



# Australian Residential Property Market Overview

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## Highly Liveable

- Australian Cities are highly liveable and are ranked among the world's best for lifestyle

### Quacquarelli Symonds Best Student Cities

1	Paris, France
2	<b>Melbourne, Australia</b>
3	Tokyo, Japan
4	<b>Sydney, Australia</b>
5	London, United Kingdom

Source: Quacquarelli Symonds

### The Economist's Most Liveable Cities

1	<b>Melbourne, Australia</b>
2	Vienna, Austria
3	Vancouver, Canada
4	<b>Adelaide, Australia</b>
5	Calgary, Canada

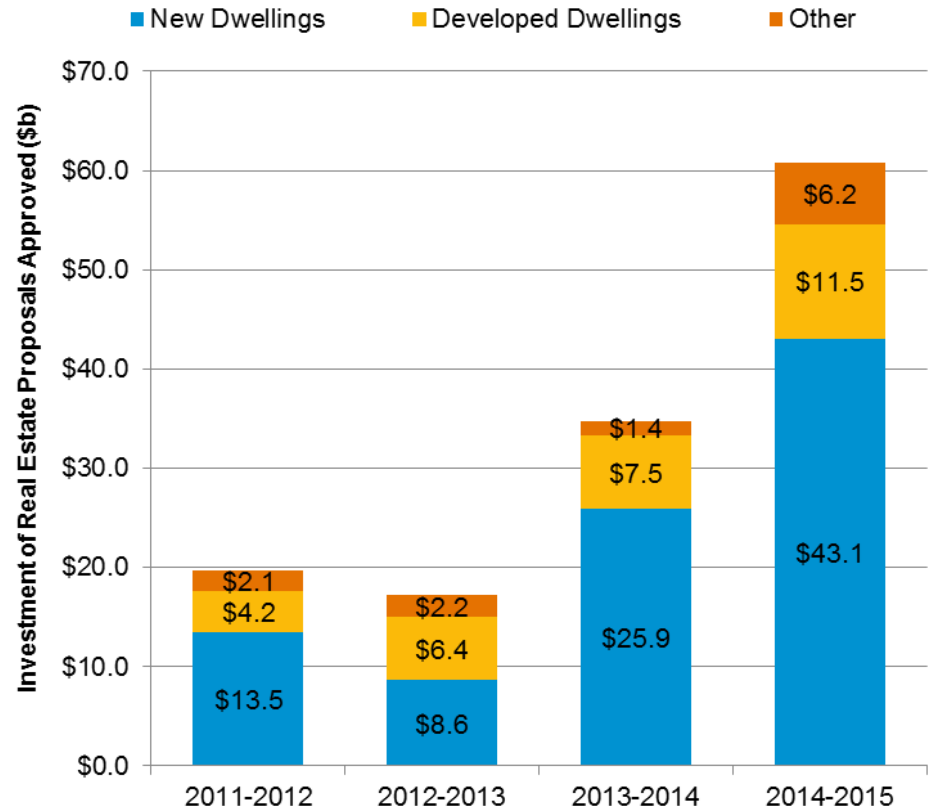
Source: The Economist

### Monocle's Quality of Life Best Cities

1	Tokyo, Japan
2	Vienna, Austria
3	Berlin, Germany
4	<b>Melbourne, Australia</b>
5	<b>Sydney, Australia</b>

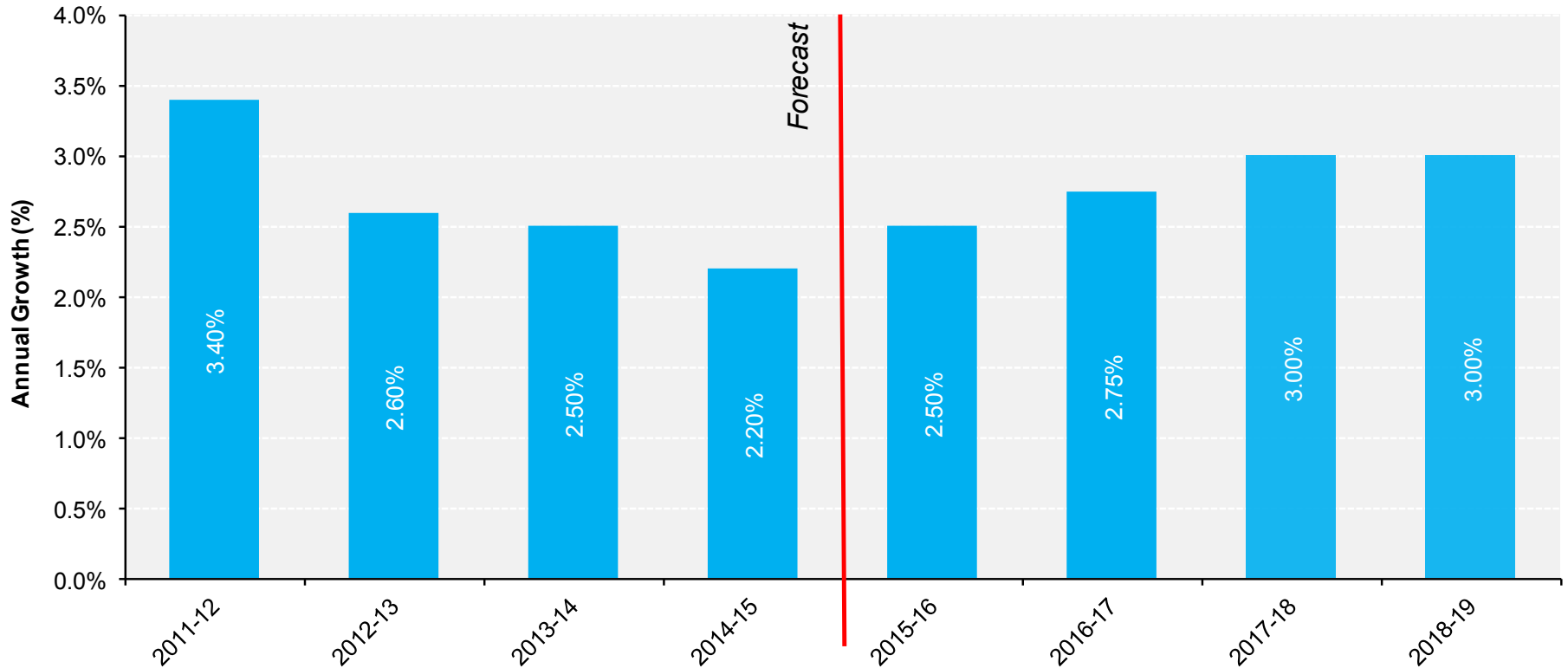
Source: Monocle

- Largely been driving off-the-plan apartment market
- Significant increase in 2014-215 compared to previous 3 years
- Top countries of real estate investment:
  1. China - \$24.3B
  2. United States - \$7.1B
  3. Singapore - \$3.9B
  - 4. Malaysia - \$3.4B**
  5. Republic of Korea - \$2.5B
  6. United Kingdom - \$2B
  7. Hong Kong - \$1.7B
  8. Canada - \$1.6B
  9. Netherlands - \$977M
  10. Thailand - \$911M



