfield Land Prices and Values

- SEQ's average annual median lot price lifted by 26% across 2022 to $358,000, with most of the growth coming in the June quarter with the median lot price recorded at $360,468.
- 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 2022 year has seen land prices increase on average by 1.2% per quarter, making the year the highest on record.
- 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 lifted by 5% across 2022 to 421 sqm, which is bouncing back after the retraction seen over the last three years.
- The increase in median lot sizes across 2022 helped deliver a 20% increase in the average land rate to $850 per sqm which is 55% more affordable than Sydney and 22% more affordable than Melbourne.

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)
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	17,283	128	401	$283K	$705
2022	8,257	100	421	$358K	$850

Source: UDIA; Research4

RESEARCH PARTNER: RESEARCH 4 GREENFIELD OUTLOOK 2023

The performance of the SEQ Greenfield market for the December quarter was not expected. It was expected that activity would not reduce but increase. The Q4-22 result was 34% below the modelled low point of underlying demand. The current modelled under supply of new land will add to the existing volume of unmet demand which in turn will increase the pressure on the rental market and also the Greenfield market over 2023.

The facts are that the level of stock in the market remains very low, production levels are at a low point and continue to fall, albeit the clearance rate remains sub 100 percent, modelled demand is going unmet and the price for a block of land relative to house pricing is undervalued.

In summary, a lack of confidence in both the capacity to buy and the capacity to deliver is influencing the performance of the market. Developers are risk averse while at the same time customers are risk adverse. While these two risk profiles are being played out, demand is going unmet, meaning that the seeds are being sowed for a pronounced upswing at some point over the next 24 months.

It should be noted that the purchasing capacity of the SEQ Greenfield customer is mixed. The high-volume markets such as Logan and Ipswich have tended to be more price sensitive, while the coastal markets have been able to tap into the bigger purchasing budgets.

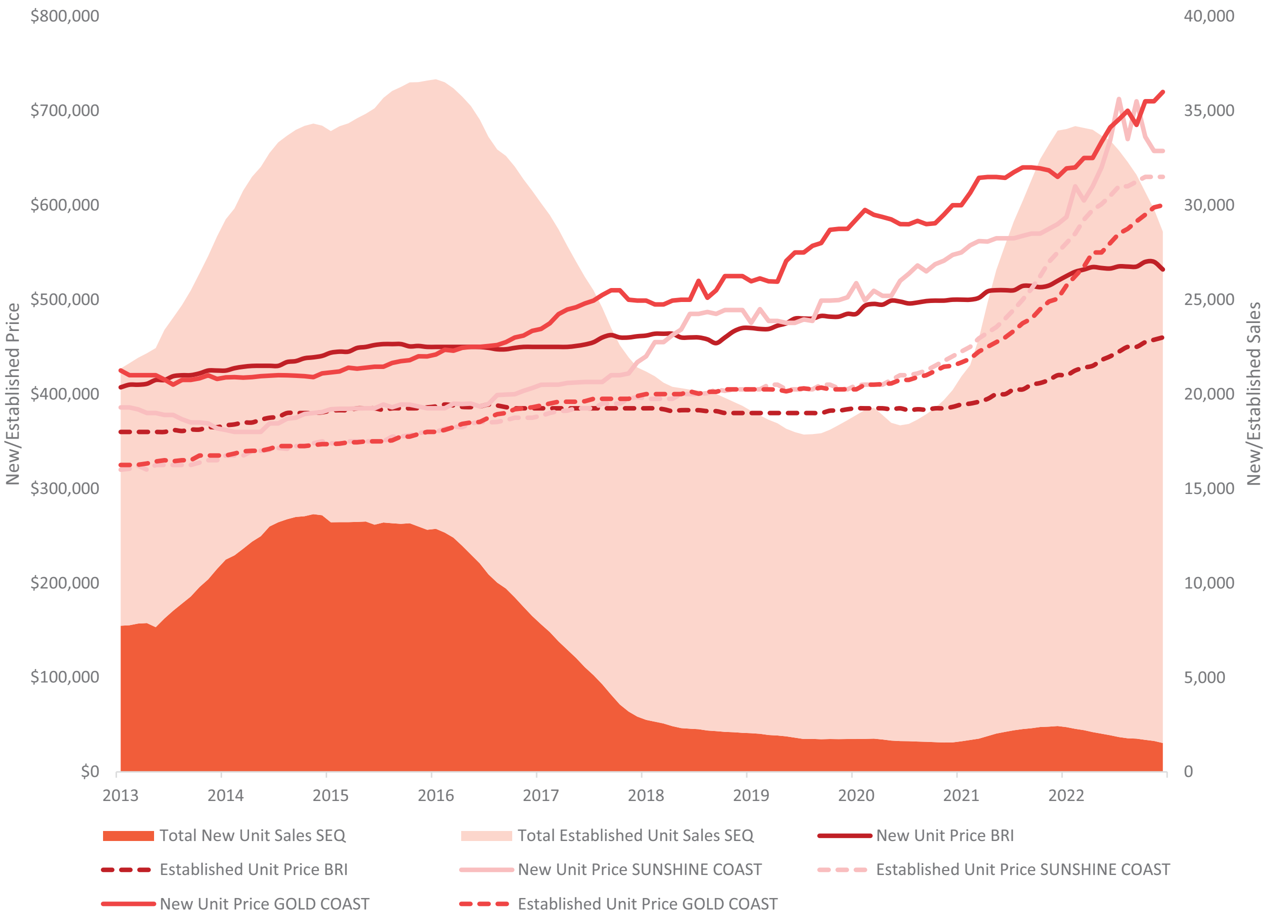
SOUTH EAST QUEENSLAND

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- Sale volumes of newly built apartments and townhouses remained at a depressed level across 2022, with just 1,186 settled sales transacted across Greater Brisbane. This is 77% below the decade average and 90% below the peak achieved in 2014.
- Sales of new units represented just 7% of all unit sales activity across 2022, 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

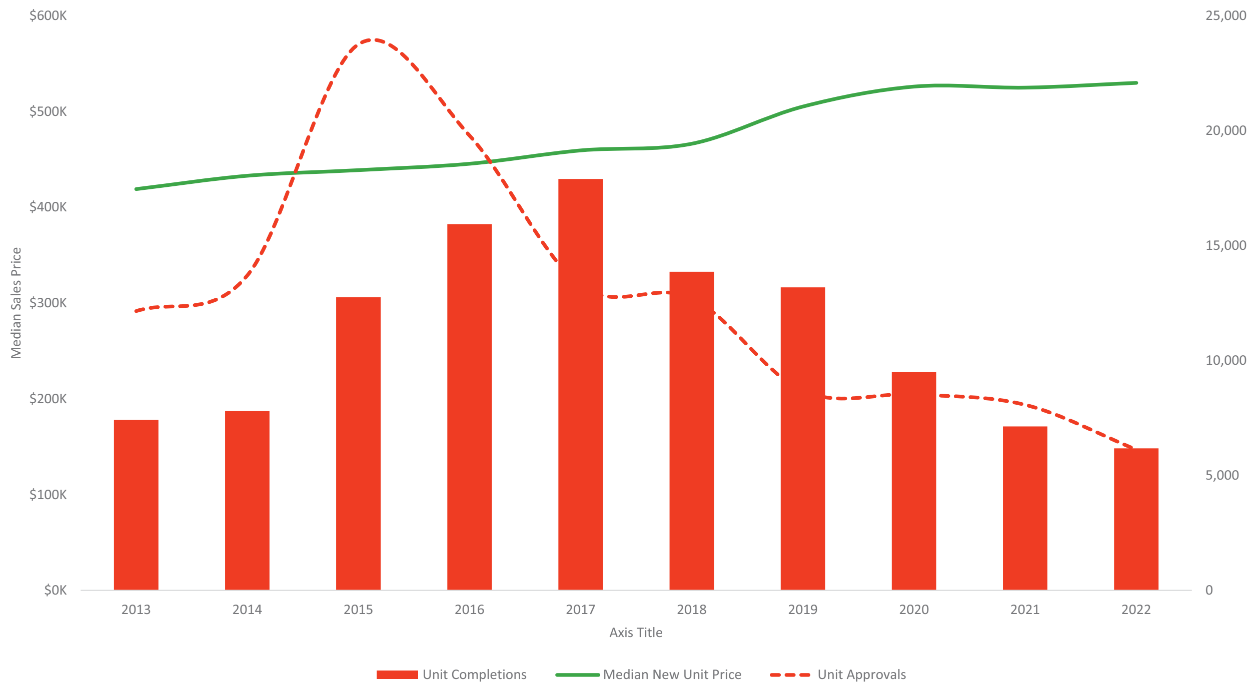
Median Unit Pricing

- The median sale price of new units grew by 1% across the year in Greater Brisbane to $530,000, which reflects a 15% 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 17% more affordable than Melbourne's median unit price point.
- The current median sale price of new units is currently 24% more affordable than the median price 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.

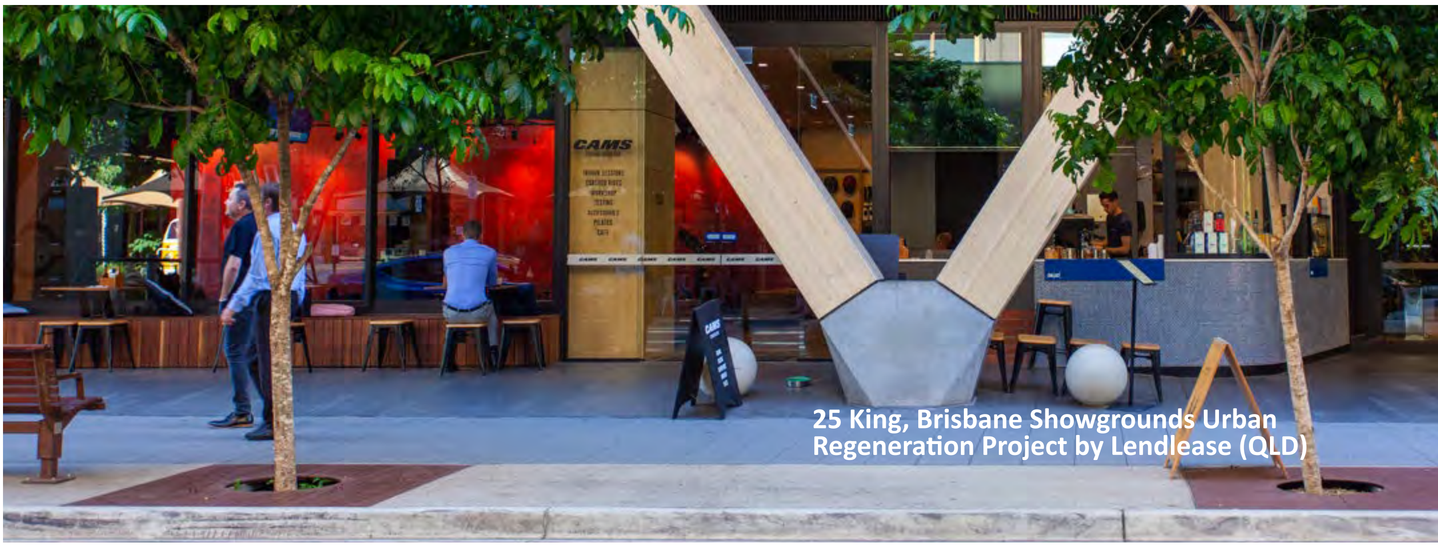
Construction Activity

- There were 6,180 new multi-unit dwellings completed across SEQ in 2022. This is an annual decline of 13% on 2021 completions, and a 65% decline on the historic high achieved in 2017.
- In 2022 the majority of SEQ's new apartment supply was completed within a 5km band of the Brisbane GPO (32%) and on the Gold Coast and Sunshine Coast (24%).
- 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 4102, 4101 and 4213, which are located in the Gold Coast and Brisbane respectively.

Median New Unit Price & Annual Unit Completions



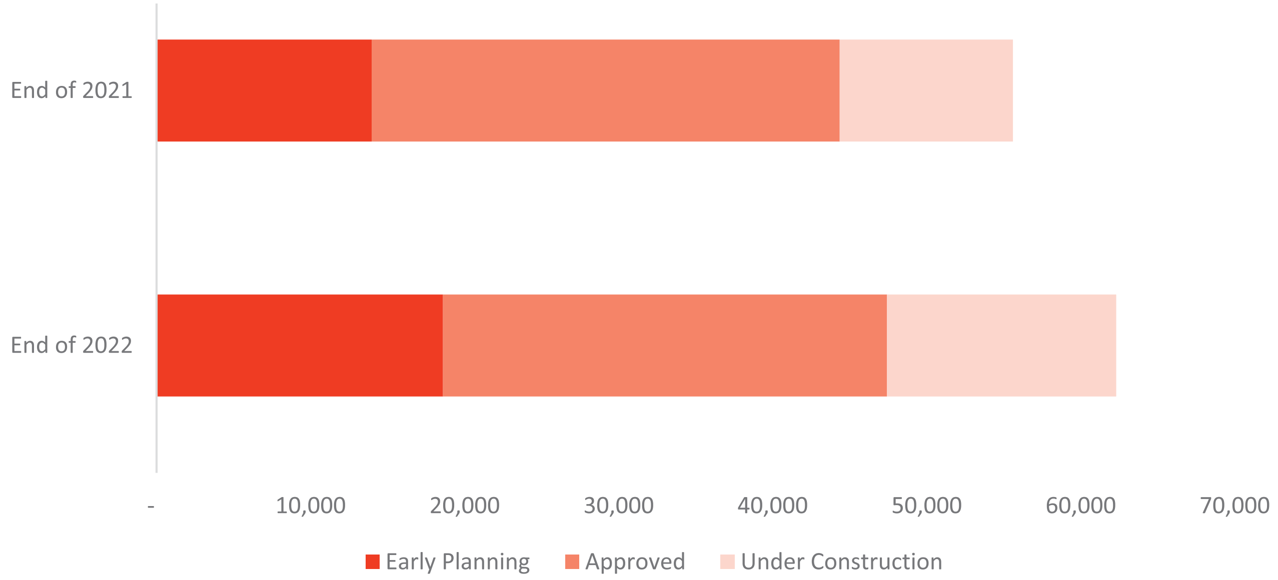
Source: UDIA; CoreLogic



25 King, Brisbane Showgrounds Urban Regeneration Project by Lendlease (QLD)

SOUTH EAST QUEENSLAND

Multi-Unit Active Pipeline Analysis



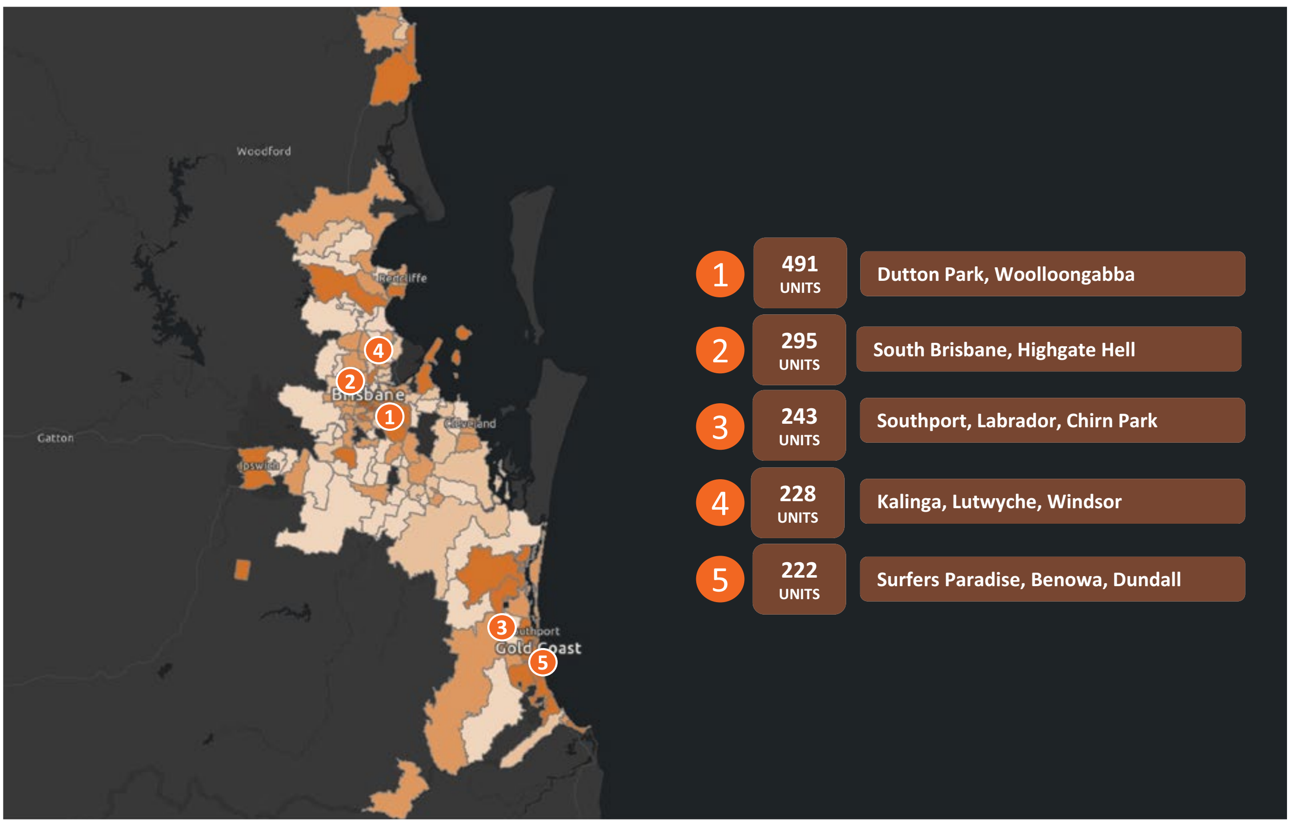
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic has produced point-in-time estimates of the multi-unit pipeline based on a December 2021 and December 2022 snapshot of the market leading Cordell Construction database.

- This data analysis reveals that there is an aggregate total of 62,308 units in the SEQ active pipeline, which is 12% higher than the supply recorded in December 2021.
- This active supply is made up of units in the early planning phase (up 33% from 2021), units which have received approvals (down 5% from 2021) and units under construction (up 32%).

Multi-Unit Completions by Postcode



Source: UDIA; CoreLogic

Multi-Unit Market Performance Summary Table

	New Unit Sales SEQ	Median New Unit Price BRI	Established Unit Sales SEQ	Established Unit Sales Price BRI	Unit Approvals	Unit Completions
2012	7,722	$405K	13,457	$359K	-	-
2013	10,746	$425K	17,599	$365K	12,152	7,418
2014	13,589	$441K	20,622	$381K	13,703	7,803
2015	12,815	$450K	23,783	$386K	23,760	12,751
2016	8,249	$450K	22,516	$385K	19,786	15,933
2017	2,926	$461K	18,486	$385K	13,254	17,902
2018	2,068	$470K	17,314	$380K	12,720	13,865
2019	1,743	$485K	16,882	$385K	8,675	13,185
2020	1,559	$500K	18,652	$387K	8,526	9,493
2021	2,427	$520K	31,523	$420K	8,073	7,135
2022	1,532	$532K	27,072	$460K	6,125	6,180

Source: UDIA; CoreLogic

Sub-Market Analysis

- The majority of 2021 apartment sales activity in Southeast Queensland occurred in Brisbane City and The Gold Coast, with 12,291 and 8,655 apartment sales respectively.
- This was followed by the Sunshine Coast with 2,397 sales and Moreton Bay with 2,198 sales.
- These regions also fared best in terms of price, with the Gold Coast, Sunshine Coast and Brisbane City remaining stable over the year.

RESEARCH PARTNER: CORELOGIC'S 2023 OUTLOOK

Queensland

Through the COVID period, Queensland dwelling values saw one of the strongest uplifts in value of the states and territories, increasing 42.2% between March 2020 and June 2022. Since values peaked in June last year, home values have now seen the third-largest decline from peak, at -9.3% (behind a -12.3% fall in NSW, and a -9.6% fall from peak in Tasmania). Queensland dwelling values saw a considerable surge in internal migration over the pandemic period, so market conditions are likely adjusting to a normalisation in migration trends to pre-pandemic levels, as well as a steep cash rate hiking cycle. Rent values generally remain elevated, with Brisbane unit rents in particular seeing continued momentum, up 15.6% in the past 12 months.

There are several tailwinds for longer-term capital growth prospects in parts of the Queensland housing market. These include persistently positive interstate migration (as median dwelling values remain -27.4% lower than in NSW, and -10.4% lower than in Victoria), a surge in overseas arrivals boosting tourism-based markets, and the growth and development associated with the 2032 Olympic Games in Brisbane.

SOUTH EAST QUEENSLAND

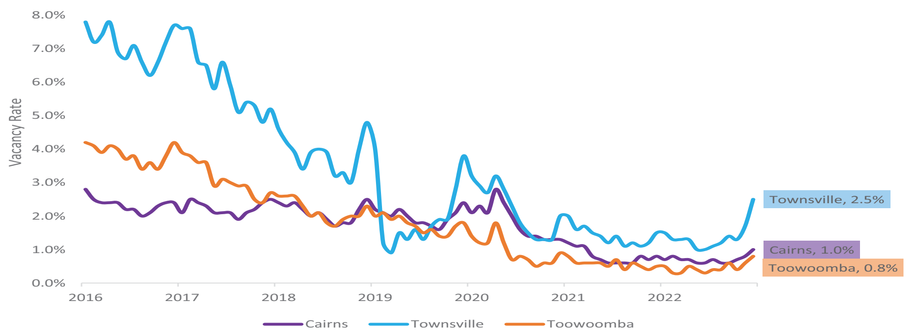
SPOTLIGHT ON THE REGIONS

	House Approvals		Multi-Unit Approvals		New House Sales		New Multi-Unit Sales		Vacancy Rate (Houses)			
Greater Brisbane	16880	9% ↓	6125	24% ↓	9586	28% ↓	1186	35% ↓	Dec-21	1.8%	Dec-22	1.3%
Regional QLD	7136	23% ↓	7996	3% ↓	12054	19% ↓	859	31% ↓	Dec-21	1.6%	Dec-22	1.4%
Cairns	719	28% ↓	126	320% ↑	634	27% ↓	75	14% ↑	Dec-21	0.8%	Dec-22	1.0%
Toowoomba	880	19% ↓	144	36% ↑	816	15% ↓	75	36% ↓	Dec-21	0.5%	Dec-22	2.5%
Townsville	721	32% ↓	103	178% ↑	1287	14% ↑	98	10% ↑	Dec-21	1.5%	Dec-22	0.8%

Source: UDIA; CoreLogic; ABS; SQM

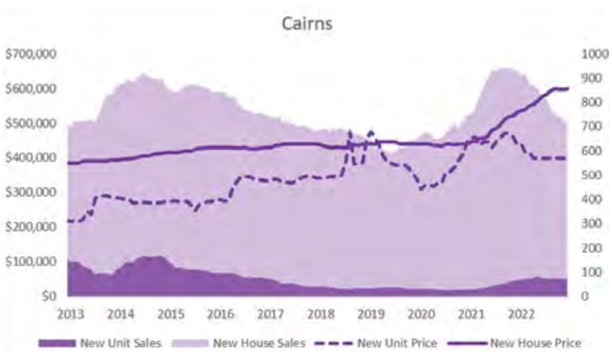
- Regional Queensland has followed a similar trajectory of declining residential activity and momentum as the SEQ mega-region across 2022. Regional Queensland's sales of both detached and multi-unit stock have plunged to decade lows and detached house approvals have been trending downward.
- In the regional spotlight cities new house sales have been soft across the year with Cairns (-27%) and Toowoomba (-15%) recording retraction in annual house sale volumes with Townsville recording a lift in sales of both detached and multi-unit stock, albeit off a low base.
- Despite the declining direction of market activity vacancy rates have eased across Cairns and Toowoomba, while tightening to 0.8% in Townsville.

Vacancy Rate



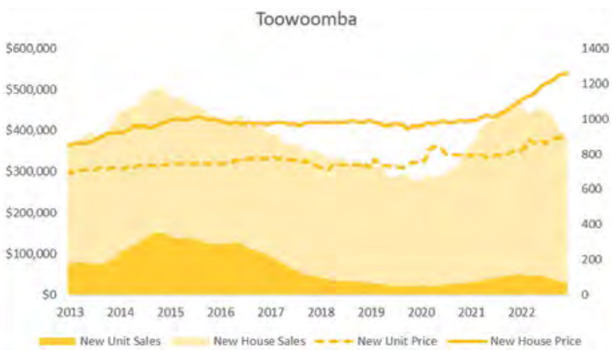
Source: UDIA; SQM

New Unit - Houses Sales and Price



Source: UDIA; CoreLogic

Source: UDIA; CoreLogic



Source: UDIA; CoreLogic

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

Queensland community is experiencing an affordability crisis with high home prices and record low rental availability. Approved lot supply is well under what is required to meet demand for the SEQ region.