Source: FIRB Annual Report 14/15



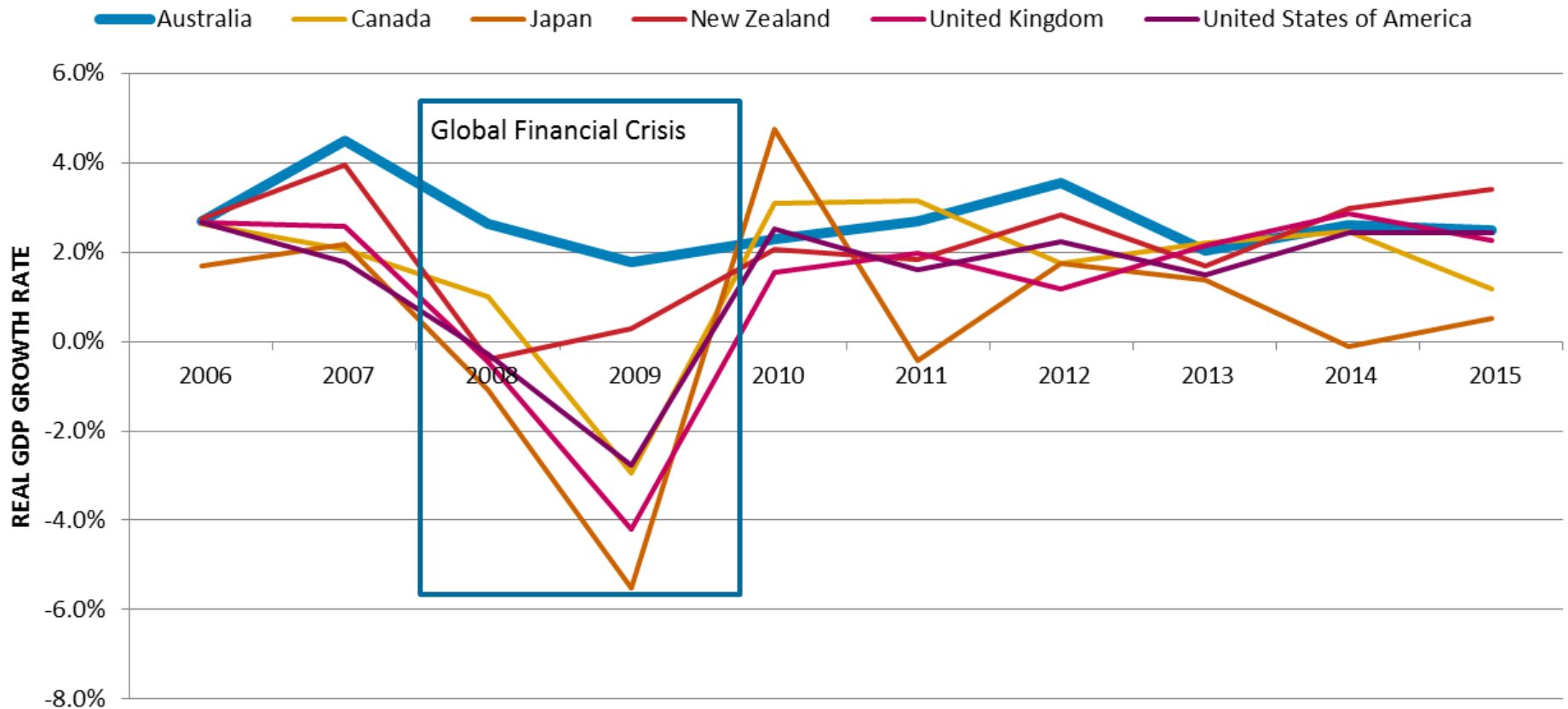


Source : Australian Treasury, QLD Treasury; Urbis

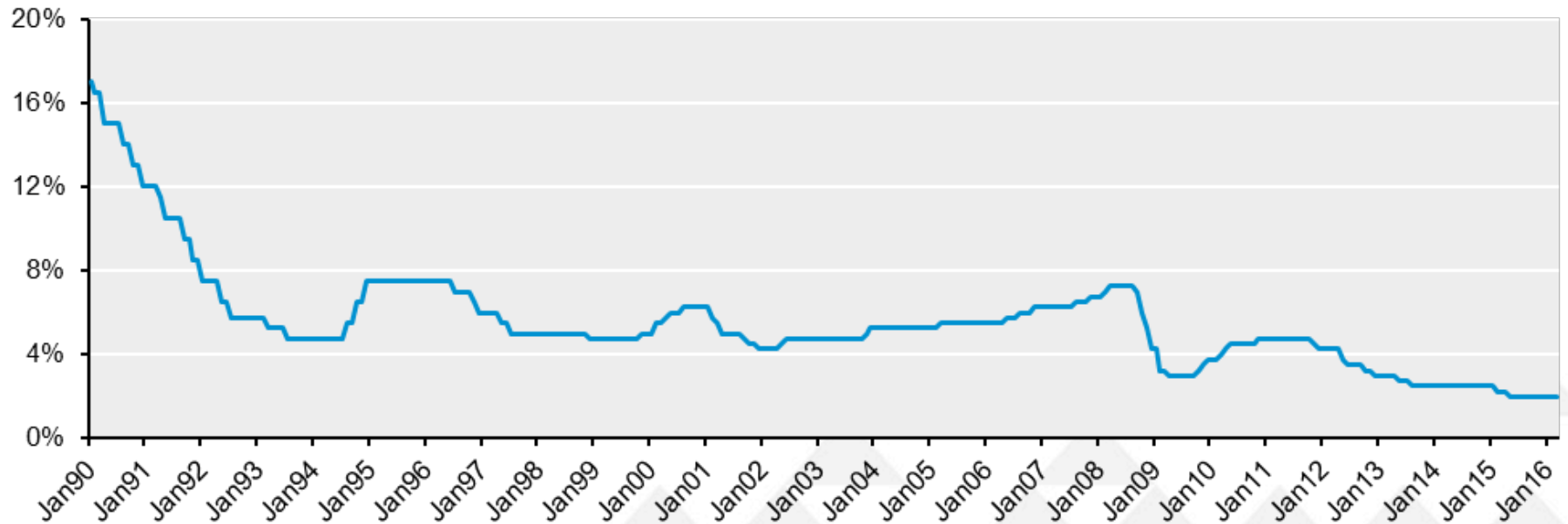
Economic growth in Australia has shown resilience amid the global economic downturn, largely due to the performance of the resources sector. As the resources boom tapers off and commodity prices cool, other areas of the economy are beginning to strengthen.