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 inadequate staff to undertake the work. Drawing in new workers to assist is often a catch 22 situation with workers unable to find accommodation.

Rental vacancy rates remain at record lows and existing timelines for projects and individual home construction is continuing to increase.

At the same time, a range of regulatory changes are being mooted. Changes to legislation around Management Rights, Home Warranty Scheme, Seller Disclosure requirements, Sunset Clauses, and Manufactured Home Park settings are under discussion. Changes are also in the air for environmental laws including the *Environment Protection and Biodiversity Conservation Act*, while the industry faces challenges in housing delivery by local government and utility agency staff shortages. The industry is also challenged by the spectre of potential additional regulatory change through the Review of the Role of the Property Developer.

State Policy Priorities

UDIA Queensland is ever active in these challenging times calling for a three year pause on the wide sweep of legislative and regulative changes currently in train in Queensland so that industry can get on with urgently delivering existing and upcoming projects. UDIA Queensland has been successful in achieving a State Government intervention with the Premier's Housing Summit and start on a review of the South East Queensland Regional Plan so that housing is delivered in line with population growth and the looming Olympic and Paralympic Games in 2032.

Future Prospects

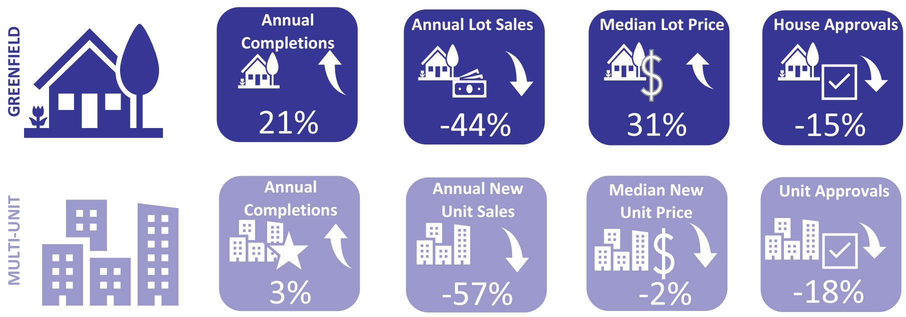
UDIA Queensland will continue to work with both State and local government to progress discussions on a range of issues which are constraining the delivery of housing across the state. We remain hopeful of implementation outcomes from the Housing Summit that included build to rent initiatives, better land supply assessment, and the UDIA Queensland's initiative to assist those squeezed out by the current housing affordability crisis through the creation of a Shared Equity Scheme.

Harmony by AVID Property Group (QLD)

SYDNEY

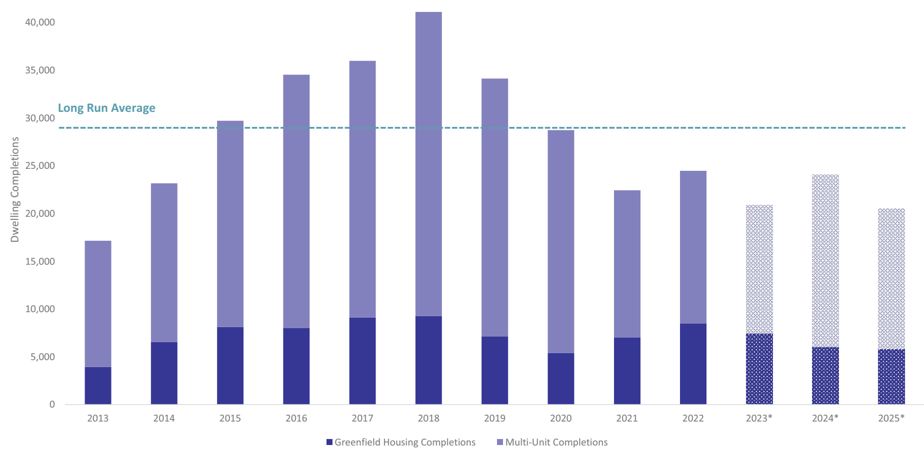

Catherine Park Estate by Harrington Estates (NSW)

SUMMARY



- Sydney's new home market trended sharply down across various metrics in 2022 led by a cliff-fall in greenfield land sales (-44%) and multi-unit sales (-57%).
- Greatly reduced consumer sentiment driven by rising interest rates underpinned the softened demand profile for new build dwellings across the 2022 calendar year.
- The moderation of dwelling sales performance in greenfield markets also relates to a market normalisation phase following the significant up-swing in demand on the back of the HomeBuilder government stimulus across 2020 and 2021.
- Land supply constraints also played a role in the diminished sales performance in Sydney's greenfield corridors in 2022, with rising levels of unmet demand driving a sharp 31% increase in the median lot price.
- A combined total of circa 24,450 new dwellings were completed in 2022 across the sectors, driven by greenfield markets increasing 21%. This reflects a 9% increase from new dwellings added in 2021 but is 41% below the peak supply achieved in 2018.
- A further drop in Sydney's new residential supply completions[1] is forecast in 2023 to around 20,500 dwellings, driven by further contraction in multi-unit production.

New Residential Market Supply



Source: UDIA; Research4, Core Logic, ABS

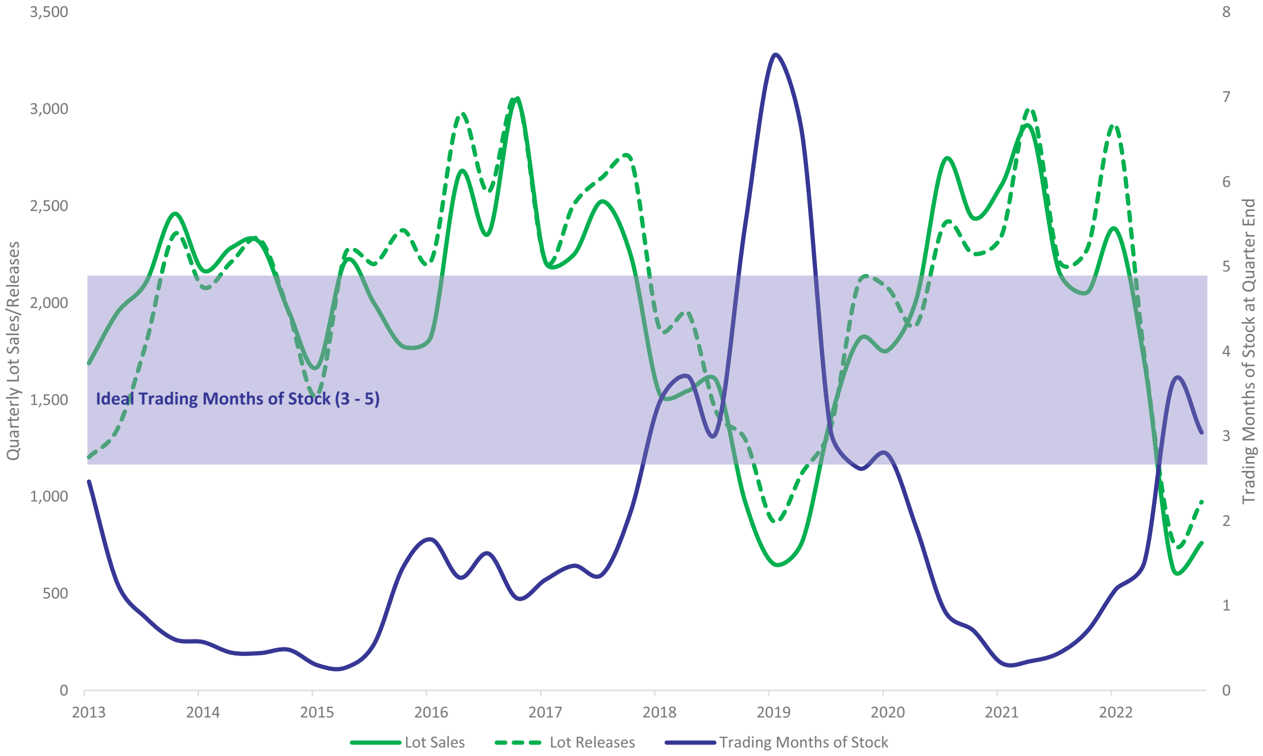
1 These forecasts include estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered by State of the Land reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely to be lower than actual realised new supply.

ANNUAL GREENFIELD ACTIVITY

Sales and Release Activity

- The Sydney greenfield market recorded a significant 44% decrease in annual land sales in 2022 to record 5,459 sales. The September quarter posted 628 sales, the lowest quarterly result since December 2009.
- In the March quarter there was an average of 793 sales per month. This resulted in a 18% decrease from the June 2021 quarter, and then dramatically dropped to 209 and 253 sales per month for the last two quarters of 2022.
- There was a total of 6,374 annual releases which was 35% lower than 2021, with the average quarterly release of 1,594 being 27% lower than the decade average. While releases were particularly high in first quarter of the year and slightly decreased during second quarter (2,913 in March and 1,719 in June), industry confidence fell significantly through the second half of the year recording a three-year low of 769 and 973 sales.

Greenfield Market Activity



Source: UDIA; Research4

DEVELOPER INSIGHT

Patrick Elias
CEO of Urban Property Group

After the obvious challenges faced over 2020 and 2021, the development and construction sector in Sydney faced 2022 with renewed hope. Although increasing house prices got the year off to a strong start, apartment prices remained stagnant, construction costs rose, resource constraints remained a major hurdle, and the planning system remained a bureaucratic minefield to navigate. The ability to secure development approvals in NSW hit an all-time low, and a robust delivery timeline was difficult to construct.

The story going forward appears more balanced. Threats to housing supply are now front and centre, with both sides of NSW politics acknowledging the need to improve supply to mitigate the economic and social impacts of rising rents. The demand for new housing, particularly apartments in infrastructure hubs, is more evident than ever and likely to grow with increased migration. While rising interest rates have seen a drop in prices, the latent demand is likely to drive appropriate price growth once interest rates stabilise and buyer confidence returns. With the benefit of appropriate government policy, we look forward to a more productive 2023.

SYDNEY

Stock Levels

- At the close of the December quarter 2022 the number of residential lots on a price list was equal to 3.0 months of demand.
- Stock levels returned to the 'ideal trading band' of 3 – 5 months worth of stock in the September quarter. This was first time the stock of available lots had been in this balanced trading band since the September quarter of 2019.

Greenfield Projects

- There was an average of 81 active trading estates across the year which represents an uplift of 24% on 2021. In the December quarter 85 projects recorded sales reflecting a broad recovery of projects which completed trading in the second half of the year.
- While there was an uptick in the number of active estates trading across the year, the majority of the new estates were small in scale, with Research4 estimating the majority of the new estates were only around 60 lots in size.

Greenfield Land Prices, Lot Sizes and Values

- Sydney's median lot price lifted 31% across 2022 to $716,000, 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.
- Sydney's median lot price represented 53% of the established market median house price of $1.35m in the December quarter, which is widening the gap to the long run average of 43%.
- The median lot size increased by 8% across 2022 to 378 sqm which re-positioned Sydney from having the smallest block sizes in 2021 to third place behind Melbourne and Perth.
- The contraction in median lot sizes across 2022 helped deliver a 21% increase in the average land price to $1,897psm, which is 74% higher than Melbourne – the nation's second most expensive land market.

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

Source: UDIA; Research4

Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
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	9,735	65	350	$548K	$1,568
2022	5,459	81	378	$716K	$1,897

Source: UDIA; Research4

RESEARCH PARTNER: RESEARCH 4 SYDNEY GREENFIELD OUTLOOK 2023

The Sydney Greenfield market's significant drop in activity levels is largely being driven by issues pertaining to affordability and consumer confidence.

Current sale volumes are 20% below modelled levels of demand. A significant proportion of local demand is unable or has been excluded from participating in the market. With demand going unmet, greater pressure is being exerted upon the rental market.

The markets price points are now significantly out of step with the broader housing markets price points. There is no sign that this setting will change over the short term. House prices are unlikely to experience any real growth over 2023, therefore shifting the management of land pricing onto the Development industry i.e. instead of waiting for house prices to lift which in turn would mitigate the need to drop land prices, Developers may need to either cut prices and or introduce smaller land product.

2023, will be defined by affordability and price point. Providing incentives to end users will not suffice. Bringing the lot price down to align with the lower levels of capacity will require smaller land sizes. Competitiveness will be won and lost on product mix for the 2023 year.

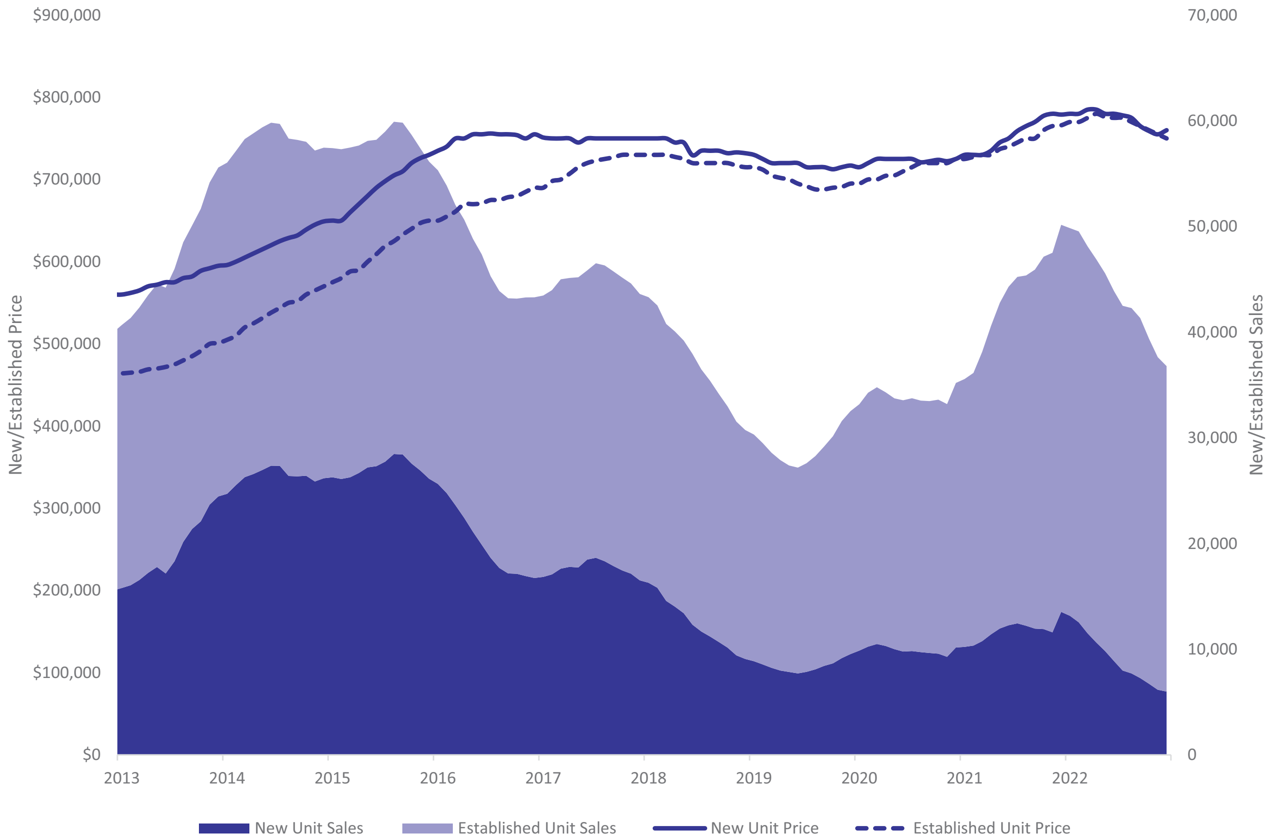
SYDNEY

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- Settled sales of new multi-units across Greater Sydney plummeted by 57% in 2022, averaging just 500 a month. The total annual volume of 5,994 sales reflected an annual output down 64% 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 more modest reduction in established market unit sales, down 16% across the year. This indicates a consumer preference for finished stock, and the robustness of overall underlying demand for attached and semi-detached stock across Sydney.

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



Source: UDIA; CoreLogic

The Paper Mill Precinct by Coronation Property (NSW)

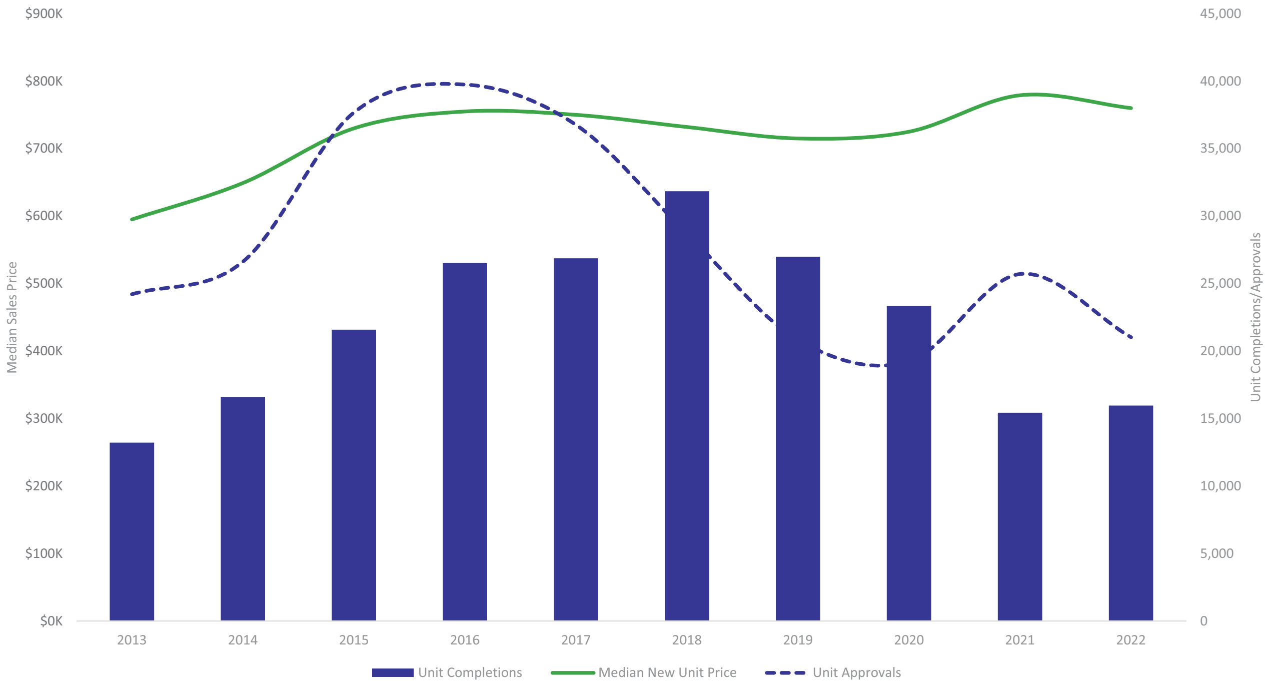
Median Unit Pricing

- The underlying demand for new units is emphasised by the median sale price falling just 2% across the year, establishing a median price of $760,000.
- Sydney's newly constructed units remain the most expensive in Australia, with the median new sale price currently 18% higher than Melbourne and 33% higher than the combined capital city average.
- The current median sale price of new units is 41% more affordable than the median value for new houses, which is more than two times higher than the long-term average difference of 19%. This represents a potentially positive retail proposition for the multi-unit market – particularly for first home buyers.

Construction Activity

- There were 15,966 new multi-unit dwellings completed in Greater Sydney in 2022 which while representing a modest annual increase of 3%, is a 50% decline on the historic peak supply of 31,840 units achieved in 2018.
- Sydney's completed multi-units represented 35% of the combined capital city aggregate supply in 2022, which was roughly on parity with the long-term average proportional share.
- Approvals for multi-units fell by 18% across the year and commencements fell by 27%, underscoring a prolonged period of reduced supply that lies ahead.
- Examination of the geographic spread of multi-unit activity reveals a remarkable 46% of all new multi-unit dwelling completions in Greater Sydney occurred between 20km and 50km from the Sydney CBD.
- However, the concentration of units within the 10km to 20km geographic bands highlights the ongoing significance of multi-unit development in the middle ring corridors and key centres including Greater Parramatta, Macquarie Park and Rhodes.

Median New Unit Price & Annual Unit Completions

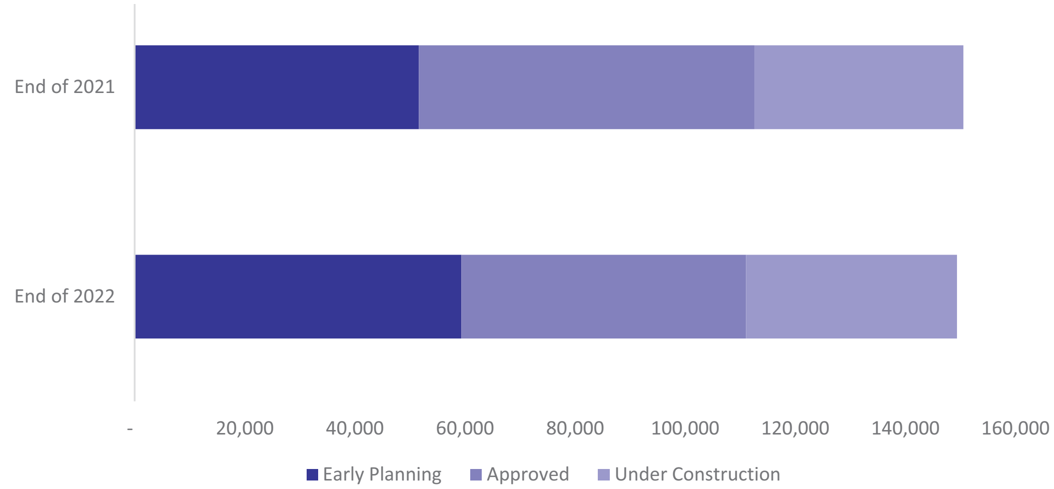


Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis

Data Note: CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2021 and a December 2022 snapshot of the industry leading Cordell Construction database.

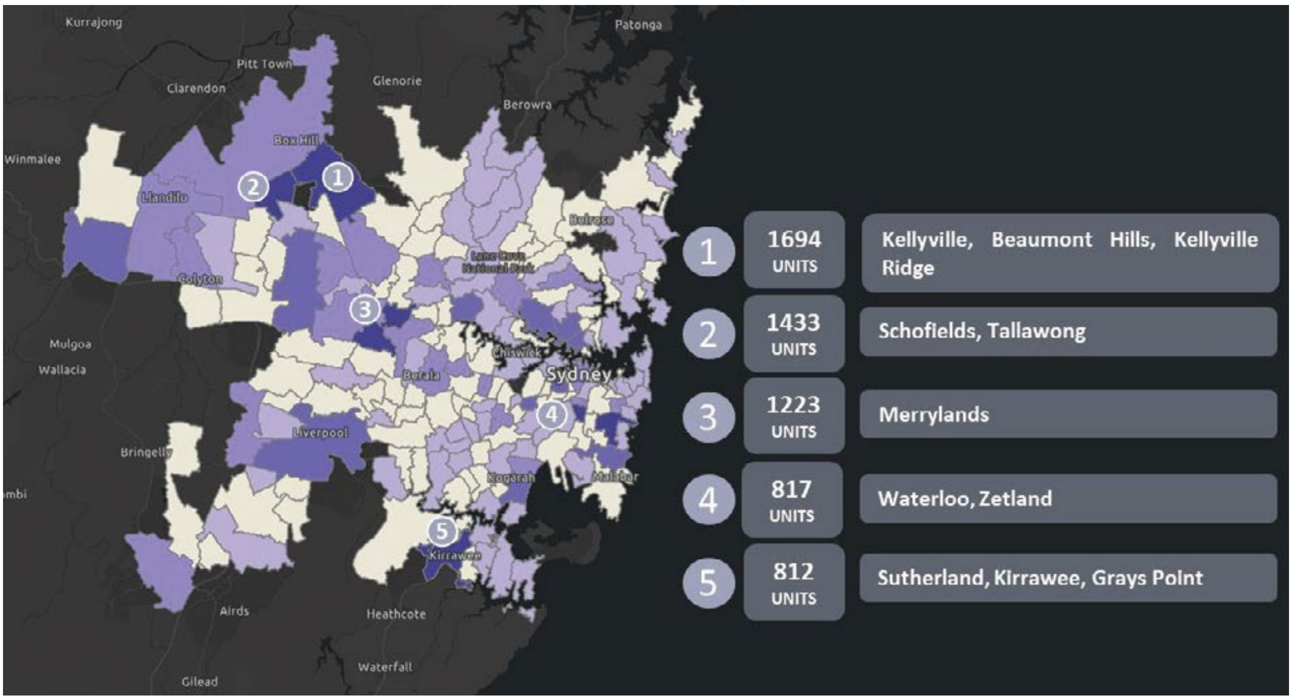
- The data analysis reveals that the total active multi-unit pipeline in Greater Sydney is 149,377 units, which is just 1% lower than the supply pipeline recorded in December 2021.
- This pipeline is made up of units in projects at the early planning phase (up 15% from 2021), units in projects which have received approvals (down 15% from 2021) and units under construction (up 1%), giving a weaker supply outlook.