# The Australian Economy Comparison to Developed Countries



Source: Economic Intelligence Unit 2016

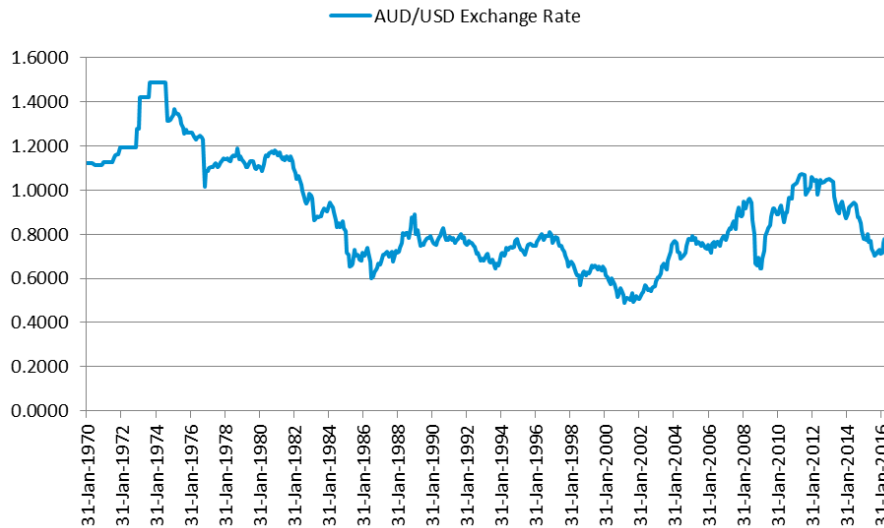


Source: RBA

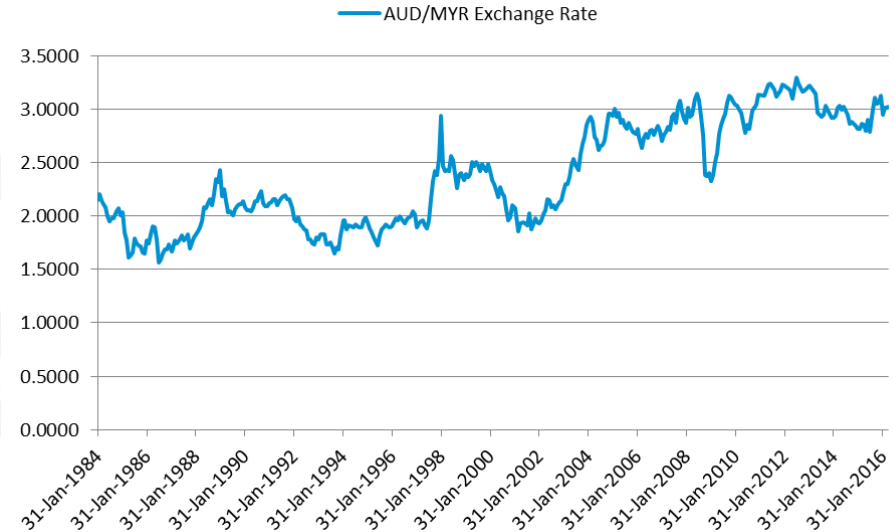
# Exchange Rates – Australia

## Comparison to Developed countries

### United States

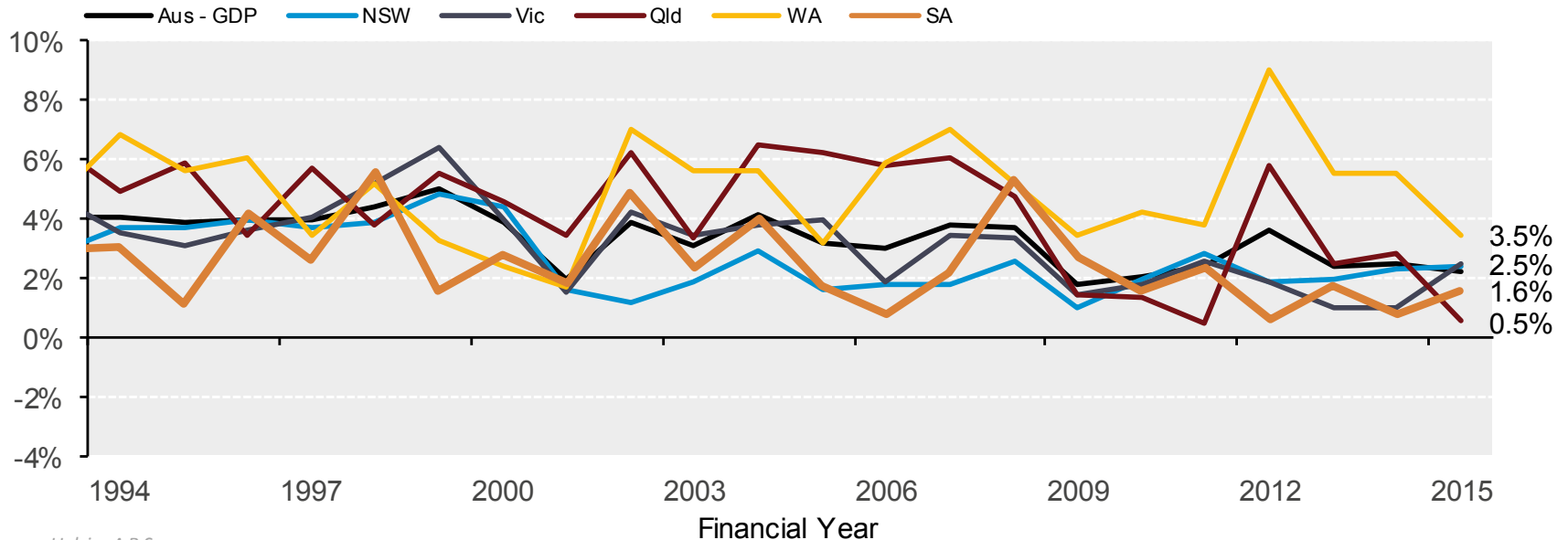


### Malaysia



Source: RBA





Each of the states has continued to achieve positive GSP growth since 1994, with growth still being achieved during the GFC.

AS EASY AS



**P** **POPULATION GROWTH**

*Healthy population growth usually equates to a healthy and prosperous residential property market. An increased population means increased demand for accommodation.*

**I** **INVESTMENT & INFRASTRUCTURE**

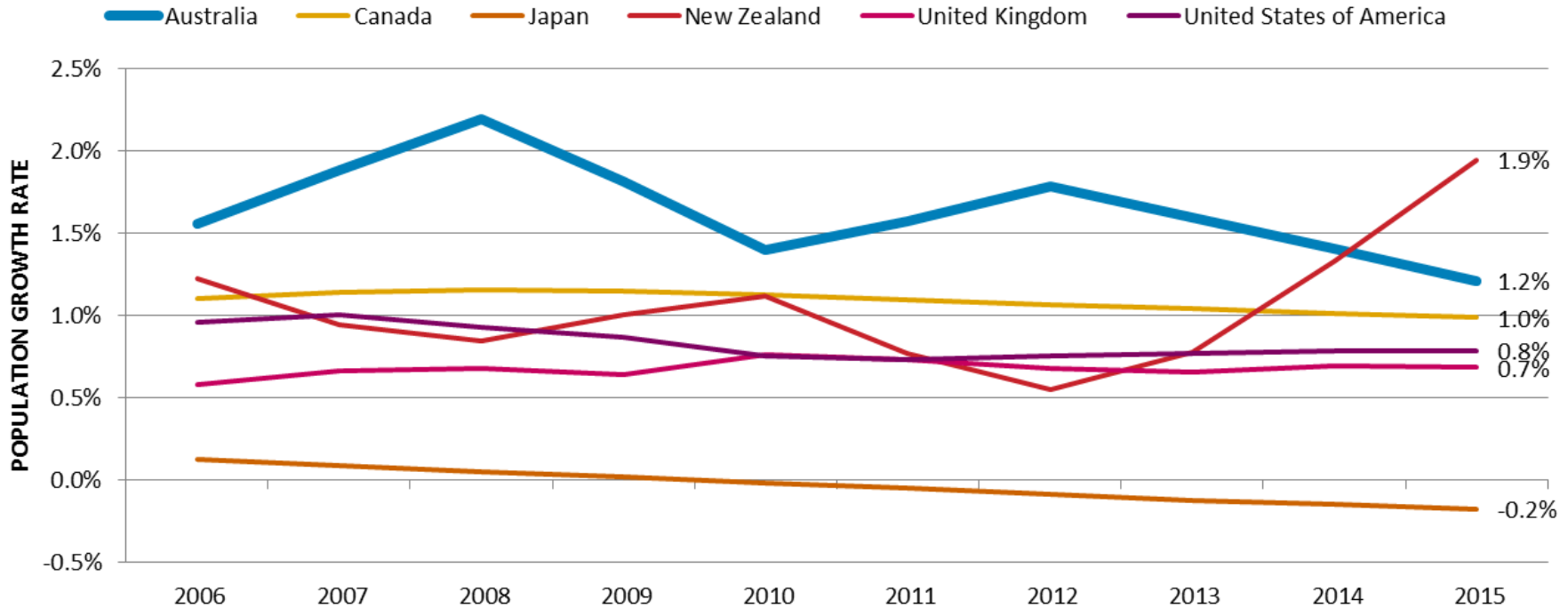
*Cities that provide significant public and private investment are prime areas for residential development and growth, especially when they also offer convenient transport infrastructure.*

**E** **EMPLOYMENT OPPORTUNITIES**

*Thriving employment nodes and centres are an essential fundamental to strong residential growth. New jobs lead to new residents as people relocate to take advantage of career opportunities.*

The P.I.E Formula (Population, Infrastructure and Employment) can be applied across a number of key areas to assess sustainable long-term investment.

# The Australian Population Comparison to Developed Countries



Source: Economic Intelligence Unit 2016

## Population Growth – Comparison by Capital City

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Capital City	Figures		Historical	Forecast	
Statistical District	2014	2024	5 yr Growth p.a.	5 yr Growth p.a.	10 yr Growth p.a.
Brisbane	2,283,912	2,806,718	1.6%	2.2%	2.1%
Melbourne	4,441,629	5,349,902	1.6%	2.0%	1.9%
Sydney	4,509,460	5,305,890	1.3%	1.7%	1.6%
Perth	1,744,226	2,065,644	1.2%	1.7%	1.7%
Adelaide	1,241,727	1,360,440	0.9%	0.9%	0.9%

Source: ABS

Forecast population set to continue at steady rate across all major capital cities, above historic growth in most cases.