Source: UDIA; CoreLogic

- The annual number of units in the deferred or abandoned category remained steady in Greater Sydney, which indicates that the number of speculative/marginal projects that were contemplated through the strong market period of 2014 to 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 Completions by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- Blacktown had the most new multi-unit completions (by LGA) in Greater Sydney, with 1,937, reflecting an 113% annual uplift, followed by The Hills Shire with 1,826 and Cumberland with 1,572 new units.
- The City of Parramatta recorded the most new multi-unit sales (by LGA) in Greater Sydney, with 797 settled sales at a median sale price of $715,000. This was followed by Blacktown with 708 new unit sales (median sale price $600,000), the City of Sydney with 455 sales (median sale price $1,020,000) and Ryde with 353 sales (median sale price $938,000).

Multi-Unit Market Performance Summary Table

	New Unit Sales	Median New Unit Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2012	15,073	$565K	24,981	$465K	-	-
2013	23,908	$599K	32,130	$505K	24,212	13,219
2014	26,788	$650K	32,117	$571K	26,626	16,607
2015	28,557	$736K	30,613	$650K	37,678	21,591
2016	19,410	$755K	27,251	$690K	39,749	26,516
2017	19,940	$750K	27,828	$730K	36,761	26,879
2018	10,830	$735K	22,286	$715K	28,701	31,844
2019	10,645	$725K	23,899	$692K	20,834	26,994
2020	11,438	$725K	25,169	$725K	19,240	23,346
2021	13,872	$779K	36,634	$766K	25,712	15,432
2022	5,994	$760K	30,796	$750K	21,026	15,966

Source: UDIA; CoreLogic

RESEARCH PARTNER: CORELOGIC'S 2023 OUTLOOK

New South Wales

NSW home values have seen the largest decline from peak of the states and territories, falling -12.3% between April 2022 and February 2023. This was led by a -13.5% decline in Sydney home values, and there was a smaller -10.1% fall in regional NSW home values. Sales volumes have also seen more extreme cyclical movements, down -30.4% year-on-year compared to a -21.4% fall nationally.

While NSW home values have led price falls, the Sydney housing market showed some signs of stabilising in February, as values increased 0.3%. With further rate rises expected over the year, the positive result for February may not be repeated in the short term. Instead, the market is expected to stabilise later in 2023, or in early 2024, as the cash rate stabilises. A tailwind for the NSW housing market includes a strong return in overseas migration, particularly to Sydney. Relatedly, strong ongoing demand in the rental market may place a floor under price falls. Recent changes to stamp duty for first home buyers will likely also have a positive impact on demand from this cohort.

SYDNEY

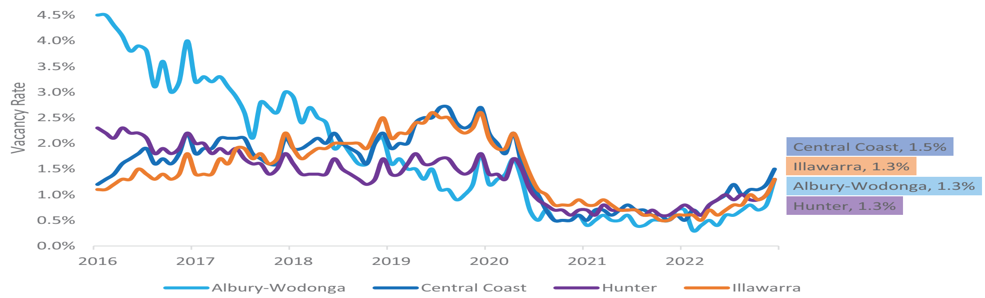
SPOTLIGHT ON THE REGIONS

	House Approvals		Multi-Unit Approvals		New House Sales		New Multi-Unit Sales		Vacancy Rate (Houses)			
Greater Sydney	**15306**	15% ↓	**21026**	18% ↓	**8241**	43% ↓	**5994**	57% ↓	Dec-21	3.1%	Dec-22	1.7%
Regional NSW	**11589**	13% ↓	**4328**	19% ↓	**8994**	40% ↓	**1091**	60% ↓	Dec-21	1.2%	Dec-22	1.5%
Albury-Wodonga	**688**	38% ↓	**67**	116% ↑	**297**	42% ↓	**19**	62% ↓	Dec-21	0.7%	Dec-22	1.3%
Hunter	**3310**	3% ↑	**1330**	36% ↓	**1764**	37% ↓	**251**	59% ↓	Dec-21	0.7%	Dec-22	1.3%
Central Coast	**800**	20% ↓	**598**	75% ↑	**643**	36% ↓	**151**	49% ↓	Dec-21	0.6%	Dec-22	1.5%
Illawarra	**1578**	15% ↓	**1644**	11% ↑	**948**	44% ↓	**282**	51% ↓	Dec-21	0.6%	Dec-22	1.3%

Source: UDIA; CoreLogic; ABS; SQM

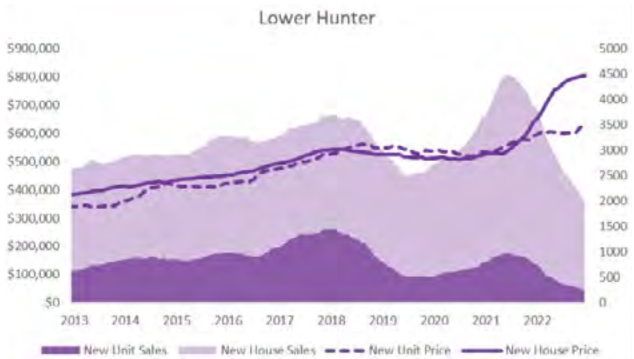
- Regional NSW has followed a similar trajectory of declining residential activity and momentum as Greater Sydney across 2022. Regional NSW sales of both detached and multi-unit stock have plunged to decade lows, with approvals also trending sharply downward.
- In the regional spotlight cities, new house sales have been soft across the year with the Illawarra (-44%) and Albury Wodonga (-42%) recording particularly strong reductions in sales volumes.
- Despite the declining direction of market activity vacancy rates have eased across the spotlight cities, indicating the city-to-bush migration evidenced across the COVID era may be easing.

Vacancy Rate

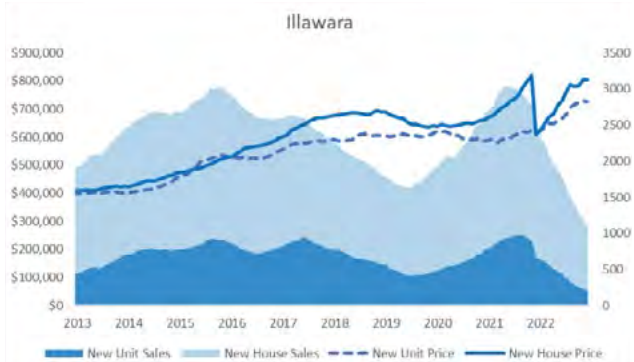


Source: UDIA; SQM

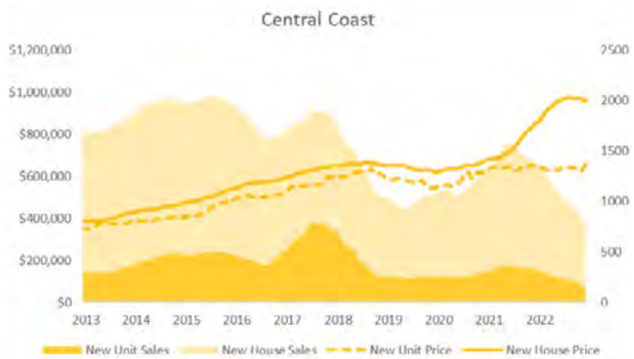
New Unit - Houses Sales and Price



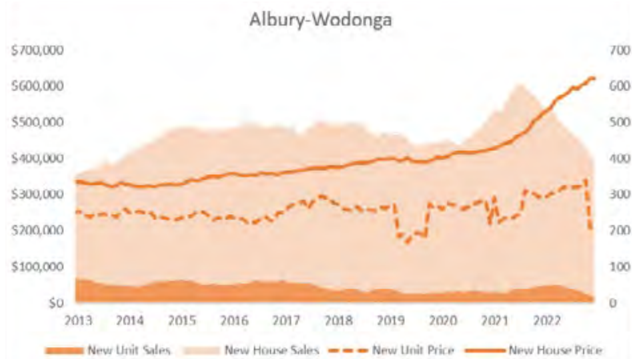
Source: UDIA; CoreLogic



Source: UDIA; CoreLogic



Source: UDIA; CoreLogic



Source: UDIA; CoreLogic

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

NSW is facing a deepening housing supply and affordability crisis, the worst of all Australian markets. While houses prices have begun to retract on the back of inflationary pressures and increasing interest rates, prices remain above pre-COVID levels and NSW continues to have the most expensive housing in Australia.

We continue to see demand far outstripping supply across all areas, evidenced by rents escalating by over 14% in the last year and record low vacancy rates of 1% and lower. This is likely to be exacerbated as international migration ticks back up and overseas students return, with NSW set to take the highest proportion of this intake. Coupled with ongoing challenges faced by developers, especially in the apartment market, we are concerned that without immediate government attention this crisis will spiral out of control.

Industry have weathered significant challenges over the recent years, however the outlook appears equally daunting. The impacts from the pandemic on supply chains, material costs and resourcing constraints continue to be felt by industry and these challenges are expected to persist for the remainder of 2023.

State Policy Priorities

The policy priorities for NSW are squarely focused on lifting the supply of housing across the entire housing continuum from social and affordable, through to market (detached and apartments), as well as the burgeoning build-to-rent sector and everything in between (seniors, student, first home buyer, residential care, etc.). It is recognised that without boosting supply across the entire continuum we will not tackle the structural deficiency in housing in NSW.

Lifting the supply of housing and delivering on the National Housing Accord is the central tenant of the UDIA NSW Election Manifesto - Lets Tackle the Housing Shortage in the run up to the NSW State Election on 25 March 2023. UDIA are calling on all political parties to commit to delivering NSW's fair share of the Accord, being 300,000 new and well-located homes over five years. To deliver on this ambition we have identified five key policy areas that need to be improved. These are:

- Improving the NSW planning system with a focus on coordination and delivery.
- Creating a development ready pipeline and better integrating strategic land use and transport planning.
- Deliver better Urban Development outcomes by improving processes and governance with a focus on precinct delivery.
- Placing downward pressure on house prices and rents by boosting supply and incentivising private industry to build affordable housing.
- Mapping a viable framework and pathway for the development industry to achieve Net Zero, while still addressing the housing shortage.

While the State Election and subsequent Machinery of Government changes will remain the focus for the first half of 2023, there are several other policy areas that we will continue to advocate for, including, improving the sustainability and biodiversity framework, completing the now paused contributions reform agenda, addressing development on flood prone land and engaging with the Greater Cities Commission as they undertake the Six Cities Strategic Plan and initially a review of the Greater Metropolitan and District Plans in 2023.

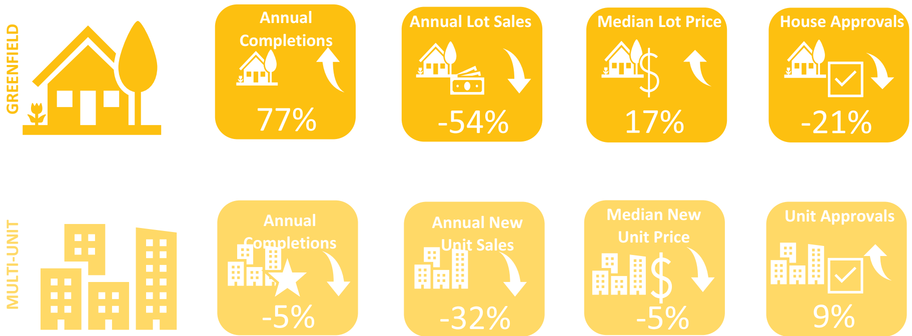
Future Prospects

Both major parties have acknowledged the need to deliver more housing as part of their respective election platforms. If aligned with the Federal Government's National Housing Accord, there appears a genuine opportunity to address housing supply in NSW in mixed tenure projects. However, the challenge remains to support supply now and provide incentives for affordable housing on private land. To do this, Government must acknowledge the significant headwinds that persist and immediately pull on all government levers to assist industry if we are to have any chance of boosting supply and placing downward pressure on prices and rents.

MELBOURNE

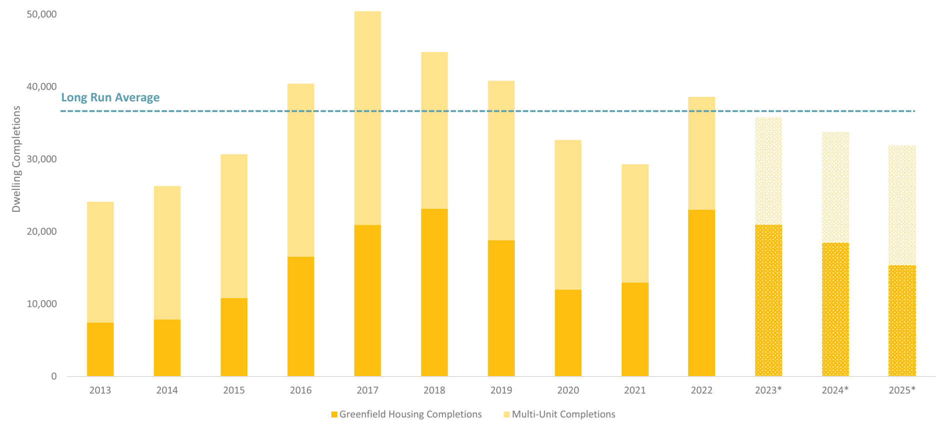
Howard West by
C Street Projects (VIC)

SUMMARY



- Melbourne's new home market registered a mixed 2022 with a sharp decline in greenfield land and multi-unit sales, counterbalanced by a strong uptick of detached house completions and strengthening multi-unit approvals.
- Greatly reduced consumer sentiment driven by rising interest rates underpinned the softened demand profile for new build dwellings across the 2022 calendar year.
- The moderation of greenfield sales performance also relates to a market normalisation phase following the significant pull-forward of demand due to government stimulus across 2020 and 2021.
- A combined total of circa 38,610 new dwellings were completed in 2022 across the greenfield release and multi-unit infill sectors. This reflects a 32% increase from new dwellings added in 2021 but is a 23% dip on the peak supply achieved in 2017.
- UDIA forecast that completed new residential supply[1] will retract by around 7% in 2023 to around 35,700 completions and will further decline marginally to ~33,700 completions in 2024 underpinned by record breaking land sales in 2021 converting to finished product.

New Residential Market Supply



Source: UDIA; Research4, Core Logic, ABS

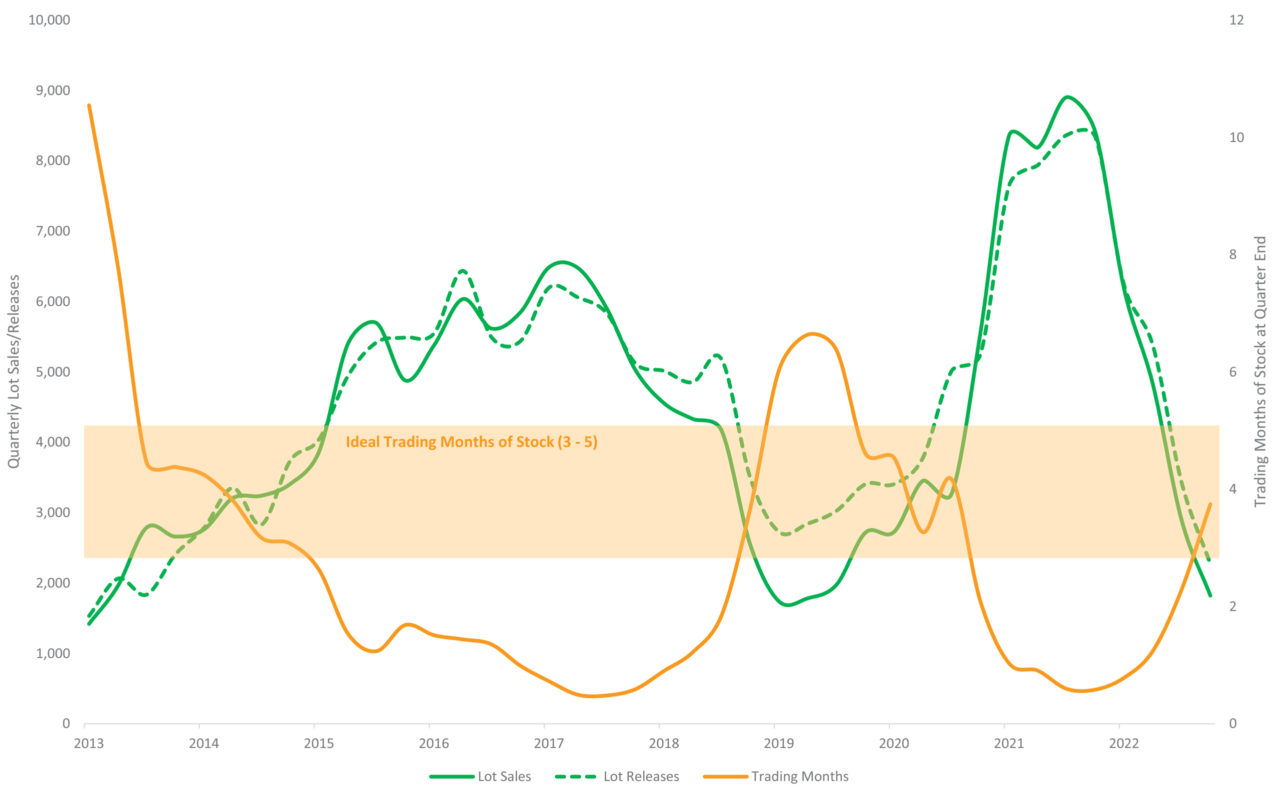
1 These forecasts include estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered by State of the Land reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely to be lower than actual realised new supply.

GREENFIELD MARKET ACTIVITY

Sales and Release Activity

- The Melbourne greenfield market recorded a marked decline in lot sales across 2022 to total 15,720 at an average contracted sale rate of 1,310 lots per month. While this annual sales volume is on par with the decade average the 2022 quantum is 29% lower than the average volumes achieved between 2015 and 2018.
- There was a total of 17,300 lots released across 2022 which reflected a 46% decrease on 2021 volumes as developers responded to a weaker demand profile as interest rates continued to ratchet up across the year.
- The Melbourne Greenfield share of total national capital city land sales since 2009 has averaged 35%. The share of total activity for the past year has averaged 35% with a closing quarter market share of 51%.

Greenfield Activity



Source: UDIA; Research4

DEVELOPER INSIGHT

Alicia Davidge
Head of Victoria, Communities at Lendlease

While Melbourne's property market has experienced varied and often uncertain market conditions, it remains moderate as demand continues for masterplanned communities which offer an affordable opportunity compared to the established market.

Buyers continue to be attracted to a 'flight to quality' during downturns in the market cycle and quality house and land options in masterplanned communities around Melbourne still offer great long-term value. They provide a connection to a lifestyle that customers can aspire to at a price point they can afford which is essential as we enter this next market cycle.

With the rental market soaring to record highs, as much as 20 per cent in a year, house and land packages are still an attractive option when compared housing in Melbourne's inner-city ring, making the home buying calculations in growth area communities stack up.

Government incentives for first home buyers also continue to keep the interest buoyant.

MELBOURNE

Stock Levels

- As of December 2022, the number of residential lots on a price list was equal to 3.7 months of trading. Stock levels have been increasing for the entire 2022 year after a critically low 2021.
- Stock levels returned to the 'ideal trading band' of 3 – 5 months worth of stock in the December quarter. This was first time the stock of available lots had been in this balanced trading band since the September quarter of 2020.

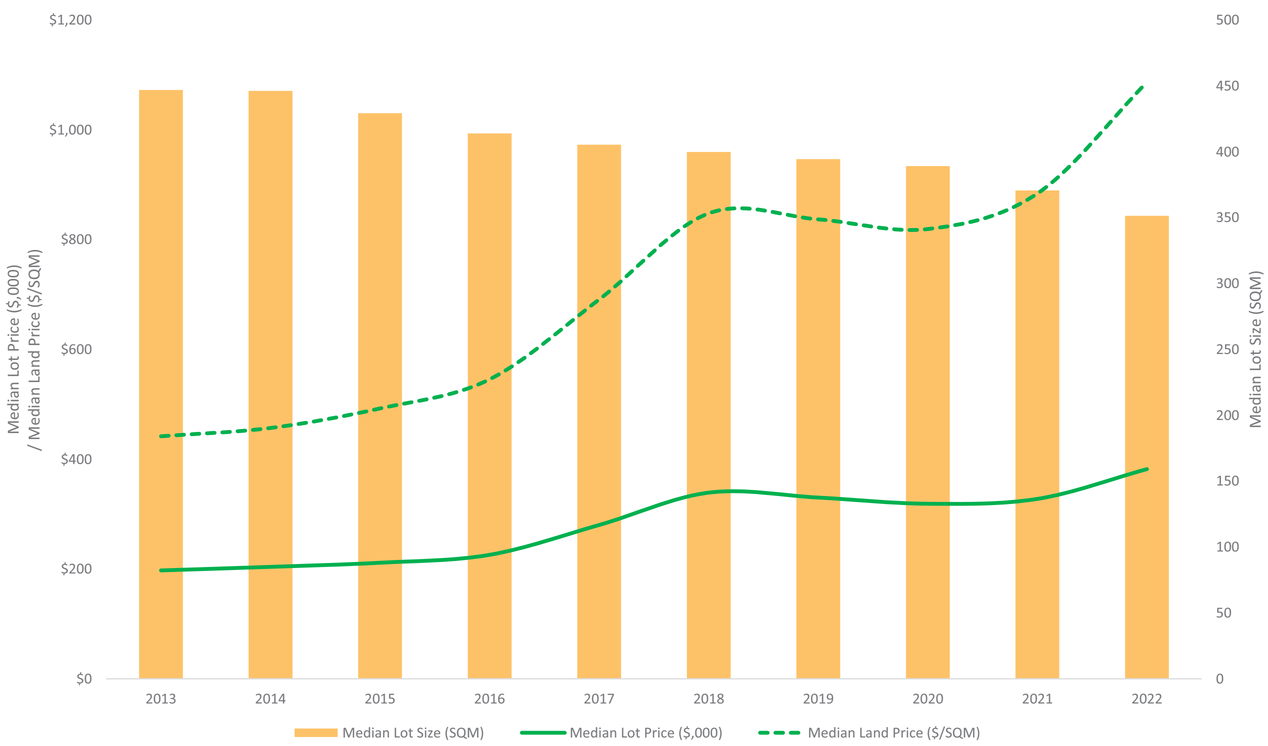
Greenfield Projects

- On average there were 154 active land estates across the Melbourne Greenfield market for the 2022 year. As of December 2022, the number of active estates under survey was 143.
- The annual average count of actively trading estates in 2022 was down 21% on the record breaking 2021 year, but this quantum of active estates is on par with the decade average.
- Research4's analysis highlights that the Melbourne market recorded 44 new estates for the year with an average scale of around 500 lots. This compares to the average size of new estates in Sydney in 2022 of around 60 lots.

Greenfield Land Prices, Lot Sizes and Values

- Melbourne's average median lot price for 2022 was $382,000 which was a 17% growth on 2021, with most of the annual growth coming in the March quarter with the median lot price up 6% for the quarter to $370,000.
- Melbourne's average 2022 median lot price represented 40% of the established market median house price of $958,000, which is below the 5-year average of 42%, which represents a fair value ratio.
- The median lot size dropped by 5% across 2022 to 352 sqm to record the smallest lot sizes in Australia, surpassing Sydney, and Perth.
- The contraction in median lot sizes across 2022 helped deliver an 23% increase in the average land rate to $1,087 psm.