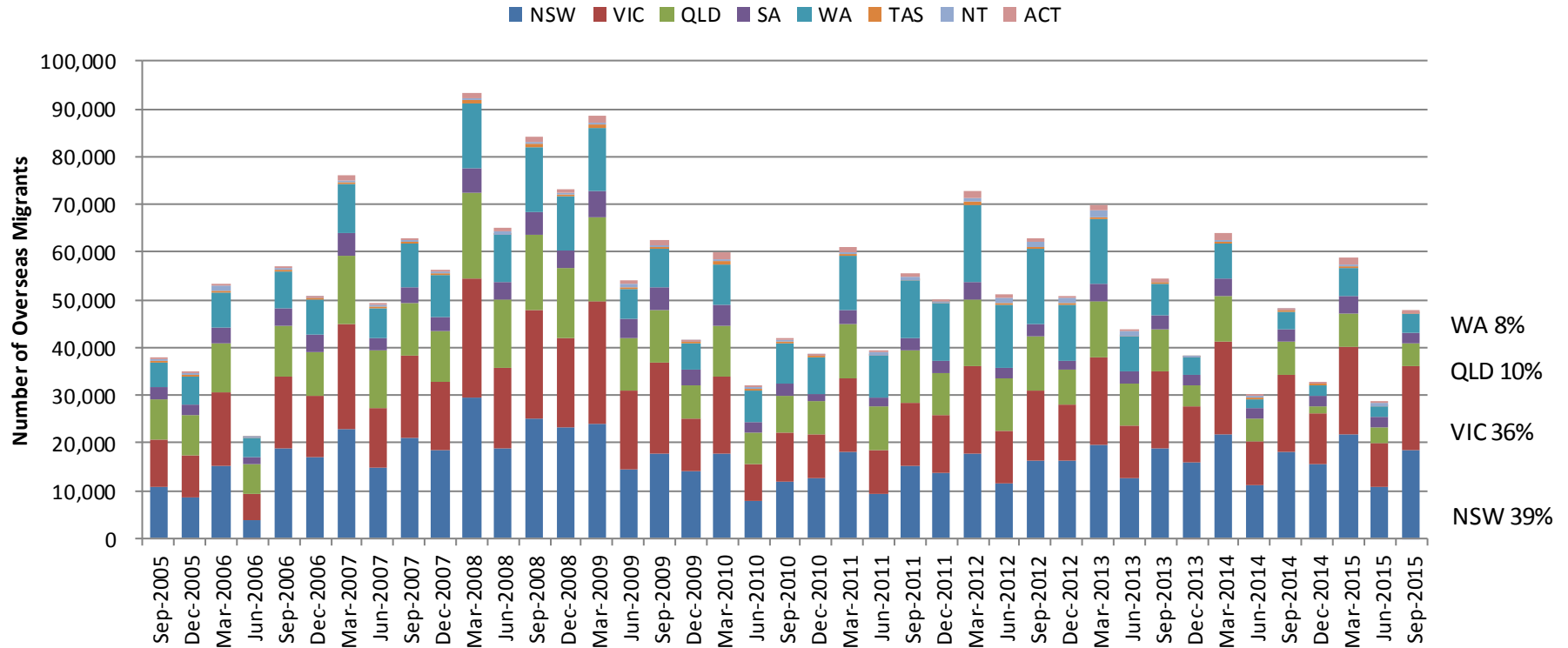
## Population Components – State Comparison

State	Natural Increase (annual to Sept 15)	Overseas Migration (annual to Sept 15)	Interstate Migration (annual to Sept 15)	Net Change
Queensland	33,140	20,223	6,275	59,638
Victoria	35,134	55,062	10,122	100,318
New South Wales	40,878	67,438	-6,464	101,851
South Australia	6,629	10,323	-3,400	13,553
Western Australia	21,254	15,664	-1,588	35,330

Source: ABS



# Overseas Migration – Comparison by State



Source: ABS

Year	Annual Overseas Migration
2010	172,038
2011	205,679
2012	237,436
2013	231,571
2014	184,135
2015 YTD	135,131

Source: ABS

Note: 2015 figure includes up to Sept 2015

Net Overseas Migration includes:

- Temporary Visas
  - Vocational Education and Training sector
  - Higher education sector
  - Student other
  - Temporary work skilled (subclass 457)
  - Visitor
  - Working Holiday
- Other temporary visas
  - Permanent Visas
  - Family
  - Skill
  - Special Eligibility and humanitarian
  - Other permanent visas

## Overseas Migration – Source Countries

	Source Country	Number of Migrants 2014-2015
1	India	34,874
2	People's Republic of China	27,872
3	United Kingdom	21,078
4	Philippines	11,888
5	Pakistan	8,281
6	Irish Republic	6,187
7	Vietnam	5,100
8	Republic of South Africa	4,284
9	Nepal	4,130
10	<b>Malaysia</b>	<b>3,977</b>

All countries with higher density lifestyles = residents looking for low-maintenance, connected and convenient inner-city dwellings.



# Major Infrastructure – Inner Melbourne

- The **Melbourne Docklands** precinct has undergone a remarkable transformation. Incorporating housing, offices, restaurants and cafes, educational facilities, shops, entertainment, sporting and function centres, parks, open spaces, public art, places of worship, heritage sites and of course, marinas.
- **Melbourne Metro's** twin nine-kilometre tunnels will take two of the busiest rail lines out of the City Loop, creating space for more trains to run more often across Melbourne's rail network.
- The proposed **Western Distributor** is a new way for the west – a project created to meet some of Melbourne's most critical traffic, growth and liveability needs by relieving pressure on the West Gate Bridge, reducing trucks on local roads, improving travel times and boosting safety.



Docklands Precinct -  
\$17.5 Billion –  
Approx 25 years  
timeframe



Melbourne Metro - \$9  
Billion –  
Approx 5 year timeframe



Western Distributor -  
\$5.5 Billion –  
Approx 6 year  
timeframe

- Linking the Swan River and Perth CBD, **Elizabeth Quay** is planned to comprise a mixed use precinct of apartments, hotels, office and retail space and a large public realm.
- The new 60,000 seat **Perth Stadium** will be a major sporting and entertainment venue capable of attracting national and international events to Perth.
- The **Forrestfield-Airport Link** is a proposed train line linking Forrestfield, Perth Airport and the Perth CBD with construction expected to commence in 2016.



Elizabeth Quay - \$2.6 Billion –  
Approx 15 year timeframe



Perth Stadium & Sports Precinct - \$1.5 Billion –  
Approx 3 year timeframe



Forrestfield-Airport Link - \$2 Billion –  
Approx 6 year timeframe



- **Barangaroo** is one of the most ambitious urban renewal projects in the world today, located on Sydney's harbour. Barangaroo will provide space for over 24,000 permanent jobs, generate approximately \$2 billion per annum to the NSW economy and provide over 11 hectares of newly accessible public domain.
- **Darling Square** is located minutes from Sydney's CBD including a mix of residential apartments, new places to work, new dining and retail outlets lining two new laneways, a pedestrian connection to Darling Harbour, a public square with a green and a grove, and a proposed community/lifestyle hub.
- The **North West Rail Link** comprises 15 kilometres of tunnels and a four-kilometre elevated "Skytrain" and will directly link underground into the Epping to Chatswood rail tunnel.



Barangaroo  
- \$7.3 Billion -  
Approx 12 year  
timeframe



Darling Square  
- \$500 Million –  
Approx 5 year  
timeframe



North West Rail Link -  
\$9 Billion –  
Approx 6 year  
timeframe



- With a vision to become a unique and vibrant new world city development, **Queen's Wharf** is set to be a world-class integrated resort development. Including a mix of six star hotels, retail, dining, entertainment, theatre and convention uses, the site also has the potential for a major casino.
- **Howard Smith Wharves** is set to be redeveloped as a vibrant waterside destination under the northern end of Brisbane's Storey Bridge. The Wharves precinct is expected to incorporate commercial elements, such as a boutique five-star hotel, exhibition space, restaurants, retail and community facilities.
- The completed **TransApex Masterplan** includes a system of roads, primarily tunnels, designed to form an inner city ring road system for Brisbane and increase the number of river crossings.



Queens Wharf Precinct  
- \$3 Billion –  
Approx 6 year timeframe



Howard Smith Wharves -  
\$100+ Million –  
Approx 3 year timeframe



TransApex Masterplan  
- \$10 Billion –  
Approx 9 year timeframe



## Major Infrastructure – Adelaide

- **Adelaide Airport** is set to undergo a major redevelopment over the next five years after the Federal Government approved \$1 billion of investment. Major projects include a domestic terminal expansion, expansion of the international arrivals hall, additional international arrival gates, an expansion of the main security check point and more retail space and airline lounges.
- SkyCity's plans for the transformation of the current **Adelaide Casino** will allow for an integrated entertainment complex on the Riverbank Precinct. It will include Adelaide's first six-star boutique hotel as well as a range of signature restaurants, bars, retail and entertainment options.
- Opening in 2016, the new **Royal Adelaide Hospital** is set to include 800 beds, outpatient facilities, technical suites (including operating interventional and procedural rooms), and all necessary clinical and non-clinical support services.



Adelaide Airport  
- \$1 Billion –  
Approx 5 year timeframe



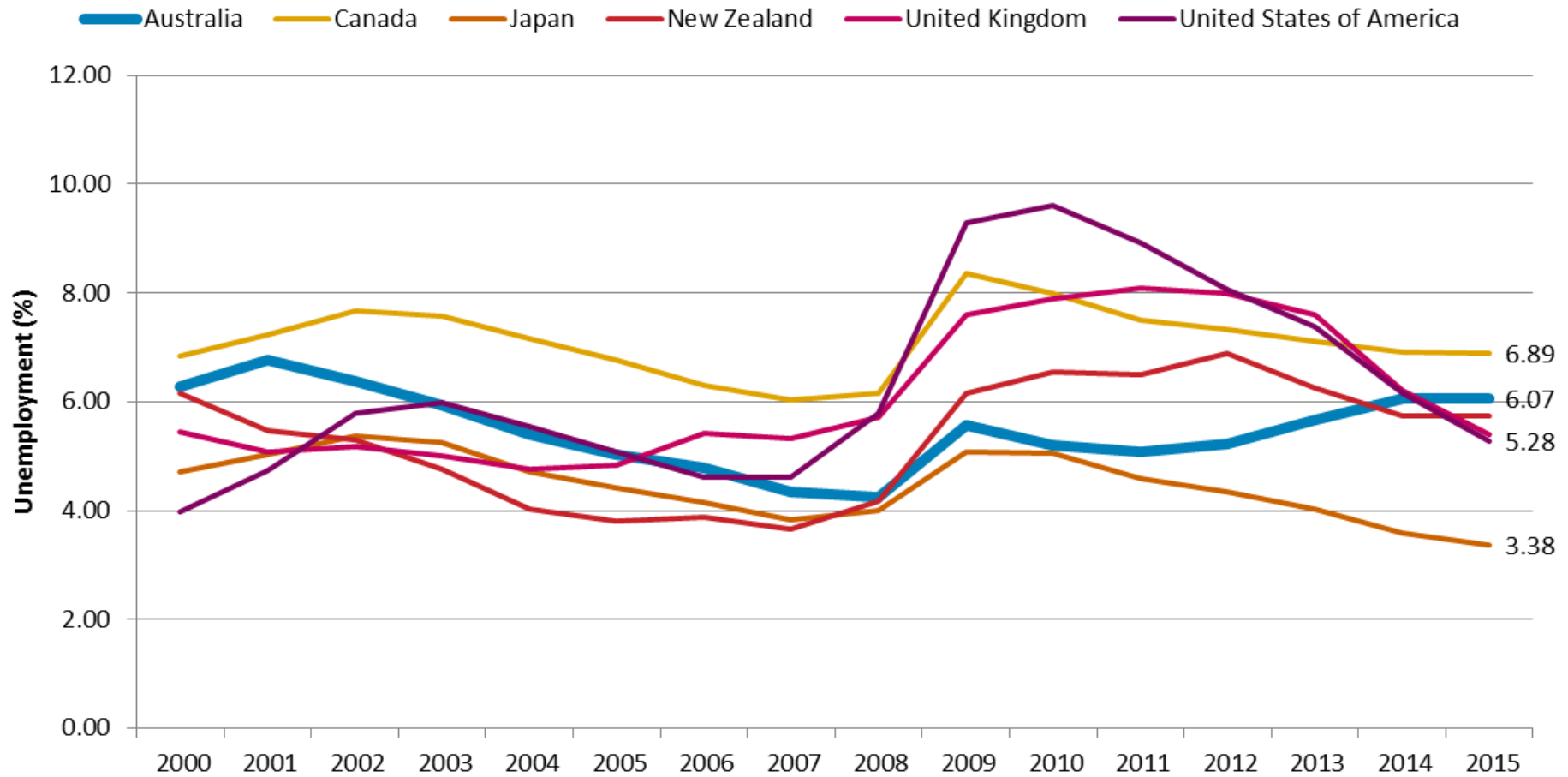
SkyCity Casino  
- \$350 Million –  
Approx 5 year timeframe



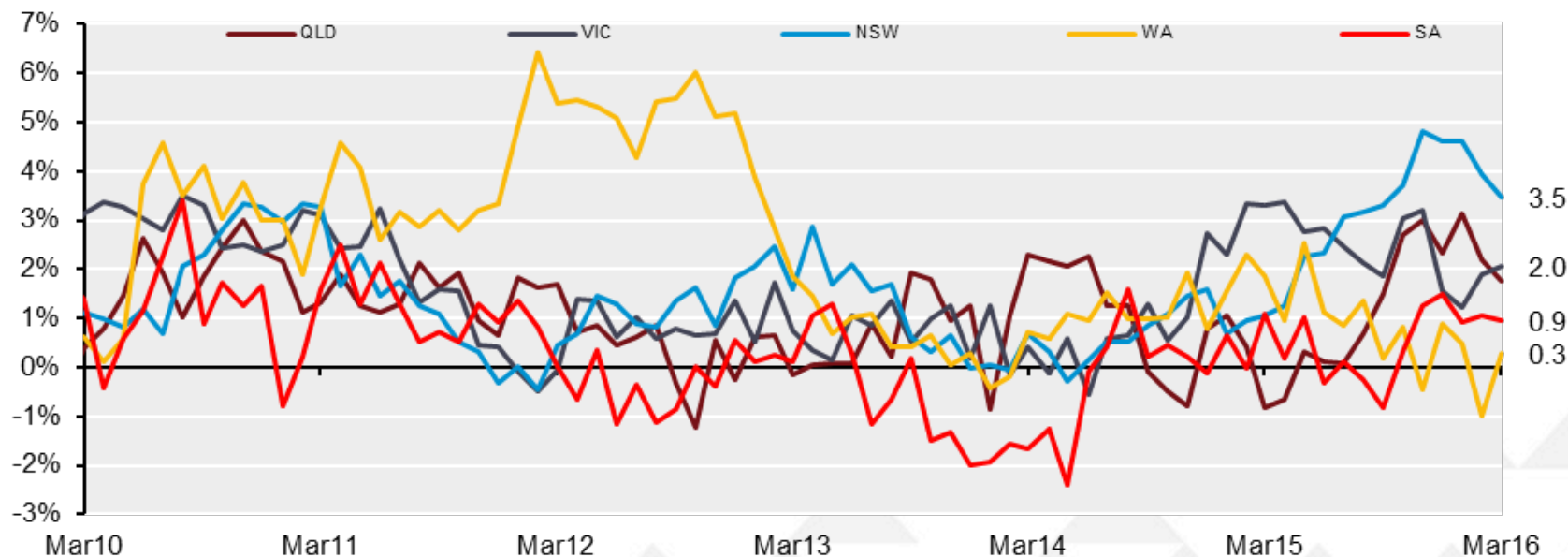
Royal Adelaide Hospital  
- \$1.85 Billion –  
Approx 7 year timeframe