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)
2012	6,041	141	447	$207K	$462
2013	8,822	151	447	$198K	$442
2014	12,616	153	446	$204K	$457
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	33,859	194	371	$328K	$884
2022	15,719	154	352	$382K	$1,087

Source: UDIA; Research4

RESEARCH PARTNER: RESEARCH 4 MELBOURNE GREENFIELD OUTLOOK 2023

The Melbourne Greenfield market has been able to minimise market damage arising from a possible over pricing of product. This has come about due to the short duration of the recent upswing. Therefore land pricing is unlikely to experience any significant reduction over the coming few months.

In terms of activity, over the next 6 months the market will be dealing with the consequences from having sold too much product over the past 2 years, in addition to a lower level of underlying demand. This will or could cause some concern amongst the active land estates. This concern although valid, will not be able to be solved in the short term. Therefore land estates are likely focus on settling already sold stage releases in order to secure the cash flow before considering how best to deal with a very competitive and price sensitive market.

The direction of pricing will be in the hands of the RBA and the governments of Australia. While lending rates keep moving upward and the cost of living becomes more disruptive, land prices will remain subdued. Land prices will need to follow the trend set by house prices, which is expected to be negative.

Lower levels of purchasing capacity will influence the product selection, with smaller lots coming on board in order to deliver a lower price point which will open the market.

In summary, Melbourne Greenfield is in for a competitive 2023 with some respite coming toward the end of the year.

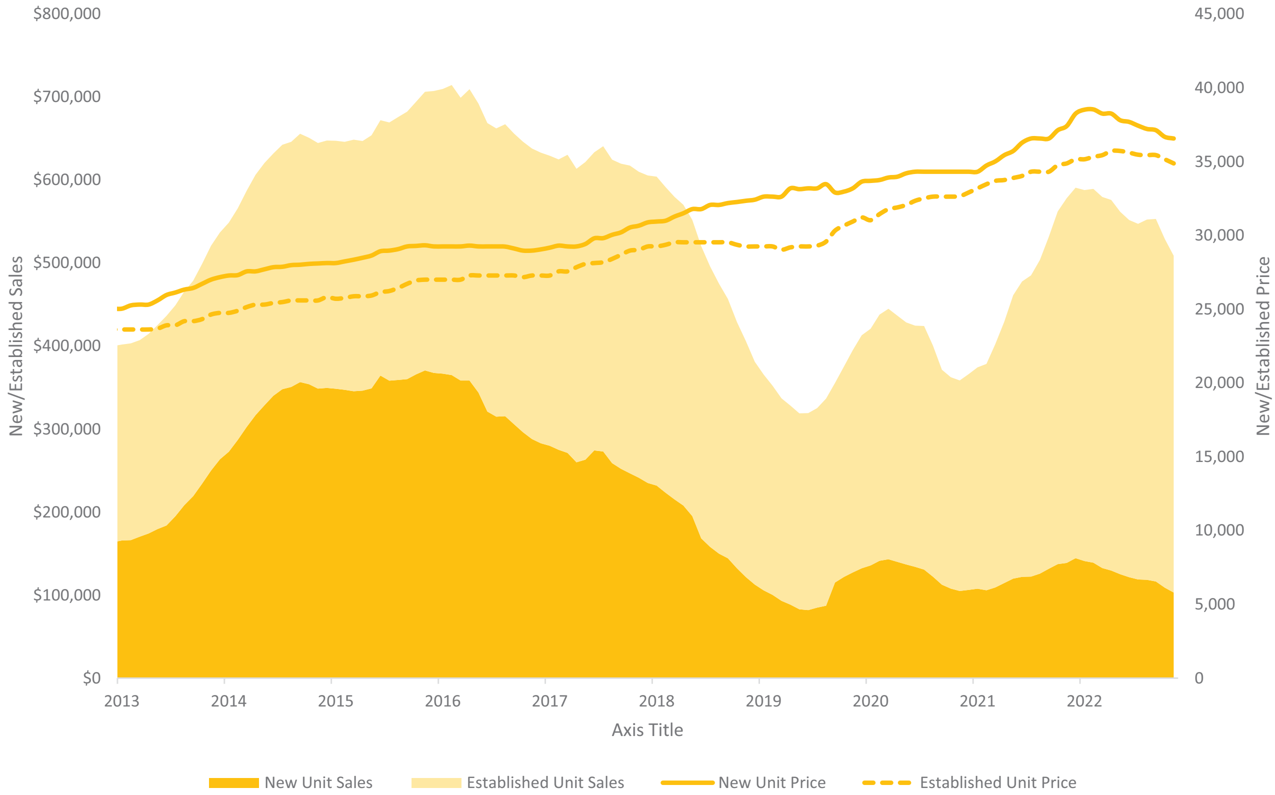
MELBOURNE

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- Settled sales of new multi-units across Greater Melbourne retracted to record 5,630 settled apartment sales across the 2022 calendar year. This is down 32% on the sales volumes achieved in 2021, 51% lower than the decade average, and 74% lower than the peak of 2015.
- Market softness was less pronounced in the sales activity of the established unit market, which declined 13% across the year, delivering a broader whole of market correction in sales volumes of 42% 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

Napier St Social Housing Redevelopment by Unison Housing (VIC)

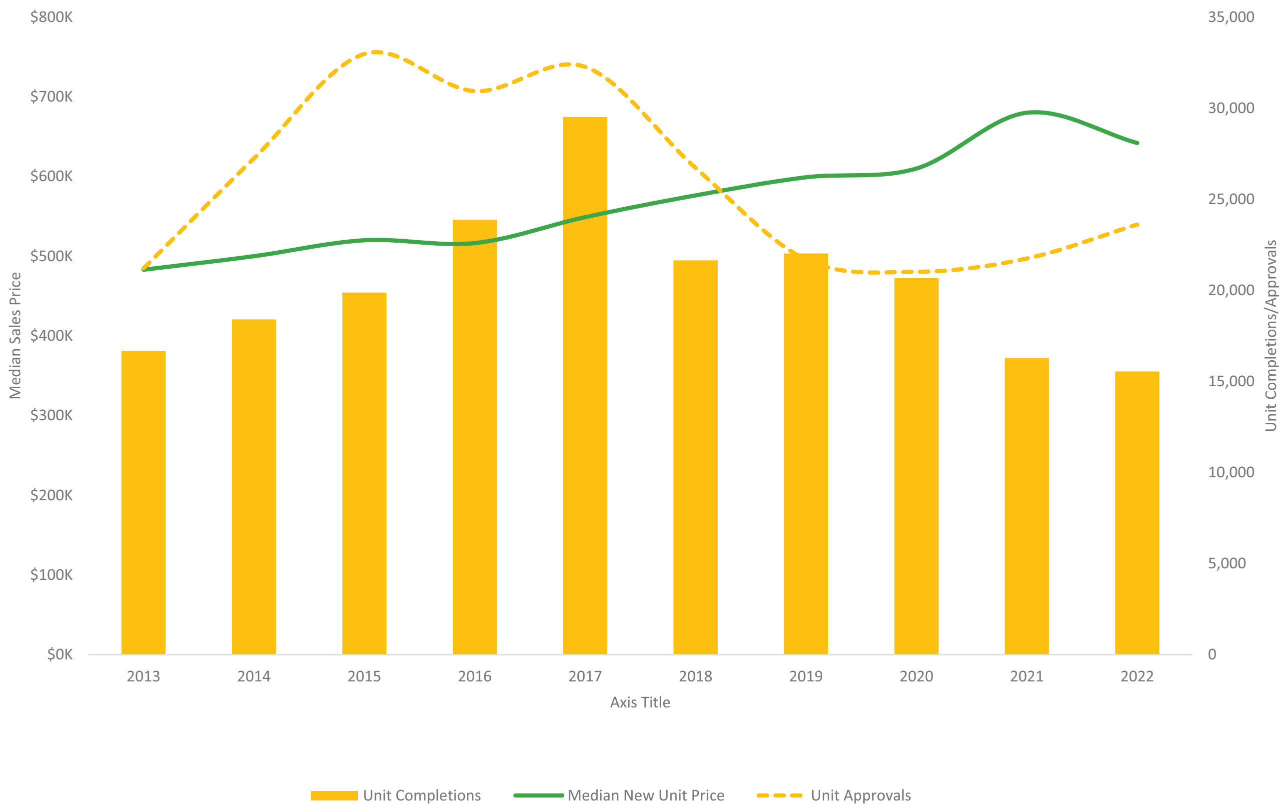
Median Unit Pricing

- The median new unit price achieved across Greater Melbourne in 2022 was $642,000, which reflected an 6% annual decline.
- Across the broader established market, the median unit price was $620,000 at the end of December 2022 which reflected a 2% annual dip.

Construction Activity

- There were 15,550 new apartments and units completed across Greater Melbourne in 2022. This represents a 5% decline in completions from 2021 and was 47% off the peak of 2017.
- At a aggregate scale Melbourne's new unit completions in 2022 comprised 34% of the total combined capital city supply volume which is in line with the decade's average proportional contribution.
- Most new multi-unit completions occurred within the CBD and inner suburbs up to 5km from the GPO (37%), and the band of inner and middle ring suburbs up to 10km from the GPO (26%). 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 3205 (South Melbourne) contributing the most new unit completions with 1,521.

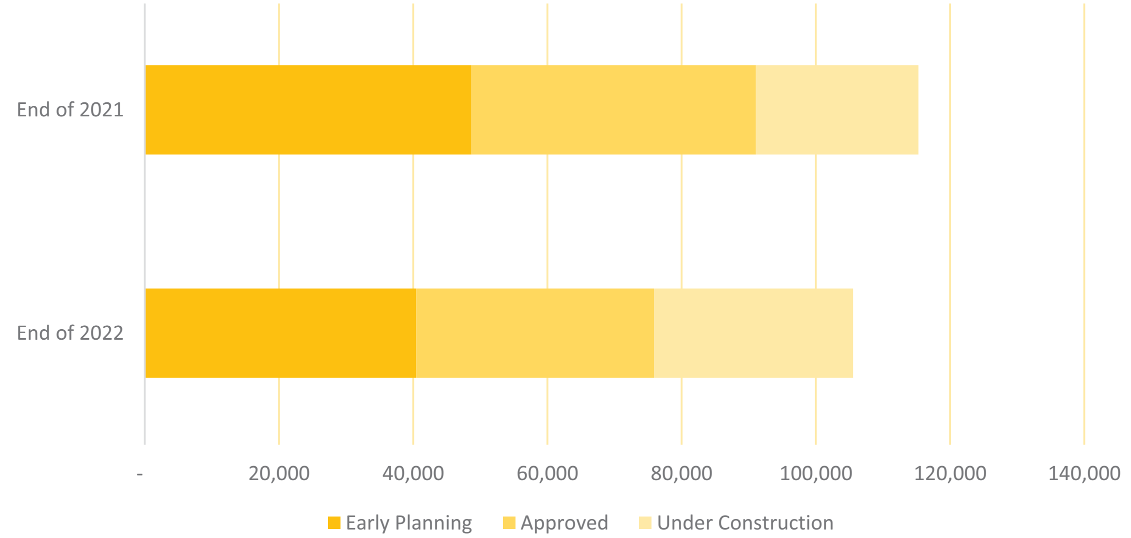
Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

MELBOURNE

Multi-Unit Active Pipeline Analysis



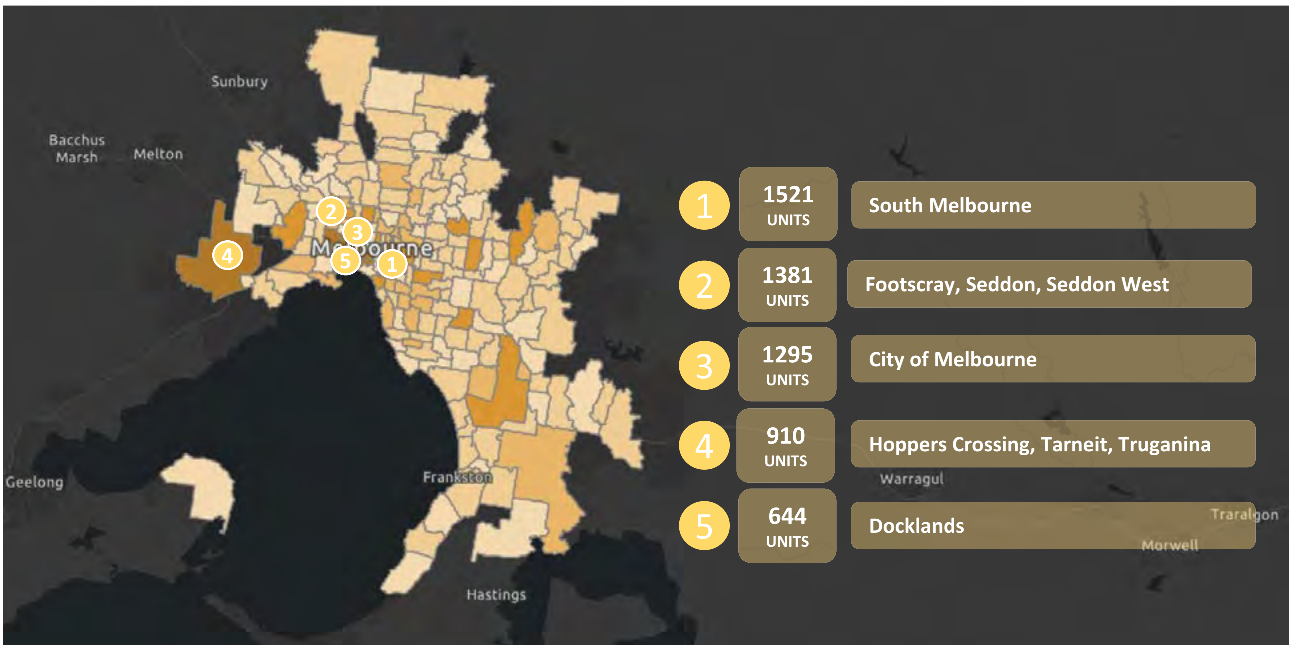
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2022 and a December 2021 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 fourth consecutive year the multi-unit pipeline has retracted across Greater Melbourne, decreasing by 8% to an aggregate of 105,544 units as of December 2022.
- This comprised of units under construction (up 23%), approved units yet to start construction (down 16%) with units in early planning down 17%, likely reflecting projects proceeding into the approval stage across the year, with a modest addition to the pipeline of new potential non-central city medium density projects.
- CoreLogic estimates that there was a total of 10,750 units that were either deferred or abandoned in 2022, which is a slight 3% reduction on the quantum recorded last year. It is likely the bulk of these abandoned/deferred units resulted from challenges in delivering financial feasibility in a soft market environment with escalating construction costs.

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 downfall of 25% from 2021 volumes, with a total of 3,095 finished apartments. Port Phillip (1,842 units), Maribyrnong (1,554 units), Yarra (1032 units) and Wyndham (925) rounded out the top five Council areas's by new unit completions for 2022.
- 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 $560,000, as compared to $621,500 in Port Phillip, $640,000 in Moreland, and $770,000 in Kingston – as the other major new supply LGAs.

Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2012	9,622	$445K	12,823	$420K	-	-
2013	15,314	$480K	14,823	$440K	21,207	16,677
2014	20,210	$499K	16,141	$460K	27,245	18,402
2015	21,565	$520K	18,168	$480K	32,975	19,879
2016	16,705	$515K	18,993	$485K	30,934	23,876
2017	14,492	$545K	19,982	$521K	32,263	29,512
2018	8,150	$570K	14,077	$525K	26,716	21,646
2019	8,056	$600K	16,024	$551K	21,688	22,027
2020	6,536	$617K	14,658	$585K	21,019	20,675
2021	8,314	$675K	25,098	$625K	21,748	16,292
2022	5,626	$642K	21,856	$620K	23,613	15,548

Source: UDIA; CoreLogic

RESEARCH PARTNER: CORELOGIC'S 2023 OUTLOOK

Victoria

CoreLogic

Trends in the Victorian housing market are quite varied by region. The Melbourne dwelling market is sitting just 0.2% higher in value than at the onset of the pandemic, following a peak-to-current decline in home values of -9.6%, and unfavourable migration trends over the past few years. Conversely, Melbourne rents have increased 10.1% in the past year amid a strong return in overseas arrivals to Australia in 2022. Regional Victorian dwelling values have seen a more marginal decline in home values from a recent peak, down -7.0% between May 2022 and February this year, and dwelling values across the region are still 24.9% above pre-COVID levels.

The Melbourne housing market is likely to regain some popularity once interest rates stabilise. The relatively affordable price point and tight rental market across Melbourne dwellings may see more of a pivot from renting to owner-occupation. The ongoing recovery of overseas arrivals will also add to housing demand. Across regional Victoria, the recent upswing in home values has eroded some of the affordability benefits of the region, and may see a slowdown in the flow of migration from cities to regions.

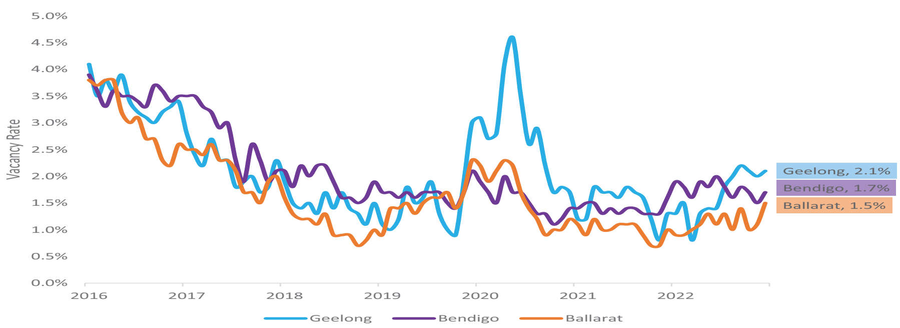
MELBOURNE

SPOTLIGHT ON THE REGIONS

	House Approvals		Multi-Unit Approvals		New House Sales		New Multi-Unit Sales		Vacancy Rate (Houses)			
Greater Melbourne	25036	21% ↓	23613	9% ↑	17910	39% ↑	7808	29% ↑	Dec-21	3.0%	Dec-22	1.1%
Regional VIC	11484	23% ↓	1696	2% ↑	7782	15% ↑	825	10% ↑	Dec-21	1.0%	Dec-22	0.9%
Geelong	3449	15% ↓	576	6% ↓	1346	25% ↓	159	41% ↓	Dec-21	1.3%	Dec-22	2.1%
Bendigo	890	30% ↓	120	757% ↑	500	21% ↓	46	28% ↓	Dec-21	1.6%	Dec-22	1.7%
Ballarat	1592	18% ↓	155	16% ↓	588	14% ↓	62	23% ↓	Dec-21	1.0%	Dec-22	1.5%

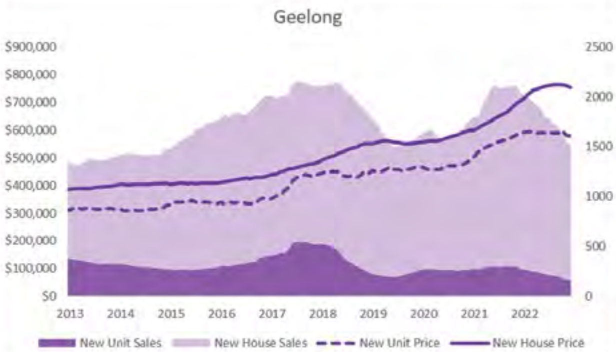
- At an aggregate scale regional Victoria recorded an uptick in new house and unit sales across 2022, however this is likely a timing issue of settlements flowing through from contracted sales recorded in 2021 as the overall demand profile has significantly moderated over the last 12 months.
- This is evidenced in falling approvals and vacancy rates having eased in most markets including the three spotlight cities of Geelong, Bendigo and Ballarat.

Vacancy Rate

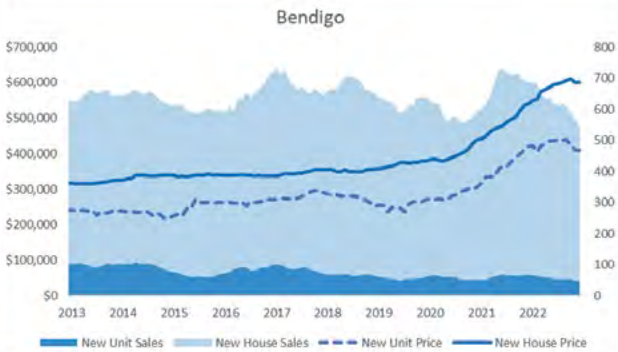


Source: UDIA; SQM

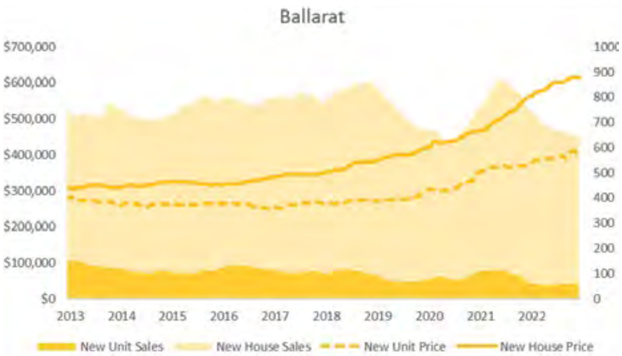
New Unit - Houses Sales and Price



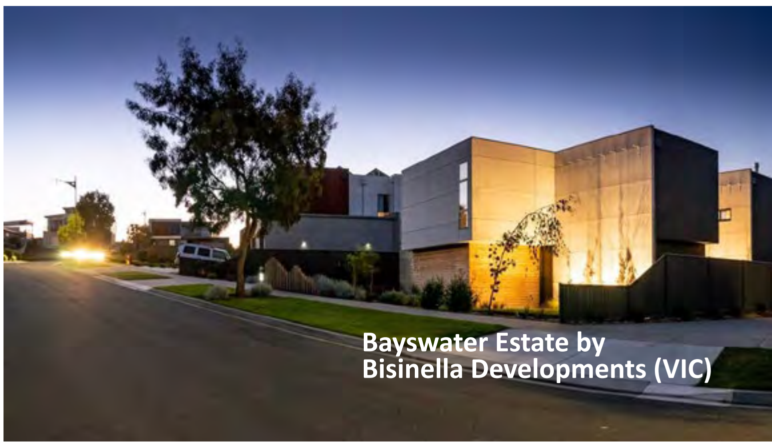
Source: UDIA; CoreLogic



Source: UDIA; CoreLogic



Source: UDIA; CoreLogic



Bayswater Estate by Bisinella Developments (VIC)

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

The COVID-19 pandemic has had an enduring influence on Victoria's economy. Supported by a resilient development industry, the State's return to strong growth has not immunised it from the pandemic's prevailing legacies- or the economic challenges currently facing the nation.

Victoria is Australia's fastest growing state, with a projected population of almost 11 million by 2050 – Melbourne is poised to overtake Sydney as Australia's largest city by 2030. However, unattended supply issues, structural planning inefficiencies and domestic market volatility present growing challenges for the industry.

The State is also facing a housing affordability crisis which will require government policy intervention to address. Importantly, the development industry is uniquely placed to play a key role in the coming year, when housing affordability has been identified as a national priority. UDIA Victoria remains committed to working with all levels of government to make the dream of home ownership a reality for all Victorians.

A number of noticeable trends are emerging in the Victorian development sector:

- Undersupply of zoned and unzoned land within the Urban Growth Boundary is creating an imbalance in the market with land comprising a growing percentage of property values.
- Prevailing economic conditions are eroding consumer buying capacity. Fewer-and-fewer Victorians able to enter the housing market, which is having a downstream impact on an increasingly competitive rental market. A return to steady population growth, coupled with existing supply shortages, is expected to further inflame existing housing pressures.
- Ballooning costs associated with planning and statutory approvals, additional government charges, and land value escalation are impacting project feasibility across metropolitan Melbourne and regional Victoria.
- Labour market shortages in construction, professional services, and state and local government are leading to significant delays and cost increases for the industry.

State Policy Priorities

Limited supply continues to be a significant issue facing the development sector and a major contributor to the State's housing crisis. Timely release of developable land is essential to ensure Victoria's housing market can meet the demand of its growing population.