## Unemployment – Australia vs Developed Countries



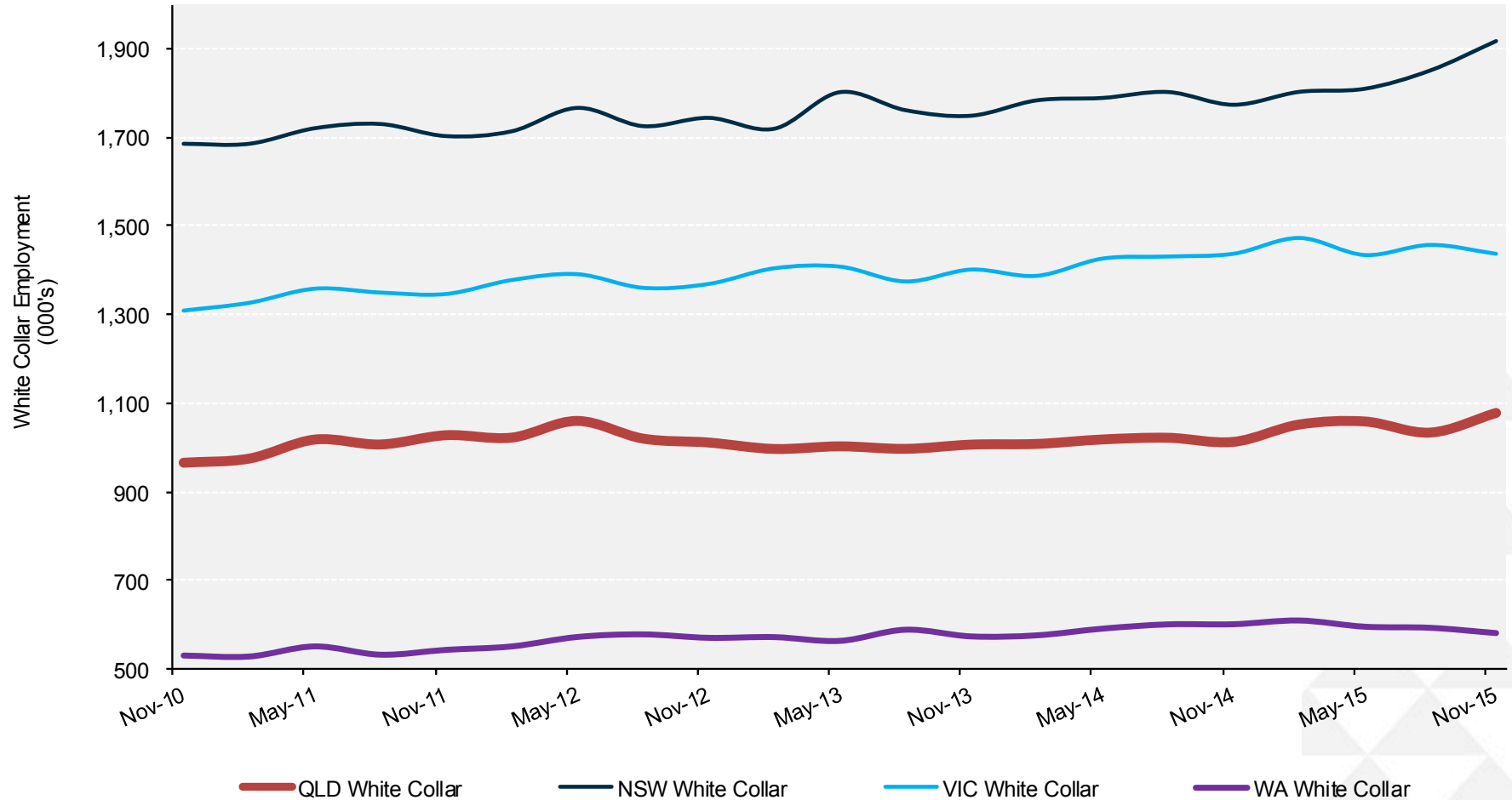
# Employment Growth – Comparison by State



Source: ABS

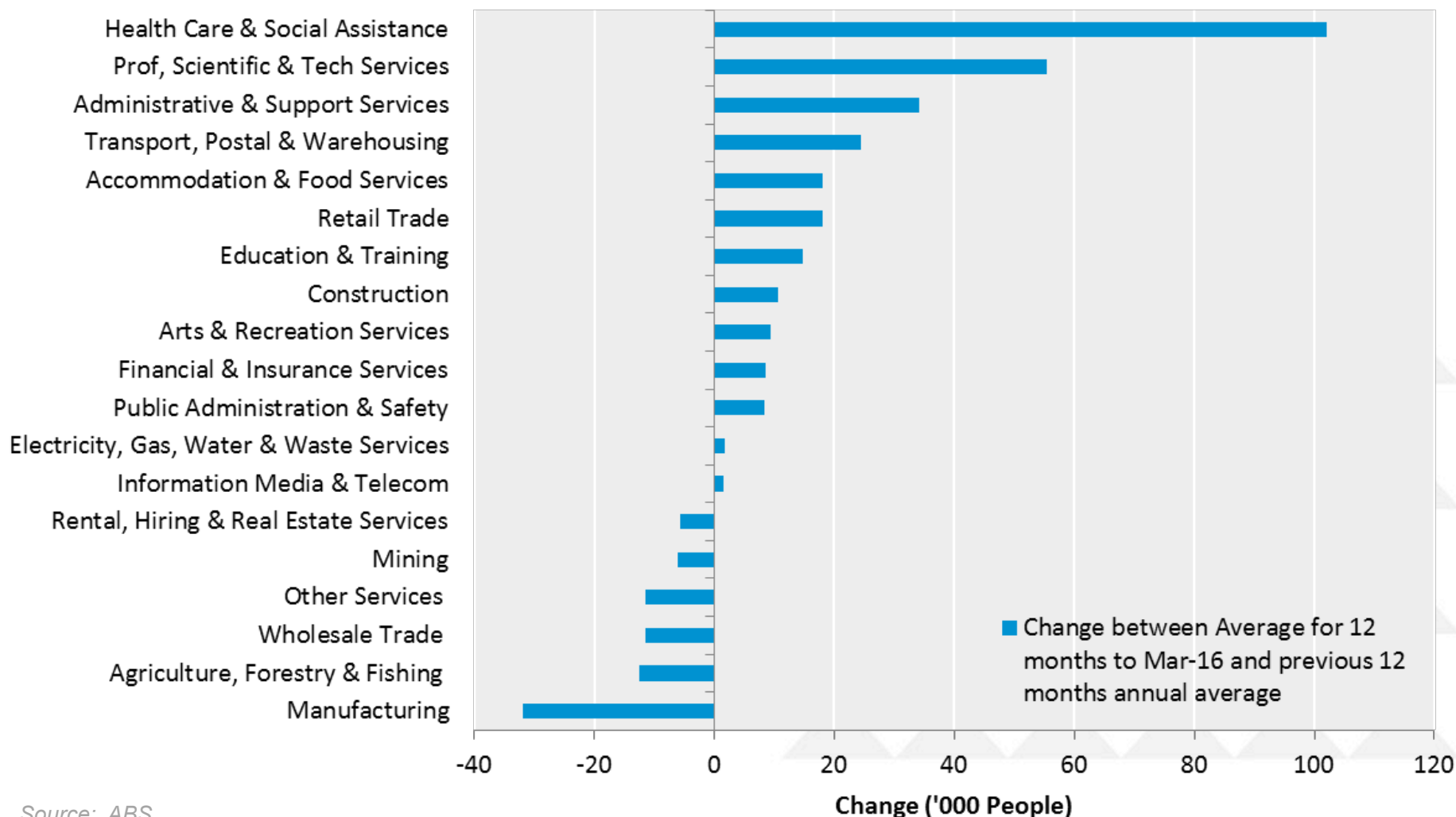
Historic Growth	NSW	VIC	QLD	WA	SA
5 yr Growth p.a.	1.3%	1.7%	1.6%	2.5%	-2.1%
10 yr Growth p.a.	1.3%	1.8%	2.0%	2.6%	-5.6%

# White Collar Employment – Comparison by State



Source: ABS

# Employment – Australian Industries – March 2016



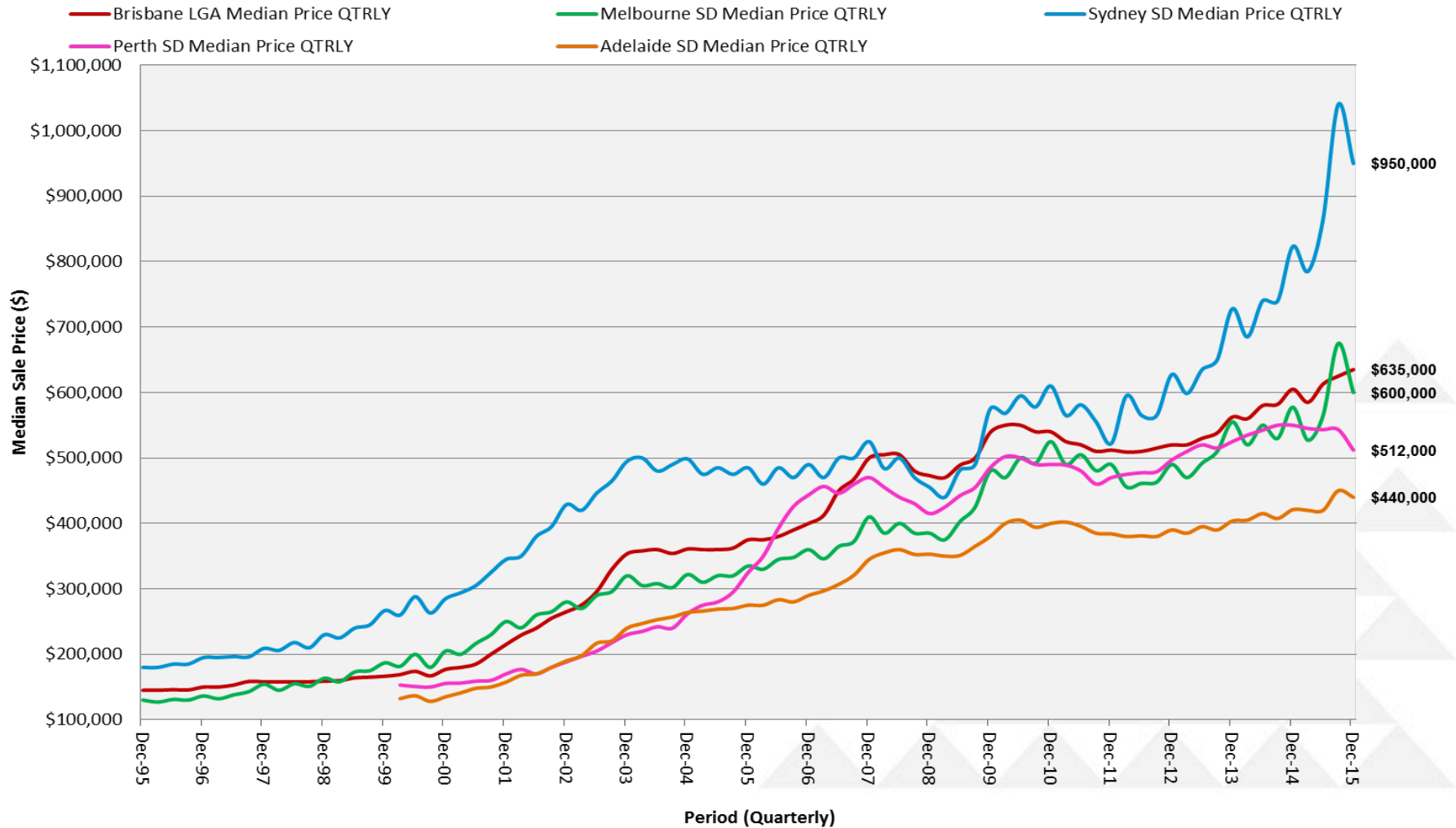


# Capital City Comparison





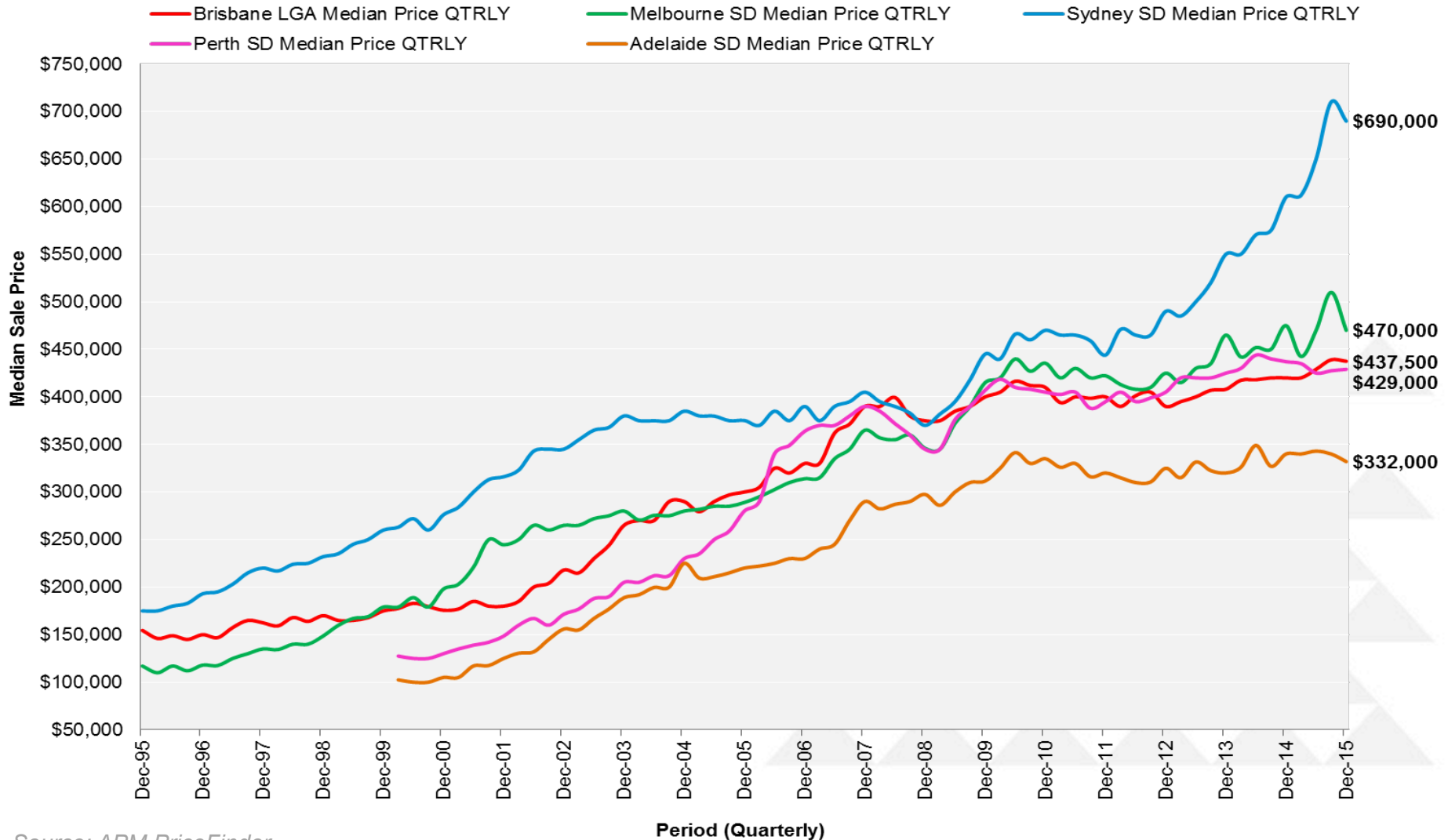
# Interstate Investors & Affordability – House – Dec Qtr 2015





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# Interstate Investors & Affordability – Apartment – Dec Qtr 2015



## Capital City Median Price Growth Rates

	House				Unit			
	5 yr Growth p.a.	10 yr Growth p.a.	15 yr Growth p.a.	20 yr Growth p.a.	5 yr Growth p.a.	10 yr Growth p.a.	15 yr Growth p.a.	20 yr Growth p.a.
Brisbane LGA	3.3%	5.4%	8.9%	7.7%	1.3%	<b>3.8%</b>	<b>6.3%</b>	<b>5.3%</b>
Melbourne SD	2.7%	6.0%	7.4%	7.9%	1.5%	<b>5.0%</b>	<b>5.9%</b>	<b>7.2%</b>
Sydney SD	9.3%	7.0%	6.1%	6.9%	8.0%	<b>6.3%</b>	<b>6.3%</b>	<b>7.1%</b>
Perth SD	0.9%	4.6%	8.3%	-	1.2%	<b>4.4%</b>	<b>8.3%</b>	-
Adelaide SD	1.9%	4.8%	8.2%	-	-0.2%	<b>4.2%</b>	<b>8.0%</b>	-