The Victorian Government has identified $7 billion worth of inefficiencies locked in our planning system over the next decade. The Andrews Labor Government, re-elected in November 2022, previously flagged planning reform as a priority. UDIA Victoria will continue to champion urgent planning reforms to provide greater certainty for the industry and deliver more homes for Victorians.

Victoria's residential construction sector contributed $59 billion in FY21/22. Our industry continues to be one of the largest contributors in the Victorian economy. UDIA Victoria is focused on ensuring the development industry continues to thrive, despite the current economic challenges. We remain committed to engaging constructively with state and local governments to ensure our members are well-represented and equally well-informed.

Future Prospects

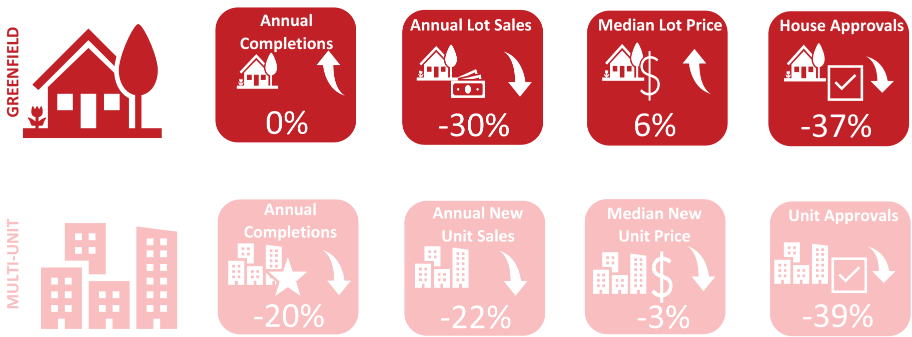
Research shows vacancy rates in Central Melbourne are rebounding to pre-pandemic levels following an exodus of foreign nationals during the pandemic. The introduction of a Foreign Purchaser Additional Duty (FPAD), a resumption of international migration and post-pandemic market uncertainty, have combined to foster a gross imbalance in apartment supply.

Similarly, a lack of availability of zoned land in the State's designated growth areas is unnecessarily constricting supply of house-and-land stock. UDIA Victoria will continue to encourage the State Government to explore tax and planning reform to unlock potential housing at a time when it is most needed.

PERTH

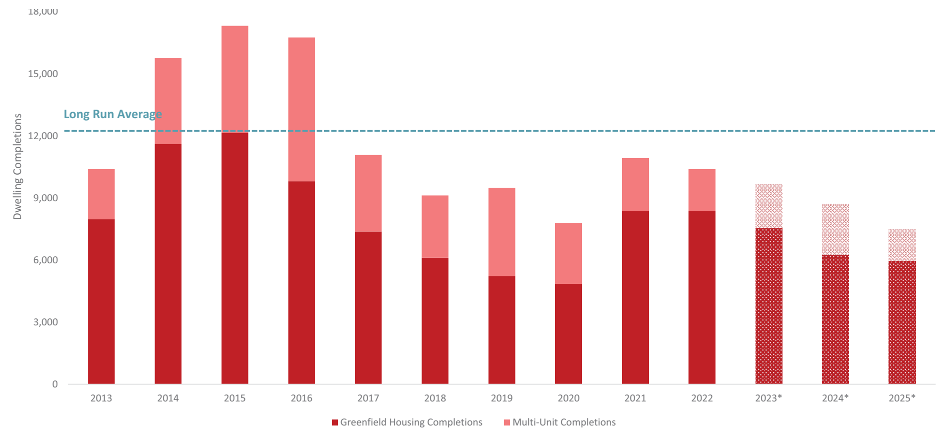
Alocasia Residences by Hillam Architects and New Leaf Homes (WA)

SUMMARY



- Perth's new home market trended down across various metrics in 2022 led by a sharp decline in greenfield lot sales (-30%) and new multi-unit sales (-22%).
- Greatly reduced consumer sentiment driven by rising interest rates underpinned the softened demand profile for new build dwellings across the 2022 calendar year.
- The moderation of dwelling sales performance also relates to a market normalisation phase following the significant pull-forward of demand due to government stimulus across 2020 and 2021.
- A combined total of circa 10,390 new dwellings were completed in 2022 across the greenfield release and multi-unit infill sectors which is a 5% decrease on 2021 production with 80% of these completions coming from greenfield housing.
- UDIA's modelled forecasts of new dwelling supply[1] indicate that completions will continuously trend down below to the long-term average (11,200) over the coming three years with the ongoing softness of the multi-unit supply sector weighing down overall production and a significant reduction of greenfield housing.

New Residential Market Supply



Source: UDIA; Research4, Core Logic, ABS

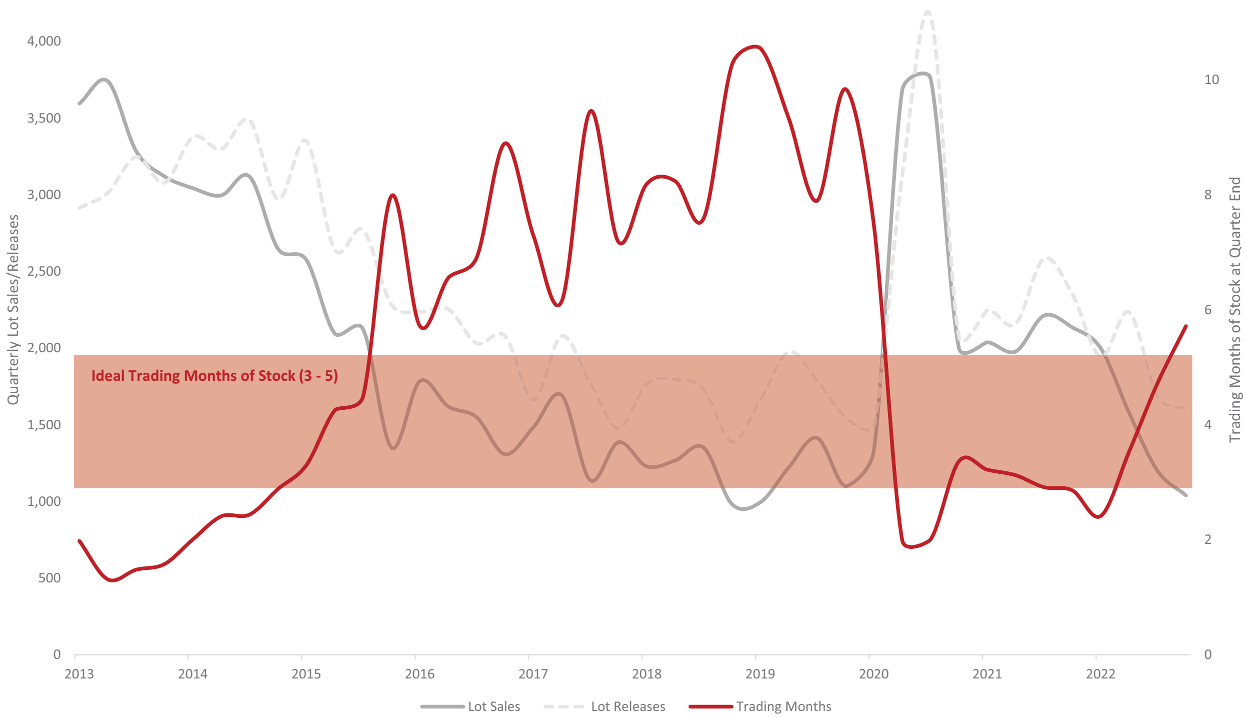
1 These forecasts include estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered by State of the Land reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely to be lower than actual realised new supply.

GREENFIELD MARKET ACTIVITY

Sales and Release Activity

- The metropolitan Perth land market recorded an annual total of 5,810 sales, at an average of 484 lots per month which is 31% lower than the ten year average volumes. The market ended the year with 346 net sales per month, 28% below the 2022 average sale rate.
- The Perth market has experienced significantly declined sales volumes from the December 2021 through to the close of the December Quarter 2022, dropping by an average of 16% per quarter.
- Responding to a softening demand profile developers released a total of 7,470 lots to market in 2022 which was 20% less than 2021 and the decade average, and 43% lower than the peak release quantum recorded in 2014.
- Perth's share of total national land sales since 2008 has averaged 19%. The share of total activity for the past year has averaged 15% with a closing market share for the December quarter of 19%.

Greenfield Market Activity



Source: UDIA; Research4

DEVELOPER INSIGHT

Scott Cameron
General Manager Project Coordination, Finbar

FY22 was a period of consolidation for Finbar with strong sales of completed stock and ongoing demand for OTP stock. Recording its strongest sales year since 2015, and with a level of accrued presales at levels last achieved in May 2015, Finbar commenced construction of two new projects bringing the total number of apartments under construction to over 700.

Greater investor interest than recorded in the previous five years was stimulated through low rental vacancy rates, increasing yields and stamp duty rebates, albeit coming off a low base with the market still predominantly owner-occupier driven. Foreign buyer activity remains subdued.

The recent tightening interest rate cycle saw Finbar's volume of sales moderate in the second half CY22 while the average sales value increased. Looking forward, reduced activity in the Perth built form industry due to ongoing difficulties with accessing skilled labour and increased construction costs, indicates limited new competitor supply forecast for the apartment market. This suggests that future Finbar completed stock will be well-placed to address unfulfilled demand.

PERTH

Stock Levels

- At the close of the December quarter 2022 the number of residential lots on a price list was equal to 5.7 months of demand.
- In comparison to the other capital cities, Perth's stock of lots has largely remained within the 'ideal trading band' of 3 – 5 months worth of supply over the last three years. This reflects the significant depth of inventory accumulated prior to the pandemic which was able to be swung into action in the face of the heightened demand profile across 2020 and 2021.
- These estimates of short-term lot supply availability needs to be carefully balanced by a broader appreciation of a looming metropolitan land supply shortage due to significant development constraints, land fragmentation and inadequate coordination of enabling infrastructure across all greenfield release corridors.

Greenfield Projects

- There was an average of 150 active trading estates across the year which represented a 7% reduction on 2021 and was 6% below the ten year average.
- According to Research4 analysis the Perth market recorded 31 new estates for the year at an average scale of 284 lots per estate. The replacement rate was in line with the long running average of 27 estates per annum, although the average size of new estates was much smaller than the average scale of 407 lots per estate.

Greenfield Land Prices, Lot Sizes and Values

- Perth's median lot price increased by a modest 6% across 2022 to average $228,000. This reflected the lowest annual median lot price growth across the capital cities to help underpin Perth surpassing Adelaide for the first time to become the most affordable greenfield land market in the country.
- For a remarkable seventh consecutive year the median lot size remained locked at 375 sqm which translated into a slight lift in the land price to $607 psm which is 58% lower than the combined capital cities.

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

Source: UDIA; Research4

Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Median Lot Price	Median Land Price ($/SQM)
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	8,363	162	375	$215K	$574
2022	5,813	150	375	$228K	$607

Source: UDIA; Research4

RESEARCH PARTNER: RESEARCH4 PERTH GREENFIELD OUTLOOK 2023

The Perth market is now operating at pre-covid levels. The drop-in activity is being assisted by falling net interstate migration numbers, although Net Interstate Migration [NIM] is still higher than pre covid, the trend is clearly showing a fall in the net gain of population from interstate. As previously mentioned, the outlook for Perth will be shaped by the direction which NIM takes.

When considering the factors required to trigger any rapid lift in activity and or pricing, there are none that are obvious. Population inflows remain subdued and are not expected to rise in any significant way.

Industry capacity is not considered to be excessive, therefore as previously noted, price movement is possible despite low levels of demand.

In summary, a good outcome will be for sale volumes to lift above 400 per month and for land prices to record a modest increase. Land prices have capacity to move, however competition between estates may slow the process. One thing is clear when it comes to pricing of property relative to income profiles, Perth does not really have an affordability issue. Its headline challenge is attracting and retaining population.

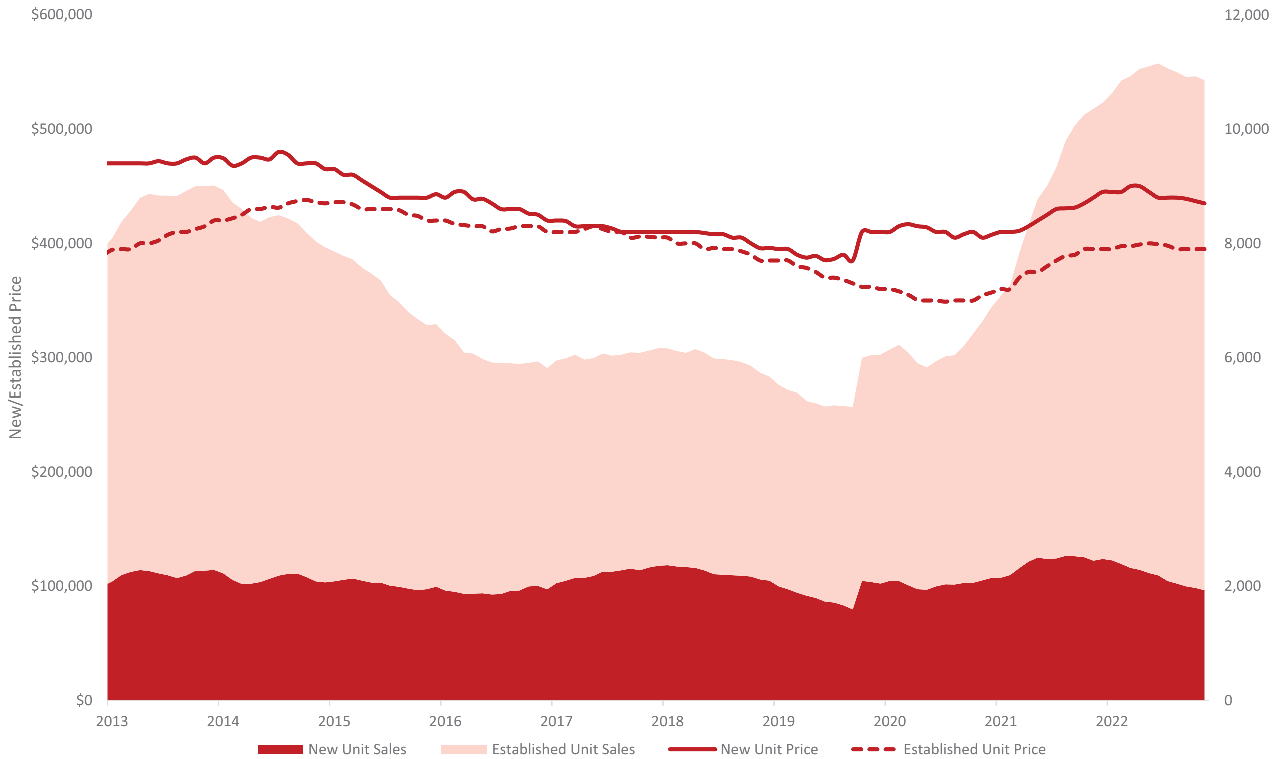
PERTH

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- Perth's new multi-unit sales transactions for 2022 retracted 22% from 2021 averaging just 161 settled sales a month. The total annual volume of 1,930 sales reflected an annual output down 10% on the ten-year average.
- The new build multi-unit sector was significantly out-performed by the broader established market which recorded a 11% annual sale volume uplift to record a ten year peak of settled unit settlements.
- The proportion of new build multi-units (primarily apartments) sales of whole of market activity averaged 18% across the year, which is well below the 30% average share achieved across the last ten years.

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



Source: UDIA; CoreLogic

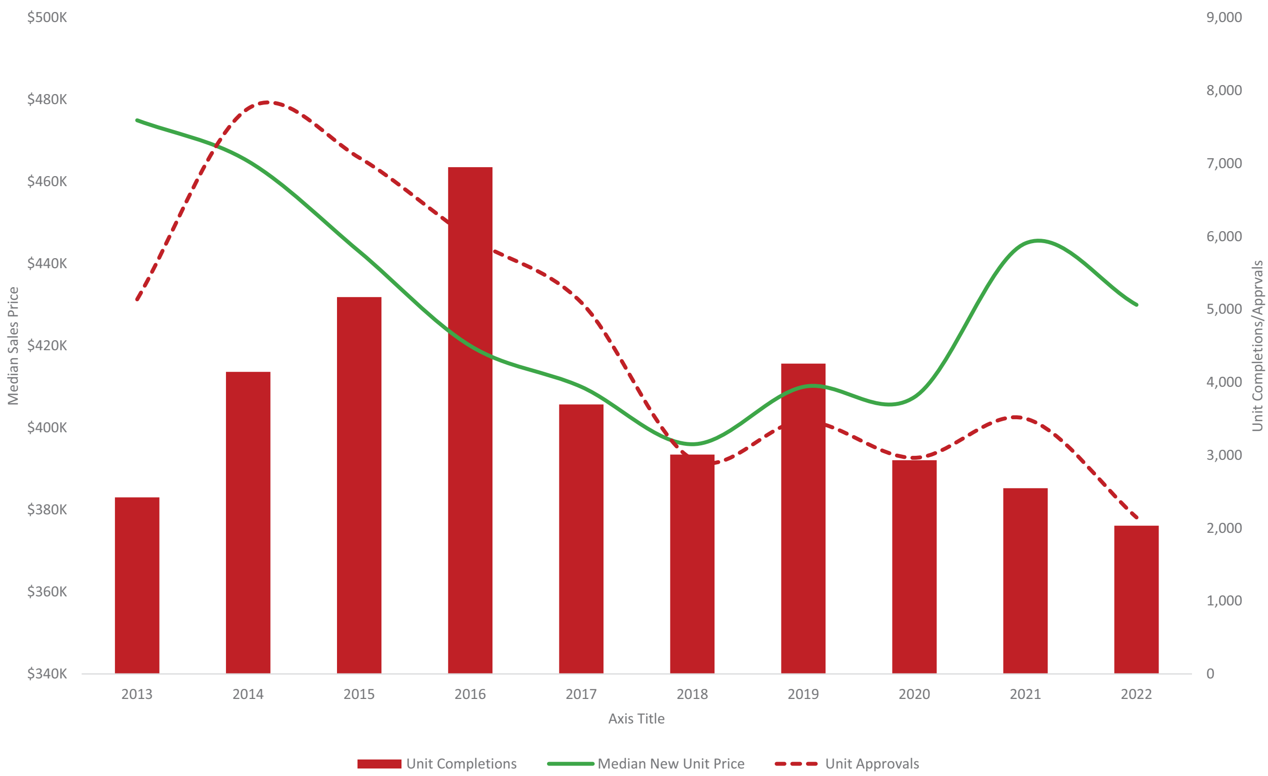
Median Unit Pricing

- The median sale price of new units fell by 3% across the year to $430,000 but still remains 9% below the peak median pricing for multi-units achieved in 2013.
- At current pricing Perth has the most affordable new apartment stock across the capital cities, with the median price point 5% cheaper than Adelaide.
- Median sale price for all multi-units (new and resales) across Perth fell by 2% across the year to $400,000.
- The current median sale price of new units is currently 19% 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

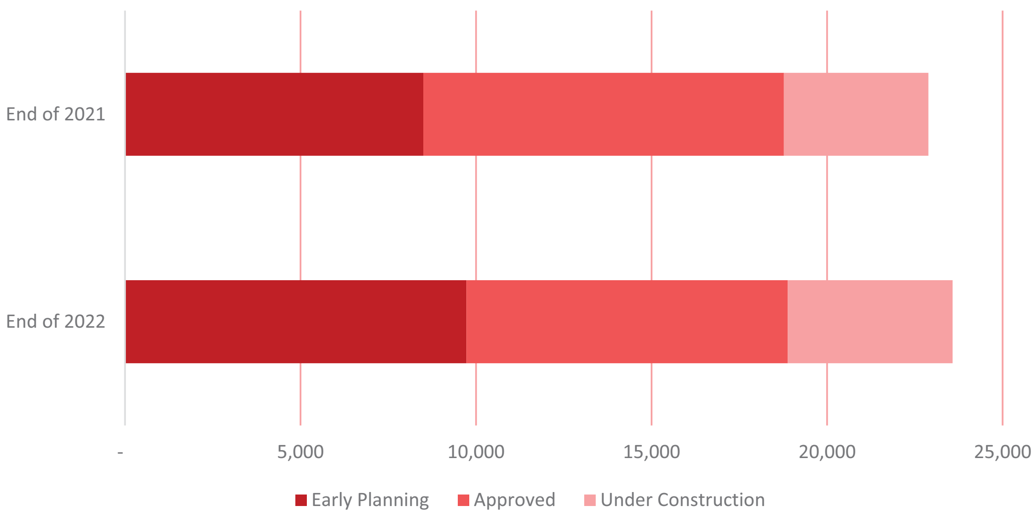
- There was a 20% annual decrease in new multi-unit completions in 2022 to 2,033 reflecting the softening apartment pipeline foreshadowed in recent State of the Land reports.
- The number of completed units is 71% lower than the peak supply achieved in 2016 and is the lowest level of new stock delivered since 2013.
- The central city and inner city (within 5km from the Perth GPO) received the most new unit completions in 2020, with 56% of the total completed supply for the city, with the inner-middle ring of Perth (between 5km to 10km of the city centre) supplying 22% of the new stock.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis



Source: UDIA; CoreLogic

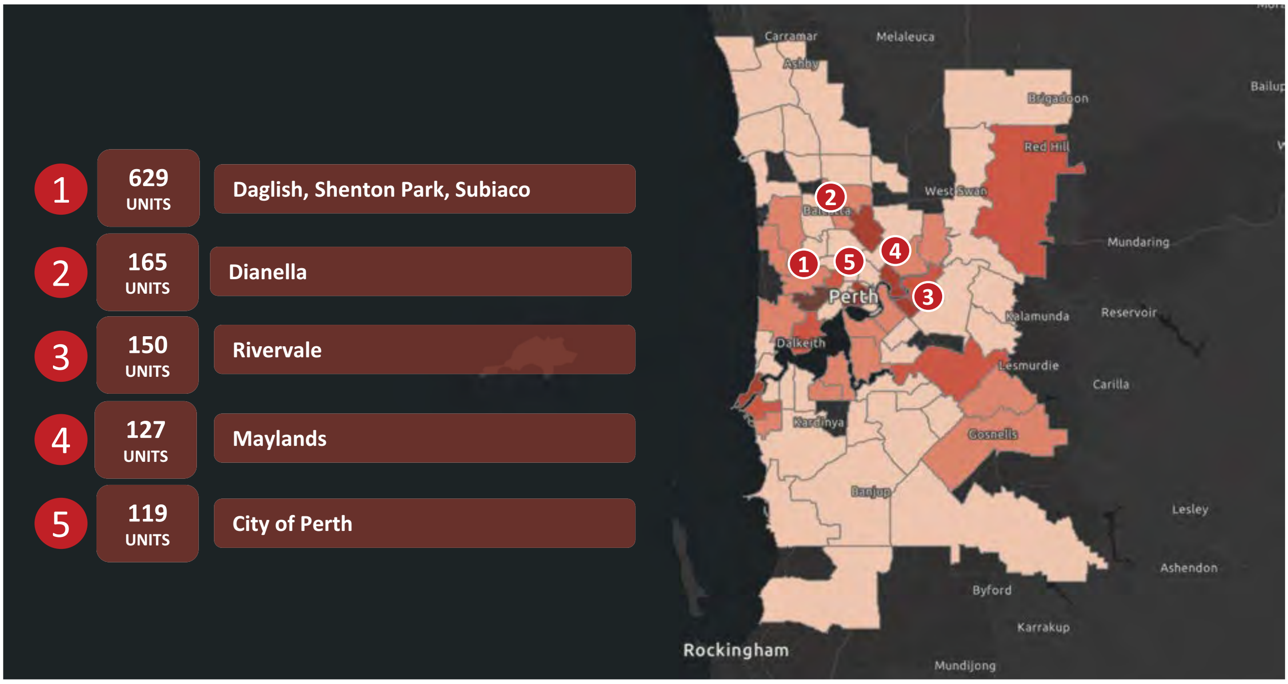
PERTH

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2021 and December 2022 snapshot of the market leading Cordell Construction database.

- These estimates show that the forward supply of apartments in Perth remained flat with a total active supply of apartments of 23,576, which was up 3% from 2021. The composition of the pipeline was made up of units under construction (up 14%), approved units yet to start construction (down 11%) and units in early planning (up 14%).

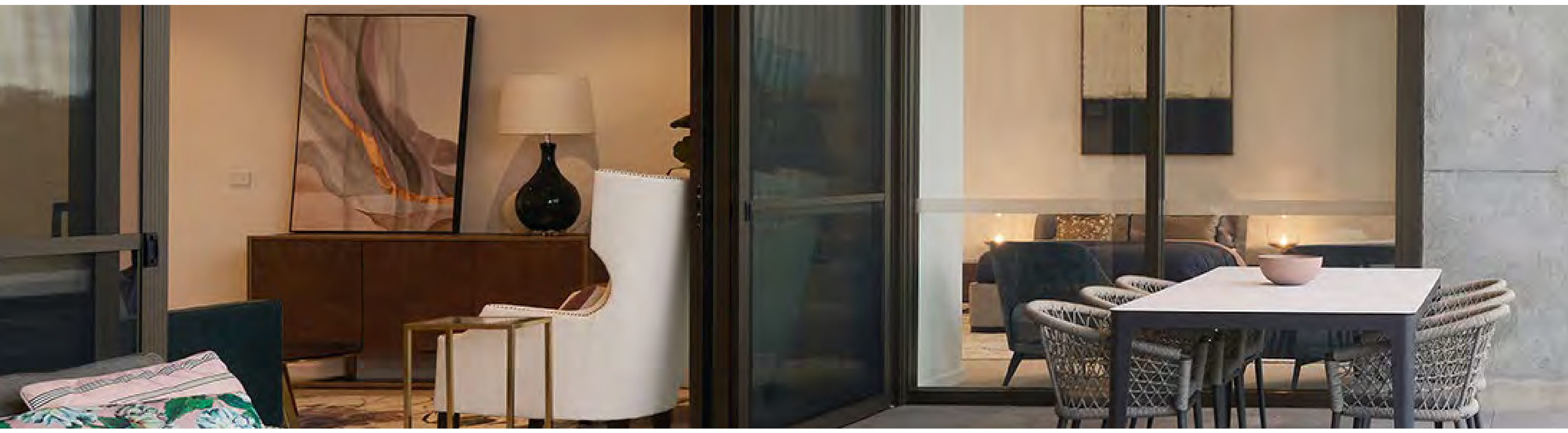
Multi-Unit Completions by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The City of Stirling recorded the most settled new unit sales across 2022 with 319 sales with a median price point of $448,000, followed by the City of Perth (200 sales, median sales price $467,500) and the City of Belmont (159 sales, median sales price of $430,000).
- 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 City of Subiaco led the way with 472 new apartments completed, Belmont with 241 new units and Stirling with 236 units.



Multi-Unit Market Performance Summary Table

Year	New Unit Sales	Median New Unit Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
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	6,951
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	4,257
2020	2,145	$408K	4,744	$357K	2,964	2,931
2021	2,476	$445K	7,988	$395K	3,502	2,547
2022	1,928	$430K	8,885	$395K	2,146	2,033

Source: UDIA; CoreLogic

RESEARCH PARTNER: CORELOGIC'S 2023 OUTLOOK

Western Australia

CoreLogic

In Western Australia, housing market values have seen a strong upswing in value of 24.6% between March 2020 and July 2022. Since a peak in July last year, home values across the state have declined just -0.6%, led by a -0.9% fall across Perth. However, due to a large downturn associated with the resources sector in the 2010s, values are little changed from where they were in mid-2014. While this has meant lacklustre capital growth performance for some longer-term home owners across the state, it also makes housing markets across the state relatively accessible for first home buyers. Rental growth remains robust, with rent valuations up 34.5% since the onset of the pandemic.

ABS housing finance data indicates that investor interest in the WA housing market remains robust, potentially attributable to strong rental growth. Since rates began rising in May 2022 through to December, the average monthly volume of loans secured by investors across the state is 1,631. That is actually higher than the average volume of investor loans secured in the same period of 2021. Strong rental market conditions, solid performance in the resources sector, and positive internal migration trends may insulate the WA housing market from the extent of price falls seen in other states and territories through the cycle to date.

Eden West by
Edge Visionary Living (WA)

PERTH

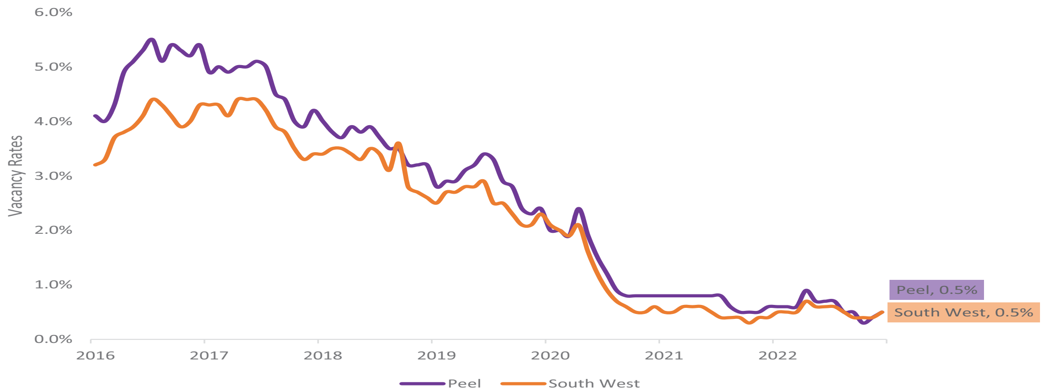
SPOTLIGHT ON THE REGIONS

	House Approvals		Multi-Unit Approvals		New House Sales		New Multi-Unit Sales		Vacancy Rate (Houses)			
Greater Perth	11435	37% ↓	2146	39% ↓	13072	2% ↓	1928	22% ↓	Dec-21	1.1%	Dec-22	0.6%
Regional WA	3296	36% ↓	199	35% ↓	2983	18% ↓	219	22% ↓	Dec-21	1.6%	Dec-22	1.4%
Peel	1610	24% ↓	0	100% ↓	1440	2% ↑	86	25% ↓	Dec-21	0.6%	Dec-22	0.5%
South West	1343	36% ↓	75	10% ↓	1344	20% ↓	70	43% ↓	Dec-21	0.4%	Dec-22	0.5%

Source: UDIA; CoreLogic; ABS

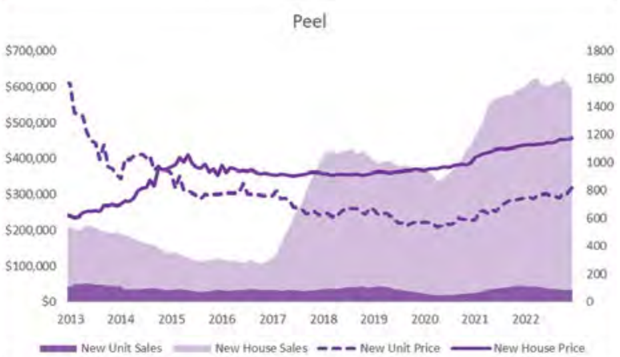
- Regional WA has followed a similar trajectory of declining residential activity and momentum as Greater Perth across 2022. Regional WA's sales of both detached and multi-unit stock have plunged to decade lows and approvals have been trending sharply downward.
- In the South West new house sales slowed by 20% on 2021 as multi-unit sales have almost all but have evaporated to record only 70 across the 12 months.
- Peel also recorded a drying up of unit sales and approvals with a flat-lining of house sales.
- In the face of declining new supply activity, vacancy rates remained well below one percent across regional WA and the spotlight regions of Peel and the South West.

Vacancy Rate

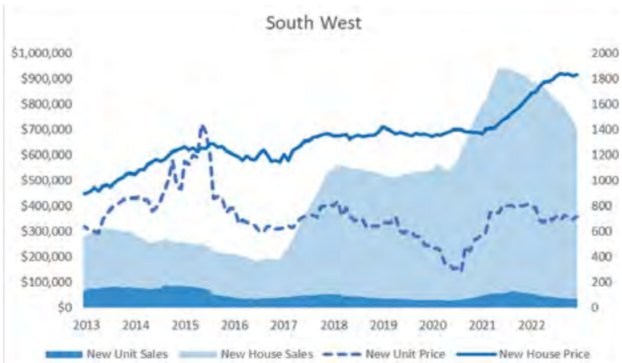


Source: UDIA; SQM

New Unit - Houses Sales and Price



Source: UDIA; CoreLogic



Source: UDIA; CoreLogic

STATE POLICY ENVIRONMENT

Key Industry / Market Issues

While Western Australia was somewhat sheltered from the worst of the pandemic, some impacts have lingered, not least the critical skills shortages and land supply bottlenecks.

Following the dramatic spike in housing demand caused by the State and Federal home building stimulus packages introduced in mid-2020 and lot sales continuing to strengthen throughout 2021, sales equalised to pre-COVID levels during 2022. This has flowed through to a significant reduction in detached house commencements, and even more alarming reductions in infill dwelling commencements (particularly apartments).

The rapid escalation of housing demand in WA, which followed five years of market decline, placed considerable strain on the entire industry and government regulators and we have been experiencing the flow on effects of this.

- There has been ongoing strong competition for local labour across the resources industry and government infrastructure projects, adversely impacting the development industry's ability to expand and resize to service demand.
- Increased demand and disruption in the global supply chain has added significant material cost pressures and delayed construction timeframes. This, together with the increased labour competition and costs, has caused the cost of residential construction in WA to rise exponentially.
- Tight margins, a diminished pool of builders and associated cost pressures have posed considerable risks for emerging and future development projects, particularly in Perth's apartment development market where consumer confidence and investor activity have been significantly impacted.
- In the rental market there remains very little capacity, with record low vacancy rates in Perth and WA's regional centres continuing throughout 2022.

Our industry, which provided jobs for 11.5% of WA's full time labour force and (directly and indirectly) contributed around $36 billion to GSP in 2021-22, is integral to the future development of the places we all live, work and play in. However, its capacity to so is being constrained by these outside elements that must be addressed.

State Policy Priorities

UDIA WA's Policy Priorities are framed around the pillars of economy, liveability and environment. They have been developed in the context of responding to the lingering impacts of the pandemic, while firmly focusing on the future.

We want to ensure sustainable economic growth and enhanced liveability, with Perth remaining one of the most affordable capital cities in Australia and property continuing to be a strong investment option. To do this, we must work with all levels of government to deliver diverse and affordable housing, and to bring the community along for the journey toward Perth becoming a more compact and connected city.

We need to address immediate issues including dire skills and labour shortages, as well as further streamlining regulatory and approvals processes and reforming outdated and inequitable property taxation regimes.

UDIA WA continues to reinforce and drive the need for a planning-led approach to the funding, coordination and prioritisation of infrastructure delivery and approvals across government.

The McGowan Government's recent planning reforms have been welcomed steps forward. This includes the establishment of a permanent pathway for the coordination of agency referrals, making Development Assessment Panels an opt-in process for any development over $2 million and the new $80 million Infrastructure Development Fund.

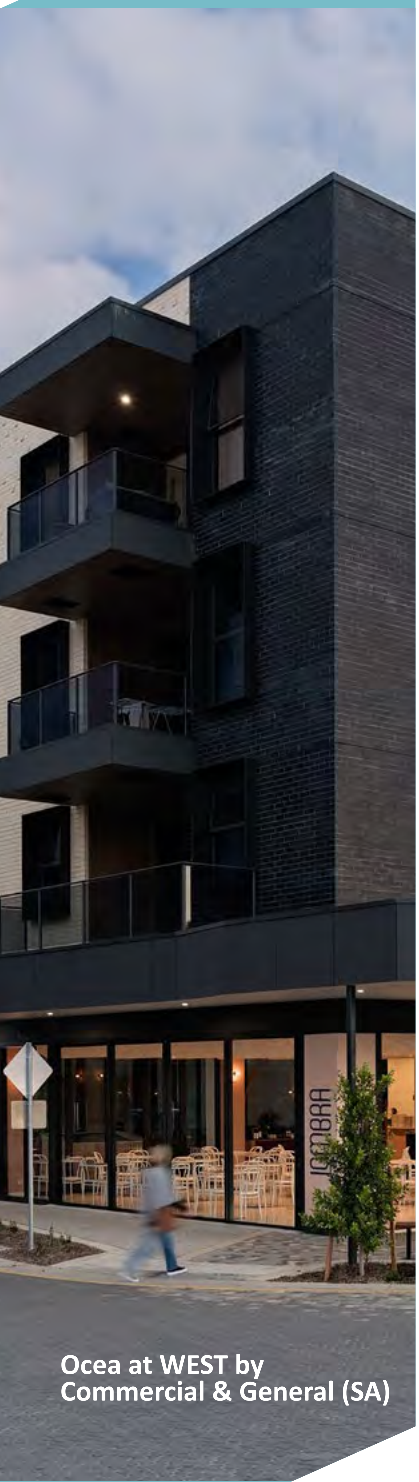
Moving forward, we will continue to need strategic infrastructure coordination hand-in-hand with a pipeline of development ready land.

Future Prospects

With migration starting to show signs of bouncing back and Perth and Peel's population headed towards 3.5 million people by 2050, our need for diverse and affordable housing supply will only increase. Supporting increased medium and higher density infill development will be essential, particularly with it being challenging for apartment projects to stack up currently with comparatively high infill land values and insufficient price point differentiation with other housing products.

We are committed to continuing to work collaboratively with our members, all levels of government and the broader community to ensure we have sufficient housing supply across the housing continuum and minimise the looming pressure on housing affordability.

ADELAIDE

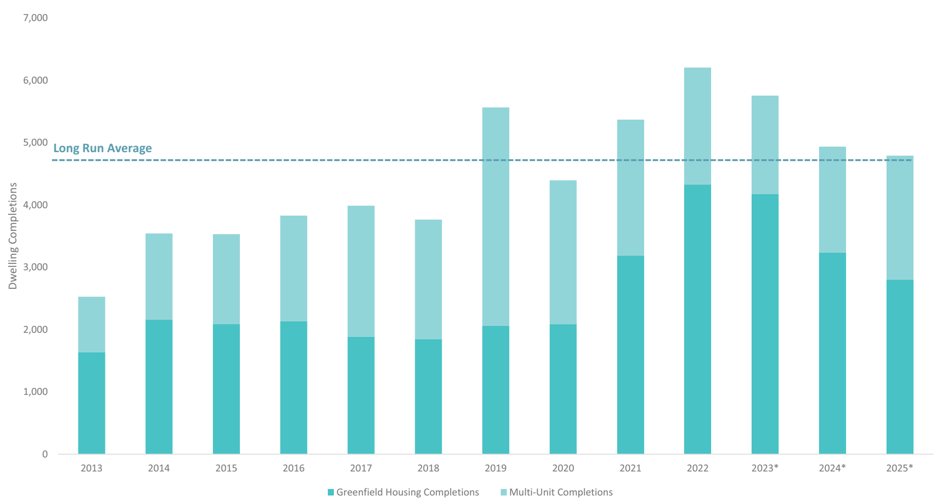


Ocea at WEST by
Commercial & General (SA)

SUMMARY

- Adelaide's new home market experienced a mixed 2022 with new product sales recording sharp declines, land pricing heading northward and multi-unit pricing heading southwards.
- As per the other capitals, greatly reduced consumer sentiment driven by rising interest rates underpinned the softened demand profile for new build dwellings in Adelaide across the 2022 calendar year.
- The moderation of dwelling sales performance also relates to a market normalisation phase following the significant pull-forward of demand due to government stimulus across 2020 and 2021.
- Completions of new market supply across 2022 totalled 6,206 new dwellings which is 16% higher than than the 2021 calendar year, establishing a new benchmark of completed residential supply.
- UDIA forecasts expect to see a retraction in net new dwelling completions [1] to circa 5,750 dwellings in 2023 and while dropping further to circa 4,900 in 2024 and 2025 still remaining at an elevated level to the long-run average.

New Residential Market Supply



Source: UDIA; Research4, Core Logic, ABS

1 These forecasts include 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 by 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 to be lower than actual realised new supply.

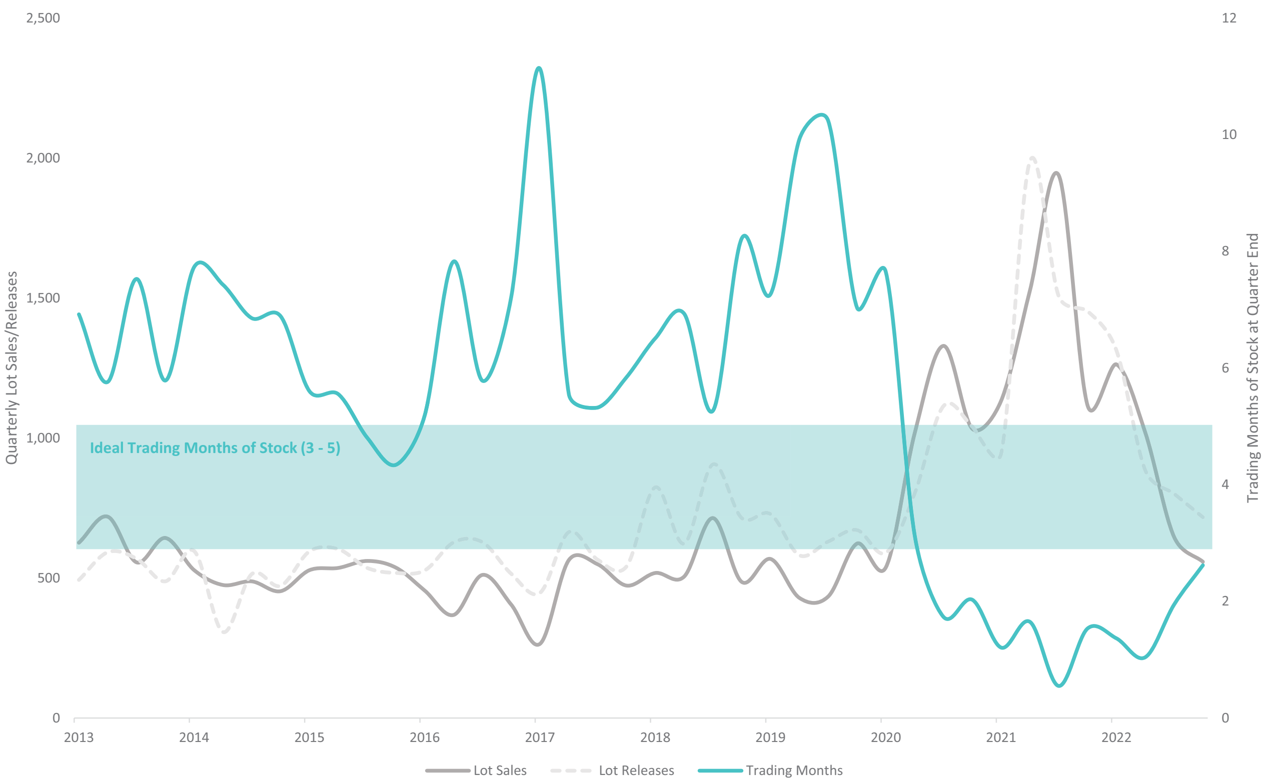
ADELAIDE

GREENFIELD MARKET ACTIVITY

Sales and Release Activity

- The Adelaide greenfield market recorded a 39% retraction on the 2021 volume of land sales, recording 3,490 annual sales which still remained 35% above the decade long average.
- Monthly land sales reduced from an average of 421 in the March quarter down to 186 in the 2022 December quarter which was the softest average monthly sales result for Adelaide since March 2020.
- Reflecting softening consumer demand, developers pulled back on lot release volumes across the year with releases reducing by 45% across the year to average 239 monthly releases in the December quarter.
- Adelaide's share of total national land sales since 2009 has averaged 6%. The share of total activity for the past year has averaged 9% with a closing market share metric of 8.9%.

Greenfield Market Activity



Source: UDIA; Research4

DEVELOPER INSIGHT

Brendan Gore
Managing Director and Chief Executive Officer, PEET Limited

After a period of strong growth and high activity, higher interest rates have contributed to slowing market conditions. Cost escalation, supply chain constraints and labour shortages continue to add further complexity to the local housing market.

Whilst certain corridors continue to sell well in South Australia, the uncertainty over interest rates and home building costs are impacting buyer sentiment (particularly for first homebuyers). That said, it is not getting any easier to buy, build or rent a home, and the continued constrained supply and tight vacancy rates, coupled with improving levels of overseas migration, are expected to underpin the strength of the Adelaide market going forward.

ADELAIDE

Stock Levels

- At the close of the December 2022 quarter the number of residential lots on a price list was equal to 2.6 months of demand.
- Stock levels returned back towards the ‘ideal trading band’ of 3-5 months worth of supply in the December quarter, which was the first time available stock had been close to this balanced trading band since the June quarter of 2020.

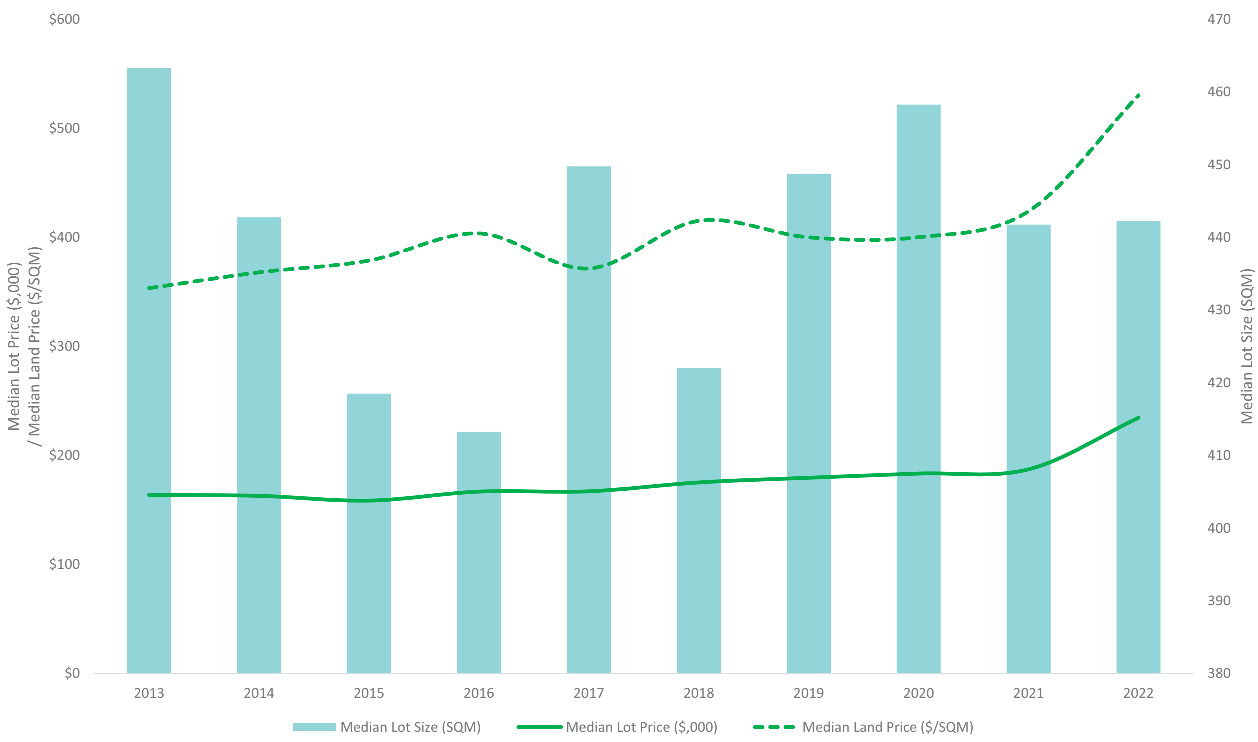
Greenfield Projects

- There was an average of 53 active trading estates across the year which represents a drop of 21% on 2021, and 19% lower than the long run average. In the December quarter there were 55 projects that recorded sales reflecting a modest increase of active projects from the June and September quarters.
- Research4 analysis reveals that the Adelaide market recorded 21 new estates for the year at an average scale of 270 lots per estate. The rate of new replacement estates for 2022 was in line with the long running average of 23 estates per annum.

Greenfield Land Prices, Lot Sizes and Values

- Adelaide’s average median lot price lifted a sharp 25% across 2022 to $235,000 which reflects the greatest annual increase in the last decade and resulted in Adelaide losing the title as having the most affordable to having the second most affordable residential land lots across the nation (to Perth). However, at current pricing Adelaide’s greenfield land pricing is still 40% lower than the combined capital city average of $391,540.
- 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 median lot size remained steady at 442 sqm, which maintains Adelaide’s position as holding the second largest capital city market lot sizes in the nation, second only to the ACT’s 472 sqm.
- The increase in lot pricing delivered a commensurate 25% increase in the average land rate to $530 psm, which still remains comparable affordable to be 49% lower than the combined capital city average land rate of $1,050 psm.

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)
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	5,714	68	442	$187K	$424
2022	3,488	53	442	$235K	$530

Source: UDIA; Research4

RESEARCH PARTNER: RESEARCH 4 ADELAIDE GREENFIELD OUTLOOK 2023

2022 was defined by a very strong first half followed by a moderating second half. This trend is likely to continue over the 2023 year, with sale volumes now at the bottom of the cycle and price growth being turned down.

The performance of the market will now be impacted by the ongoing economic side show that is centred on inflation and lending rates. Separate to this government induced economic crisis, activity levels for 2023 should remain 20% higher than pre COVID levels. The market is likely to see the number of active projects remain stable over 2023 before lifting. Competition between estates is expected to be balanced, with development capacity of active estates modelled to exceed demand by 12%.

Land prices are forecast to record modest gains over the 2023 year, nothing like the past 12 months but at least not negative.

That being stated, the major disruption now facing the market is the ongoing issues pertaining to cost of living and borrowing. If lending rates continue to rise, then the average purchasing capacity of the Adelaide household will further reduce. The modelled purchasing capacity has reduced by 17% since the first quarter of 2022, meaning that capacity is now below the median house price for Adelaide. Further rate rises will place greater downward pressure on the Adelaide house price in order to match the lower capacity of the customers. If this scenario eventuates, then land price will need to correct over 2023.

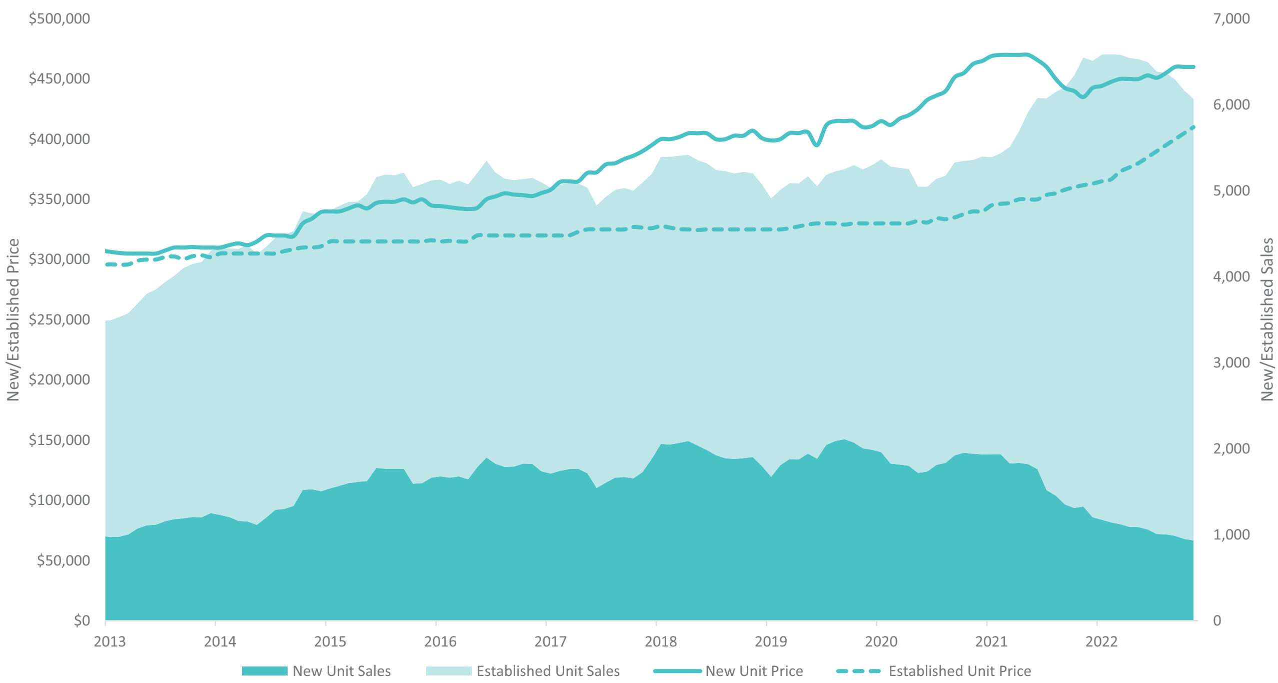
ADELAIDE

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- Sales of new apartment and town house stock remained subdued across 2022 with a total of 906 new unit sales transacted across Greater Adelaide representing a 25% decline on 2021 sale volumes.
- The volume of new multi-unit sales remained low across 2022 with an average of 75 settled transactions per month, which is 43% lower than the decade long average.
- Across the broader whole of market (new stock plus resales) for multi-units there was 5,917 settled multi-unit dwelling sales across Adelaide which is down 9% on 2021 transaction volumes.
- Sales of new units accounted for 11% of whole of market (units) sales for 2022 which is below the 18% decade average and well below the peak of 37% of market share achieved in 2020.

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



Source: UDIA; CoreLogic

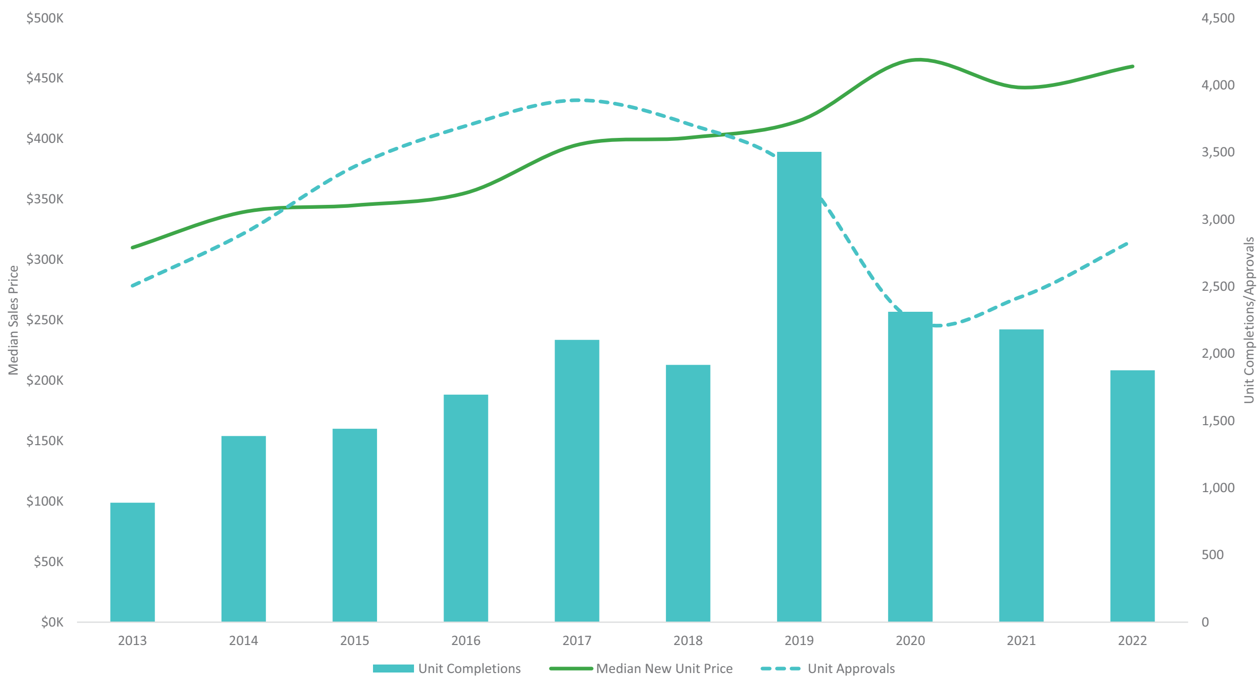
Median Unit Pricing

- The median sale price of new units increased by 4% across the year to $460,000 representing a similar median pricing achieved in 2020, prior to the moderation experienced in 2021.
- Adelaide's newly constructed units remain the second most affordable in Australia (after Perth), with the current median new sale price 39% cheaper than Sydney and 28% cheaper than Melbourne.
- The current median sale price of new units is currently 31% more affordable than the median price 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 1,880 new multi-unit dwellings completed in Adelaide in 2022. This is an annual decline of 14% on 2021 and 46% 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 2022.
- The majority (41%) of the new multi-unit dwelling completions in Greater Adelaide occurred between 5km of the Adelaide GPO, followed by 34% 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 detached house price affordability.

Median New Unit Price & Annual Unit Completions

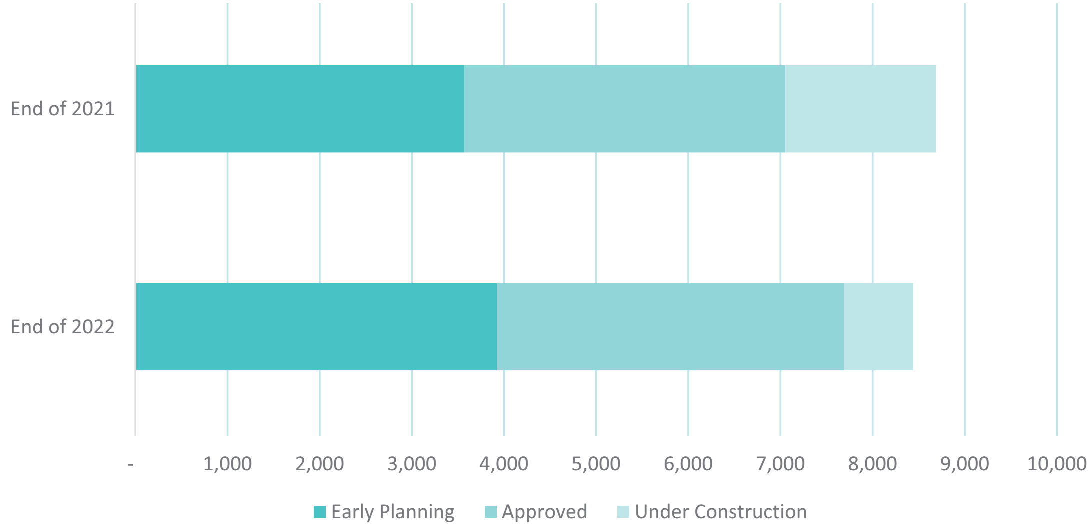


Source: UDIA; CoreLogic

Sofitel Adelaide by Palumbo (SA)

ADELAIDE

Multi-Unit Active Pipeline Analysis



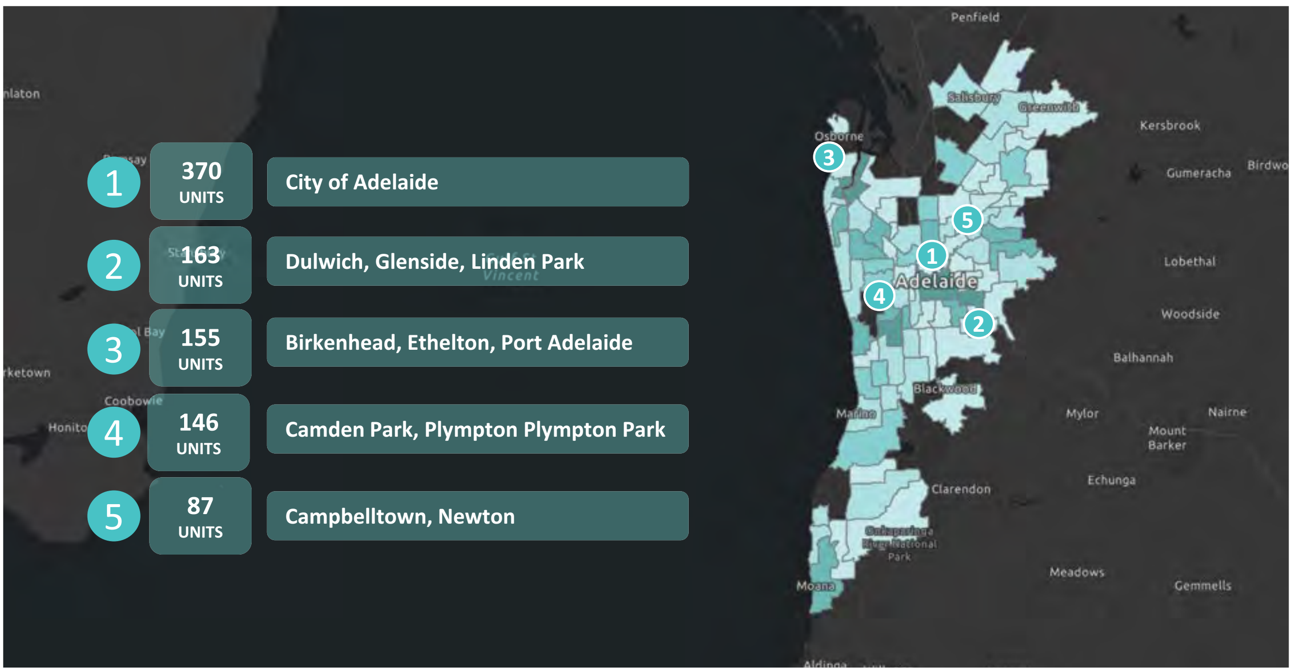
Source: UDIA; CoreLogic

Pipeline Analysis

Data Note: CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2021 and a December 2022 snapshot of the industry leading Cordell Construction database.

- This data analysis reveals that there is an aggregate total of 8,442 units in the Adelaide active pipeline, which is 3% lower than the supply recorded in December 2021.
- This is made up of units in the early planning phase (up 10% from 2021), units which have received approvals (up 9% from 2021) and units under construction (down 54%).
- The multi-unit approvals further softened across the year, up 17% indicating forward unit supply will remain subdued for the coming few years.

Multi-Unit Completions by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The City of Adelaide had the most apartment sales activity in Greater Adelaide with 719 units sold in the year to December 2022, an increase of 4% on the year, and a median sale price of $435,000.
- This was followed by the City of Charles Sturt with 697 sales and Port Adelaide Endfield with 509 sales.
- The LGAs experiencing the highest apartment price growth were Playford (up 32%), Charles Sturt (up 30%) and Mitcham (up 20%).

Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2012	920	$310K	2,572	$295K	-	-
2013	1,154	$312K	3,147	$302K	2,506	890
2014	1,443	$340K	3,281	$310K	2,896	1,387
2015	1,571	$350K	3,548	$315K	3,395	1,441
2016	1,567	$365K	3,530	$317K	3,697	1,695
2017	1,794	$400K	3,402	$325K	3,888	2,103
2018	1,750	$404K	3,322	$325K	3,712	1,917
2019	1,959	$415K	3,406	$330K	3,339	3,504
2020	1,932	$465K	3,469	$340K	2,261	2,312
2021	1,205	$444K	5,306	$363K	2,425	2,181
2022	906	$460K	5,011	$415K	2,841	1,876

Source: UDIA; CoreLogic

RESEARCH PARTNER: CORELOGIC'S 2023 OUTLOOK

South Australia

South Australian home values had the largest COVID-upswing in the low interest rate environment between 2020 and 2022, with home values increasing 44.4% between March 2020 and July 2022. Since then, home values have been highly resilient to rising interest rates. Dwelling values across the state are just -1.5% below the peak, led by a -2.3% decline across Adelaide. Declines across Adelaide have so far been relatively contained to central and high-end dwelling markets near the CBD, but the expectation is that a mild price downturn will reach more peripheral markets of the city toward the middle or end of this year. In aggregate, regional South Australia dwelling values are yet to show any month on month declines.

It is CoreLogic's view that the decline in dwelling values has so far been relatively contained due to the relatively affordable price point of home values across Adelaide and regional South Australia. Additionally, the state is currently seeing positive migration trends, both from overseas and other states and territories. As the cycle matures and further rate hikes eventuate over the course of the year, it is expected that the South Australian dwelling market will see further declines in sales and values, though not to the extent seen in the east-coast markets.

ADELAIDE

SPOTLIGHT ON THE REGIONS

	House Approvals		Multi-Unit Approvals		New House Sales		New Multi-Unit Sales		Vacancy Rate (Houses)			
Greater Adelaide	7627	20% ↓	2841	17% ↑	7237	2% ↓	906	25% ↓	Dec-21	0.6%	Dec-22	0.4%
Regional SA	2918	20% ↓	365	21% ↑	2422	10% ↓	103	0% ↑	Dec-21	1.8%	Dec-22	1.4%
Mount Gambier	133	33% ↓	2	↑	124	5% ↓	9	47% ↓	Dec-21	0.3%	Dec-22	0.6%
Victor Harbor - Alexandrina	537	2% ↑	9	50% ↓	365	4% ↓	7	30% ↓	Dec-21	2.2%	Dec-22	2.3%

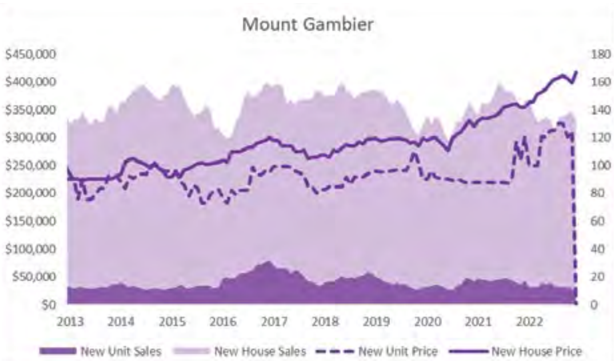
Source: UDIA; CoreLogic; ABS

- Regional South Australia has followed a similar trajectory of decling residential activity and momentum as Greater Adelaide across 2022. Regional SA's sales of detached houses fell 10% across the year with house approvals plunging 20%.
- In the regional spotlight cities of Mount Gambier and Victor Harbour-Alexandrina, new house sales moderated by around 5%, with both cities recorded slight vacancy rate easing to 0.6% and 2.3% respectively.

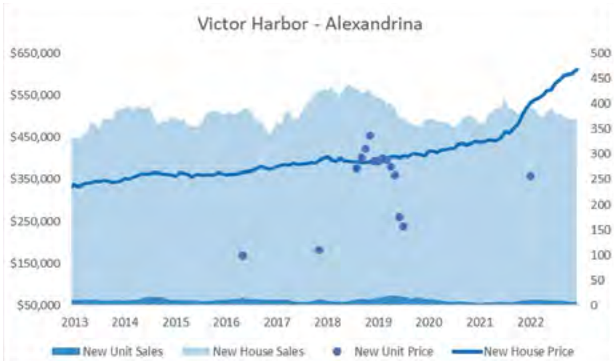
Vacancy Rate

Source: UDIA, SQM

New Unit - Houses Sales and Price



Source: UDIA; CoreLogic



Source: UDIA; CoreLogic

SOUTH AUSTRALIA — STATE POLICY ENVIRONMENT

Key industry/market issues

The state election in March 2022 saw significant focus placed on housing affordability with land supply levels dwindling and median house prices continuing to surge.

Since the election, South Australia's median house price and land supply have been top political issues, with affordability and cost of living pressures across the board only creating a greater sense of urgency for real action.

Going into the state election, the Urban Development Institute was clear in its advocacy agenda, talking with all political parties at great length about housing affordability and land supply with concrete suggestions for improvement outlined in our state election platform, grow.reform.build.

The recommendations were largely formed on a need for modern planning strategy, systems and processes that foster growth and liveability; reforms that facilitate the right conditions for development; and a common-sense approach to planning for and delivering the infrastructure that underpins and connects thriving communities.

State policy priorities

Among a host of other measures, the UDIA specifically advocated for a comprehensive review of the 30-Year Plan for Greater Adelaide to inform a more strategic approach to the city's growth; an up-to-date approach to and robust measurement of land available for development; a review of the operation of the State's planning system; and a vast improvement in the coordination of infrastructure as it relates to urban development.

We are pleased to note that the UDIA's voice, on behalf of our members, was heard. Our recommendations through grow.reform.build. were understood and as a result, the UDIA was invited to present its key priorities to the full cabinet of government in August 2022.

Following this, the State Government has taken action, announcing several key initiatives that are a step in the right direction to addressing the housing crisis facing South Australia and creating the right conditions to support development.

Specifically, the State Government:

- Participated in and lead greater discussion around land supply and agreed to work with UDIA SA to develop meaningful and data-driven land supply metrics to identify future land releases and determine development approvals.
- Committed to and undertook a comprehensive review of the state's planning system, led by former UDIA SA President John Stimson.
- Announced the most significant and largest release of residential land in the state's history that will deliver at least 23,700 homes in Hackham, Dry Creek, Concordia and Sellicks Beach with 15% earmarked for affordable housing — opening the door to the great Australian dream for more than 50,000 South Australians.
- Established the Infrastructure Planning and Development Unit to ensure more sophisticated coordination of the provision of essential utilities such as electricity, water and sewage and public infrastructure such as roads and schools.

Future prospects

UDIA SA looks forward to continuing to work in partnership with the State Government, who have already demonstrated they are listening to our recommendations and implementing the changes and spearheading initiatives to address the housing crisis and position South Australia as a truly liveable destination.

While we anticipate the findings and recommendations of the Planning System Implementation Review, we are committed to working with the State Government to finalise its land supply dashboard so the new Infrastructure Planning and Development Unit can fully maximise its capacity to unlock land for development and ultimately put downward pressure on housing affordability.

We will also continue to advocate for reforms to the Planning, Development and Infrastructure Act 2016, including an operational review of the Planning and Development Fund and open space contributions.

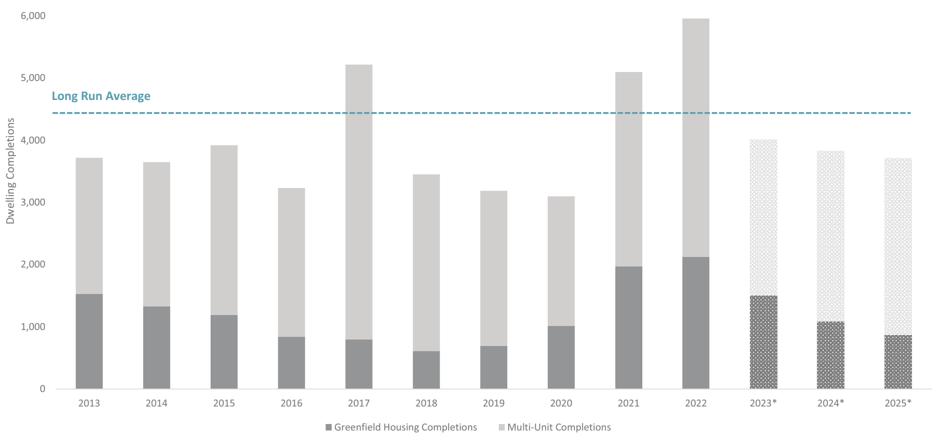
CANBERRA

Midnight by Geocon (ACT)

SUMMARY

- The ACT greenfield market registered a sharp decline in activity and momentum across 2022 while the multi-unit sector demonstrated resilience to record only moderate declines in activity.
- Greatly reduced consumer sentiment driven by rising interest rates underpinned the softened demand profile for new build dwellings across the 2022 calendar year.
- The moderation of dwelling sales performance in greenfield markets also relates to a market normalisation phase following the significant up-swing in demand on the back of the Home Builder government stimulus across 2020 and 2021.
- Completions of new market supply across 2022 totalled 5,948 new dwellings which is a 17% increase on 2021 production with 64% of these completions coming from new multi-unit/and apartment supply.
- UDIA's modelled forecasts of new dwelling supply[1] indicate that new dwelling supply will plummet to long run average circa 4,000 dwellings in 2023 with further declines of completions across both the new greenfield housing and multi-unit sectors in 2024 and 2025.

New Residential Market Supply



Source: UDIA; Research4, Core Logic, ABS

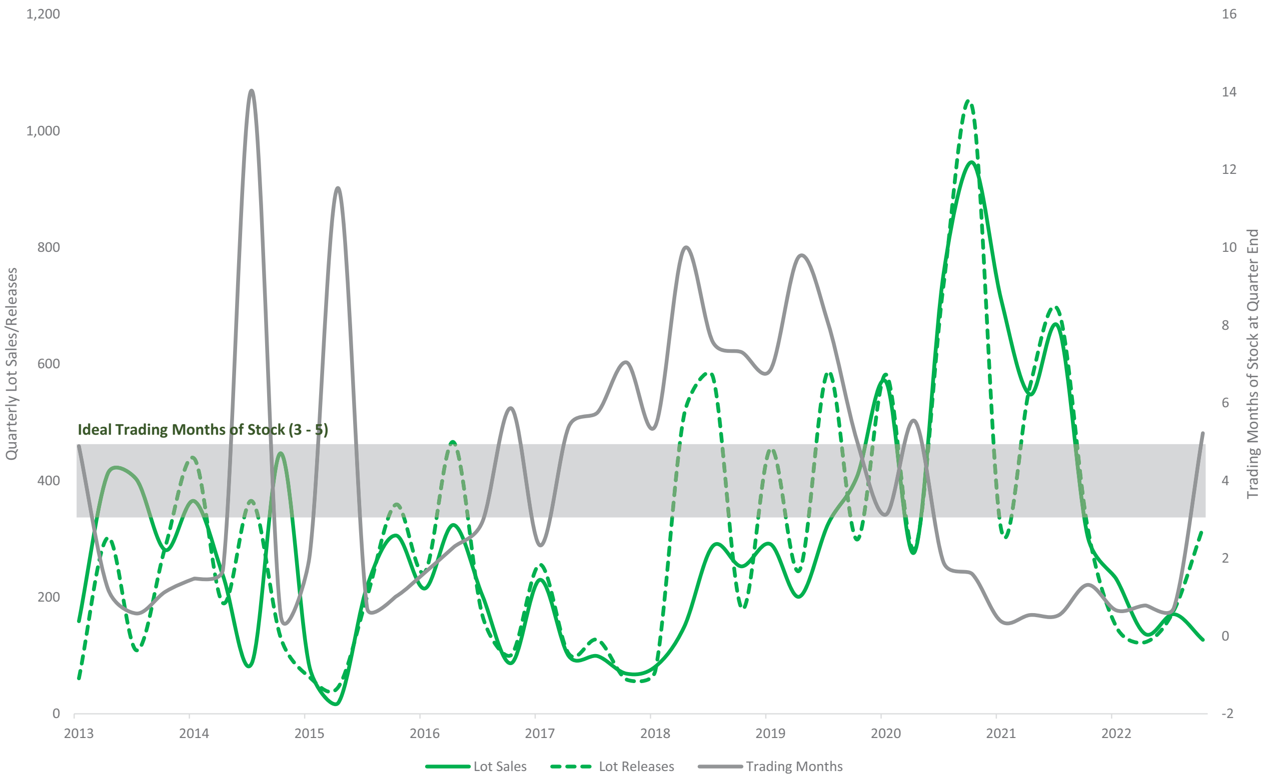
1 These forecasts include estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered by State of the Land reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely to be lower than actual realised new supply.

GREENFIELD MARKET ACTIVITY

Sales and Release Activity

- The ACT greenfield market recorded a very weak year in 2022, with an annual aggregate of 666 lot sales at an average of 55 a month which was 46% below the long term trend, and 73% below the record breaking level achieved in 2020.
- Reflecting a softened consumer profile there was a release of just 769 lots released across 2022, which reflects a 59% drop on 2021 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 Market Activity



Source: UDIA; Research4

CANBERRA

Stock Levels

- As of December 2022, the number of residential lots on a price list was equal to 5.2 months of trading which was the highest proportion of available inventory since the start of the pandemic.
- Stock levels remained at critically low levels and well below 'ideal trading band' of 3 – 5 months worth of stock until the December quarter 2022 when the persistently low sales volumes helped ease the squeeze on aggregate supply levels.

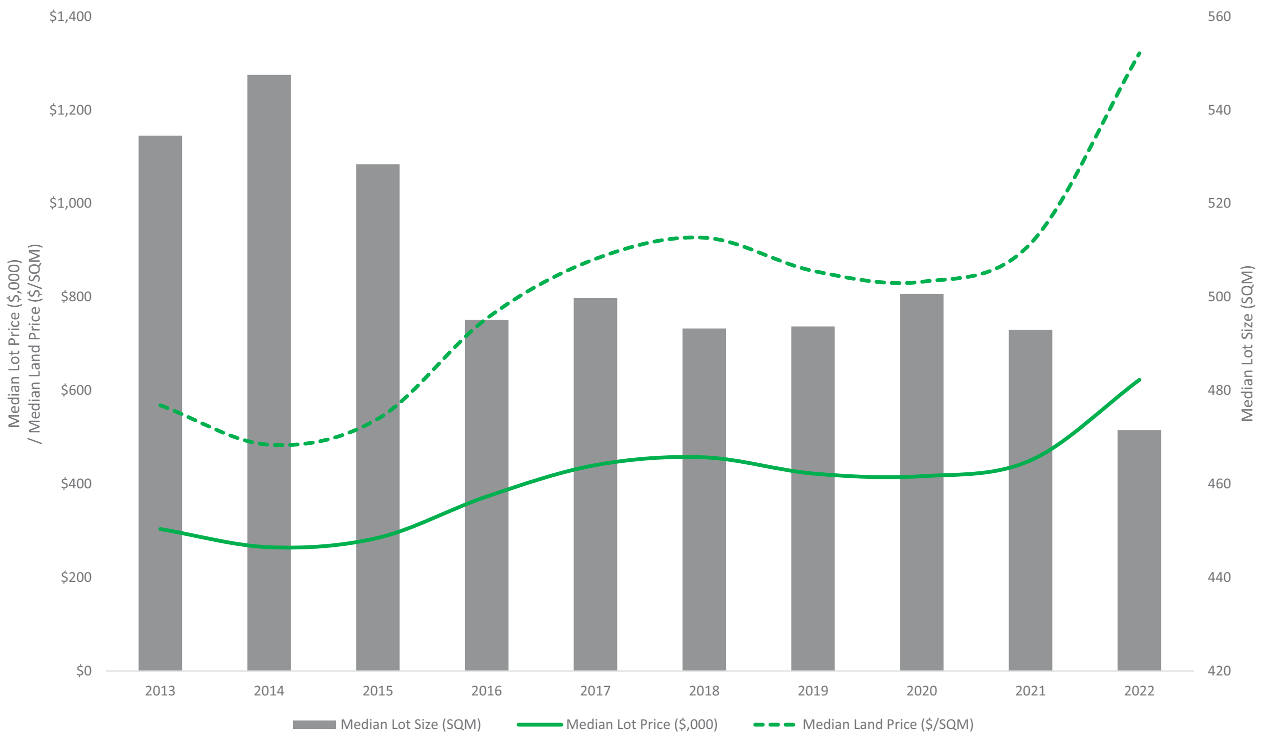
Greenfield Projects

- Research4's land survey recorded an average of just five active estates across 2022, and the average across the December quarter was only four active estates.
- The annual count of active trading estates in 2022 halved from the average of ten in 2021 and was down 62% from 2020.
- Research4's analysis revealed the ACT had only one new estate enter the market in 2022 with a scale of circa 200 lots. The long running rate of new replacement estates is 2.6 per annum signalling a protracted period ahead of lowered production volumes.

Greenfield Land Prices, Lot Sizes and Values

- The ACT's median lot price average across 2022 grew 38% to $623,000 which helped further cement the nation's capital having the second most expensive residential lots in Australia after Sydney ($716,000).
- The ACT's 2022 median lot price represented 64% of the established market median house price of $972,000, which is in line with decade average of 65%. The steep escalation in lot pricing in 2022 brought the lot/house ratio up from 56% in 2021.
- The median lot size dropped by 4% over 2022 to 472 sqm which helped deliver the ACT to comfortably retain the largest average block sizes in the country and is 16% higher than the combined capital city average.
- The median land value rose 44% across 2022 to $1,321 psm which is a record high, 43% above 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 Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Median Lot Price	Median Land Price ($/SQM)
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	2,226	10	493	$451K	$914
2022	666	5	472	$623K	$1,321

Source: UDIA; Research4

RESEARCH PARTNER: RESEARCH4 ACT GREENFIELD OUTLOOK 2023

The performance of the ACT Greenfield market is driven by the release strategy of those projects operating across the market. The ACT Greenfield market is a hybrid Greenfield market, offering a greater array of product types. This can include apartment living and medium density. The last quarter of 2022 over 25% of all products offered was less than 250m2. With most of this product offered as a complete package, the impact on the median lot price is reduced.

The outlook for the ACT market is for a greater percent of activity to be centred on smaller land product. As mentioned, in December 25% of product was less than 250m2, but for the whole of 2022, 6% of product was less than 250m2. With the modelled fair value currently sitting at $543,000, this will align nicely with lot sizing less than 350m2.

Demand for new land is expected to bottom in the first quarter of 2023 before moving upward, although still below long running averages. The market is not expected to return to strong levels of demand over the coming 24 months, although this could change depending on how many more public servants are employed by government.

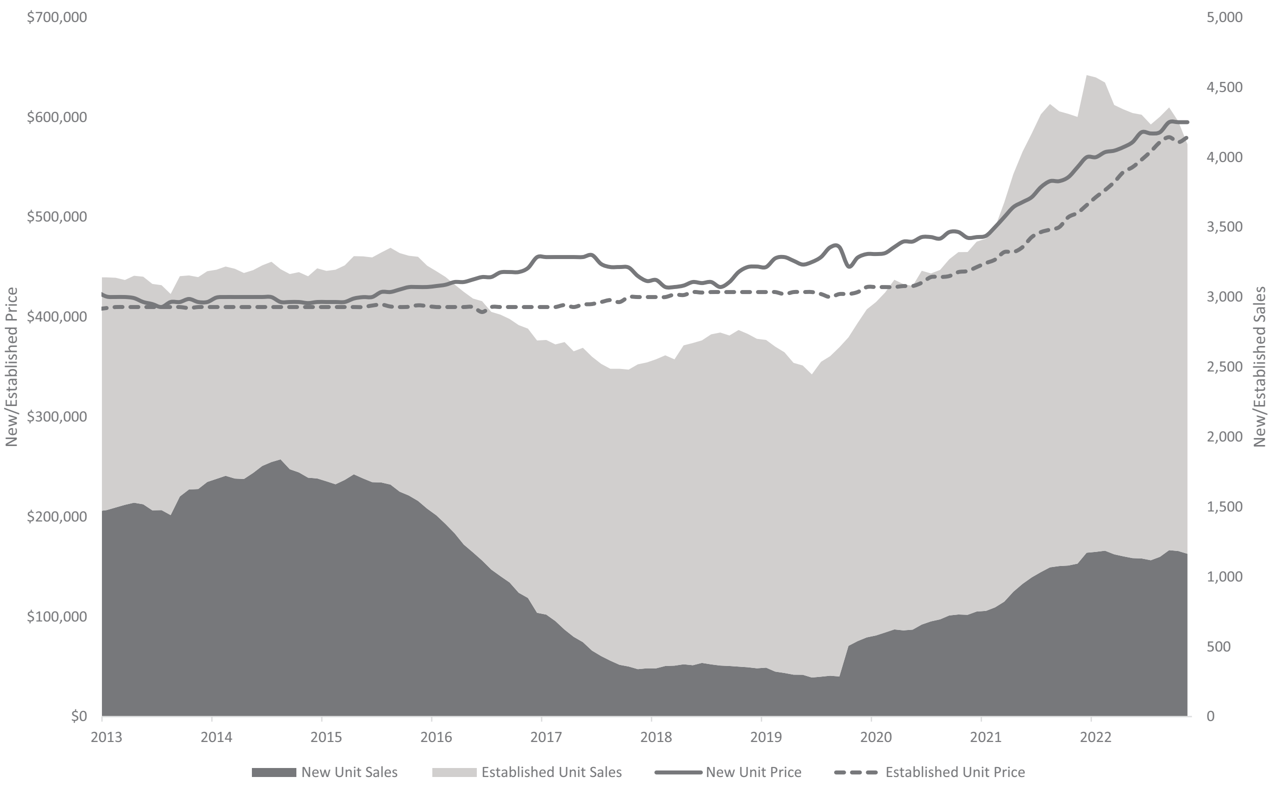
CANBERRA

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- There were 1,140 settled sales transacted across the year, which was commensurate with 2021 volumes but 11% above the decade average.
- Sales activity of new apartments and multi-units across Canberra remained relatively consistent across the year, in contrast to the steadily declining activity recorded in the greenfield sector.
- Across the broader whole of market there were 4,046 settled multi-unit dwelling sales across the ACT which was down 12% on the peak volumes of the last decade achieved in 2021.
- Over the last ten years new build multi-units (primarily apartments) have averaged 34% of total annual unit sales activity. In 2022 new unit sales accounted for 28% of total sales highlighting the on-going resilience of the multi-unit sector.

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



Source: UDIA; CoreLogic

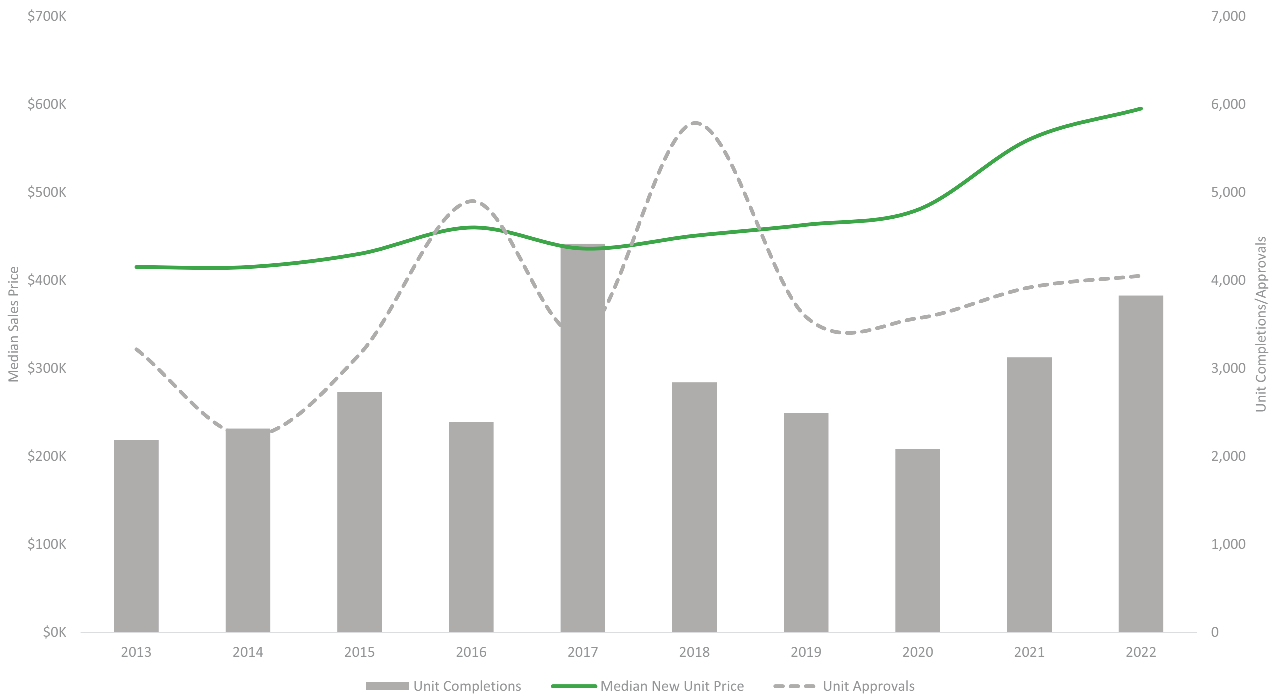
Median Unit Pricing

- There was a 6% growth in the annual median sale price of new units in 2022 which bucked the national trend with the combined capital cities declining by 0.4%.
- The median price for the ACT's newly constructed units is currently 22% more affordable than median pricing for Sydney's units and 7% more affordable than Melbourne's. For the fifth year running Canberra's unit pricing was higher than SEQ's.
- The median sale value for all multi-units (new and resales) across the ACT increased by 11% across the year to $585,000, which represents the peak value achieved for the unit sector.
- The current median sale price of new units is currently 40% more affordable than the median price 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 2022, returning to 2017 levels. In total there were 3,826 multi-unit dwellings completed in the ACT in 2022, a year-on-year increase of 22%, and 13% 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 3214 units were completed across the year, equating to 84% of new supply. This reflects strong unit completion in Canberra's northwest, postcode 2617, with 1031 units which was the most of any postcode for the year, and postcode 2611 in Snowy Valleys with 753 units which includes Weston Creek and Coombs.
- The postcode which contributed the third most to new multi-unit supply was 2603 (Forrest, Griffith, Manuka and Red Hill) which had 527 new unit completions in 2022.

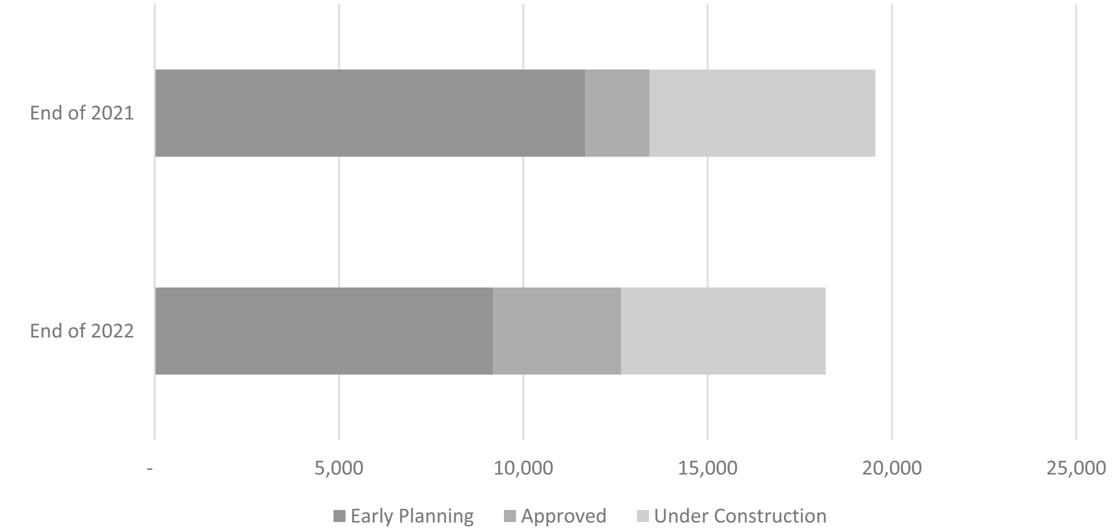
Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

CANBERRA

Multi-Unit Active Pipeline Analysis



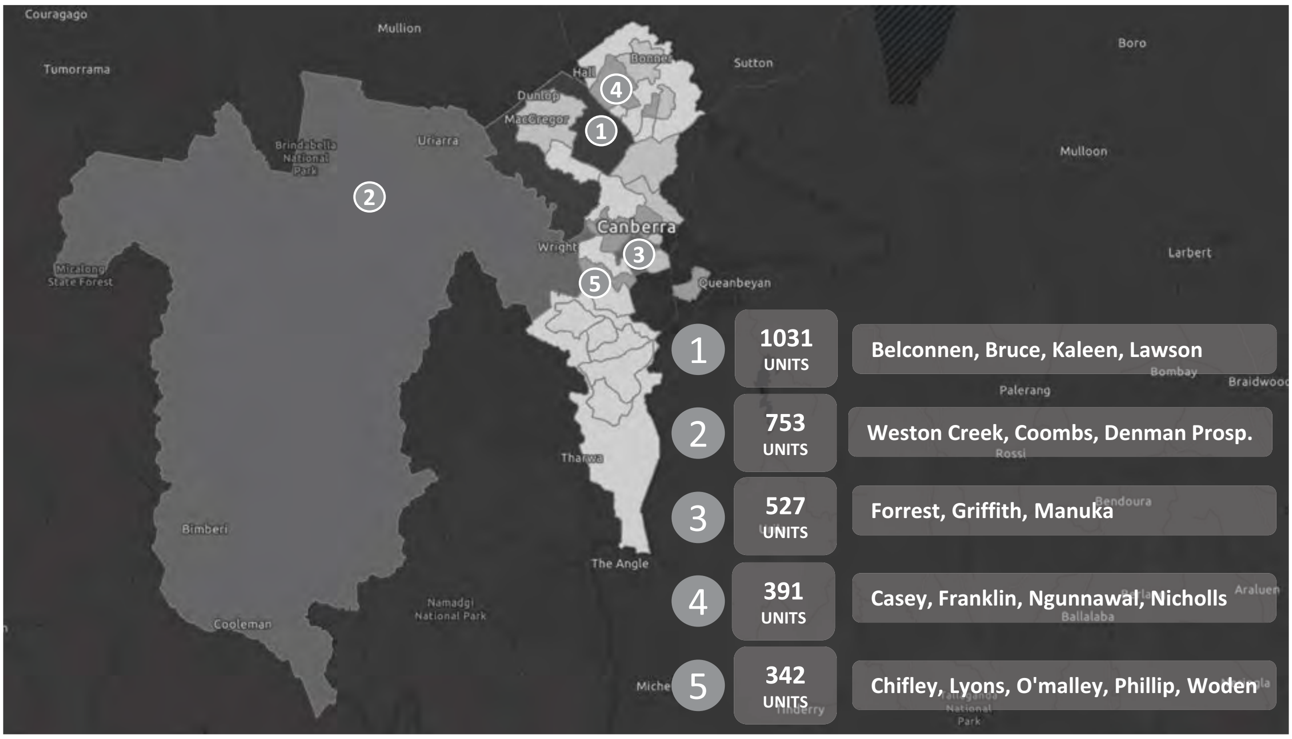
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2021 and December 2022 snapshot of the market leading Cordell Construction database.

- The total active pipeline in the ACT numbered 18,204 units, which is a 7% decrease on 2022 signalling a tempered regression of the industry confidence in forward demand.
- The pipeline recorded a 99% increase of units which have been approved in 2022, which has driven the aggregate growth of the ACT multi-unit pipeline, while units in the early planning phase fell at circa 9,178 units, and there was a 9% decrease of units in construction as of December 2022.

Multi-Unit Completions by Postcode



Source: UDIA; CoreLogic

Multi-Unit Market Performance Summary Table

	New Unit Sales	Median New Unit Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2012	1,431	$425K	1,712	$409K	-	-
2013	1,626	$416K	1,565	$410K	3,216	2,186
2014	1,651	$415K	1,558	$410K	2,229	2,316
2015	1,409	$430K	1,825	$413K	3,160	2,729
2016	687	$456K	2,012	$410K	4,898	2,390
2017	392	$447K	2,141	$420K	3,385	4,415
2018	470	$451K	2,238	$422K	5,785	2,840
2019	583	$463K	2,388	$430K	3,583	2,491
2020	756	$480K	2,658	$450K	3,569	2,081
2021	1,173	$560K	3,416	$512K	3,918	3,124
2022	1,138	$595K	2,908	$580K	4,051	3,826

Source: UDIA; CoreLogic

RESEARCH PARTNER: CORELOGIC'S 2023 OUTLOOK

CoreLogic®

ACT

The ACT housing market has declined a relatively steep -9.0% since peaking in June last year. This follows a long, large period of increase in housing values across the territory, with dwelling values up 36.6% in the past five years (which includes the recent downturn). The housing market is expected to see further price falls, likely to bottom out in line with a peak in the cash rate and weaker credit conditions.

Rent values across the ACT increased 14.7% since the onset of the pandemic, but have started to shift intro a decline. Rent values fell -0.7% in the three months to February, which may reflect recent declines in net interstate and overseas arrivals to the Territory.

Republic by Geocon (ACT)

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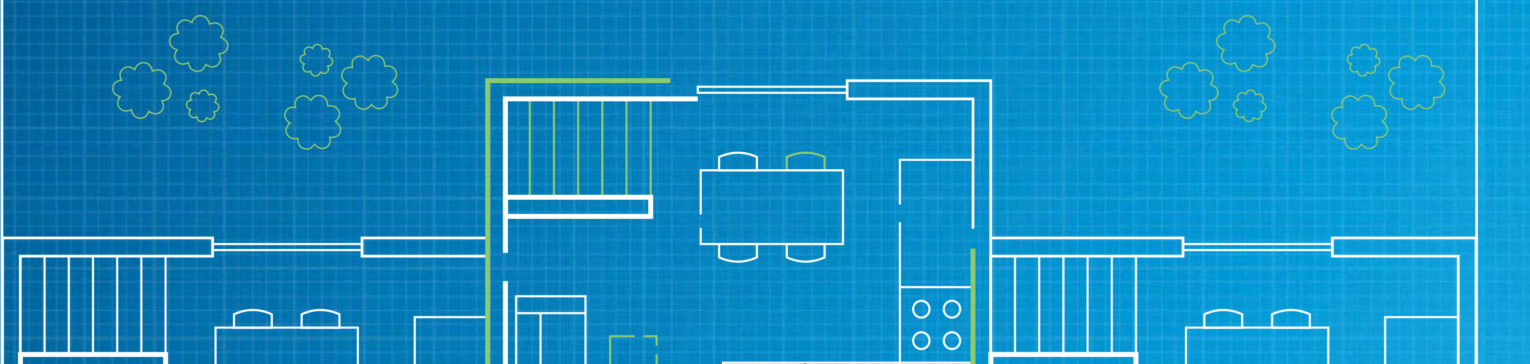

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