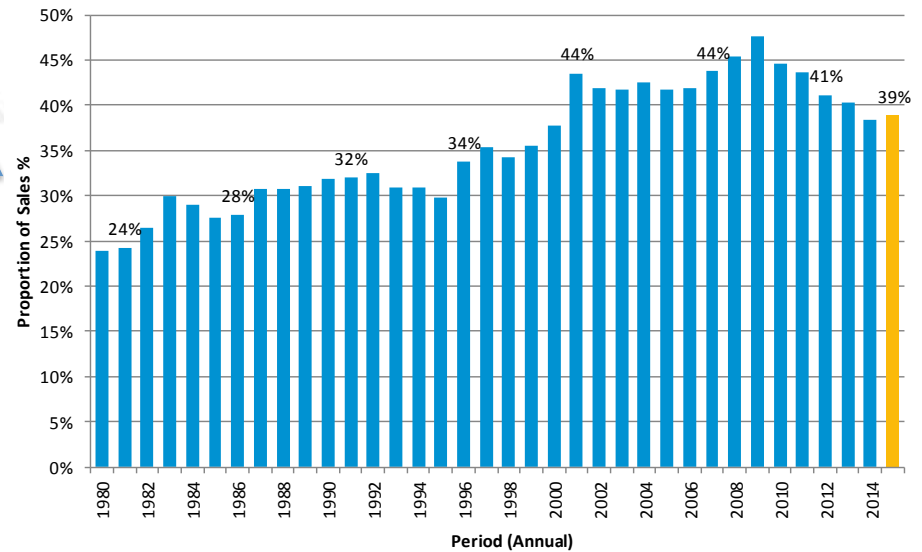
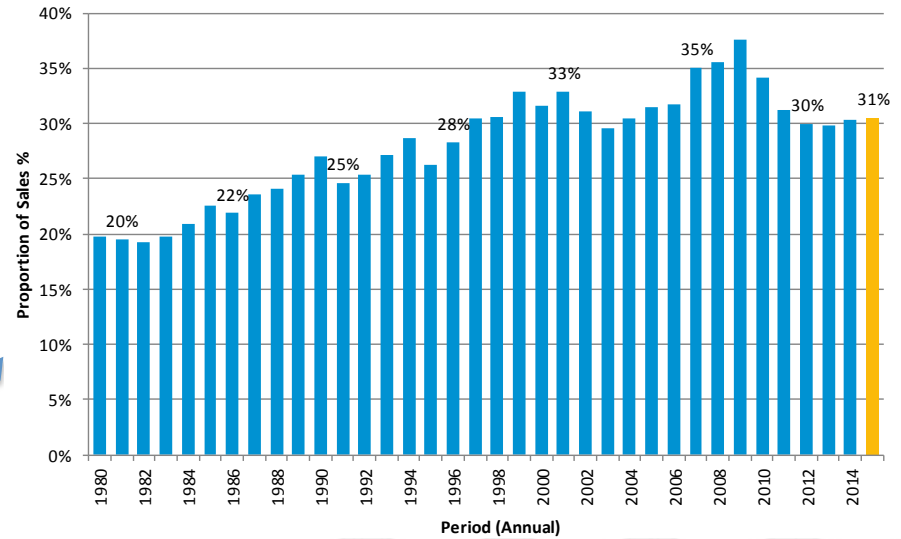
Source: APM PriceFinder

# Shift to Apartment Living

	1980	2015
Brisbane LGA	11%	38%
Melbourne SD	20%	31%
Sydney SD	24%	39%
Perth SD	20%*	18%

Source: APM PriceFinder

\* Perth figure based on 2000 data



## Capital City Comparison – Number of Sales

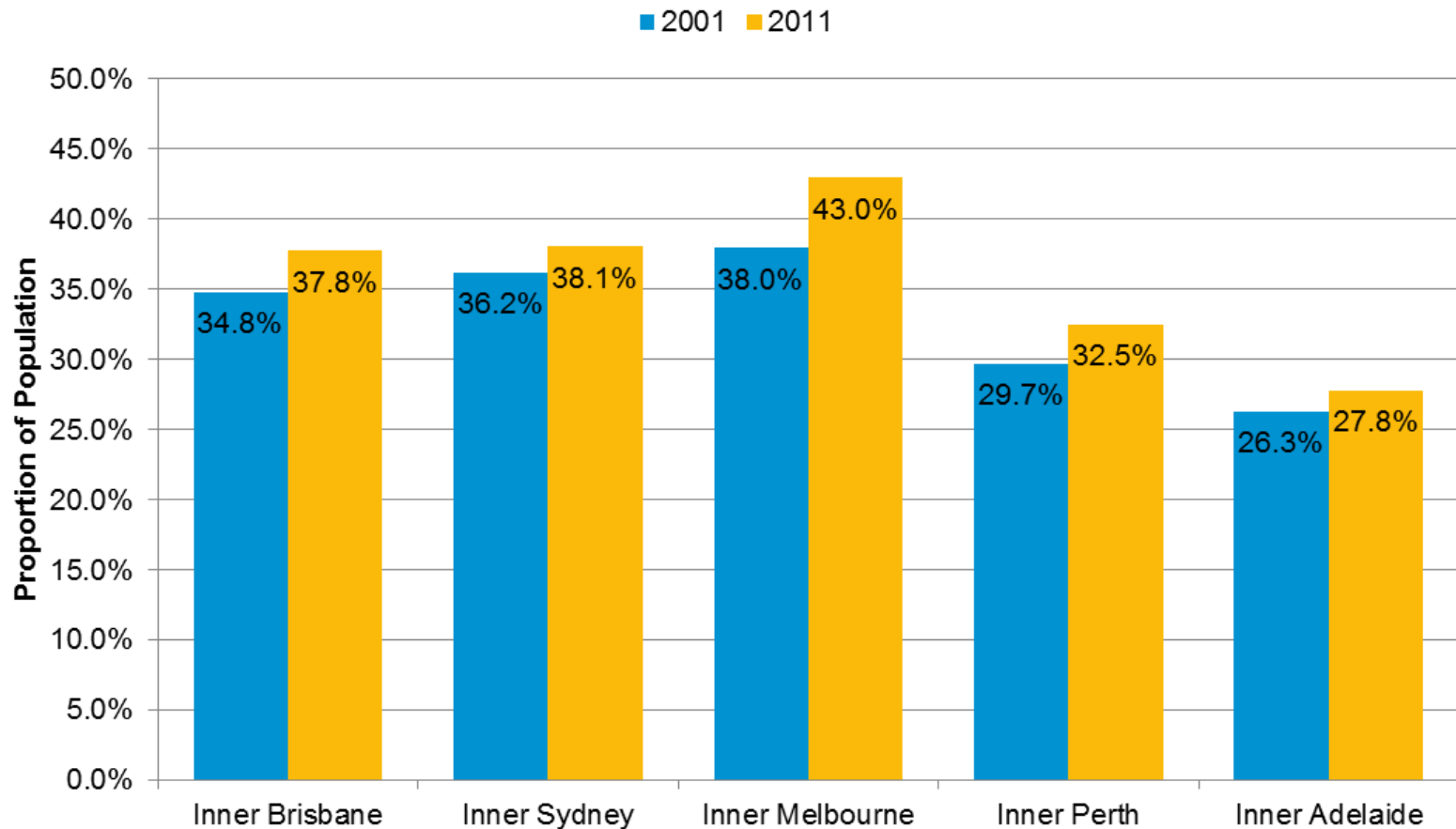
	Melbourne SD		Sydney SD		Brisbane LGA		Perth SD		Adelaide SD	
	H	A	H	A	H	A	H	A	H	A
2010	55,755	28,943	48,481	39,128	14,290	7,919	26,471	6,184	16,797	5,990
2011	48,542	22,009	49,902	37,183	10,598	6,554	25,190	5,611	14,908	5,231
2012	35,236	15,067	41,271	28,811	11,836	7,153	25,190	6,970	15,525	4,878
2013	29,369	12,513	53,200	35,860	14,327	8,408	29,844	7,533	19,294	6,067
2014	49,964	20,921	56,582	35,300	14,840	8,484	31,341	6,562	20,757	6,511
2015*	37,078	16,275	34,669	22,029	15,628	9,548	22,124	4,912	19,627	6,298

Source: APM PriceFinder

\* Preliminary data – period not complete

## Proportion of Gen Y – Population Changes in Inner City (0-5km)

Increased proportion of Gen Y Residents in Inner City (0-5km) areas during last 10 years



## Urbis Apartment Insights – Off-The-Plan Sale Price

	Q3 2015 Weighted Average Sale Price	Sample Size/ Number of Apartments
Inner Brisbane	\$601,488	1,899
Inner Sydney*	\$1,244,436	743
Inner Melbourne	\$706,398	459
Inner Perth	\$658,561	660

- The Urbis Apartment Insights provides insight into the new apartment market.
- It is an **Independent survey** of apartments that are off-the-plan or recently completed new apartments every quarter
- Monitors **future supply** by tracking project application and approvals
- **Largest sample** of projects than any other report
- Data highlights the difference between the new and established apartment market

*\*Sydney data based on Q2 2015*



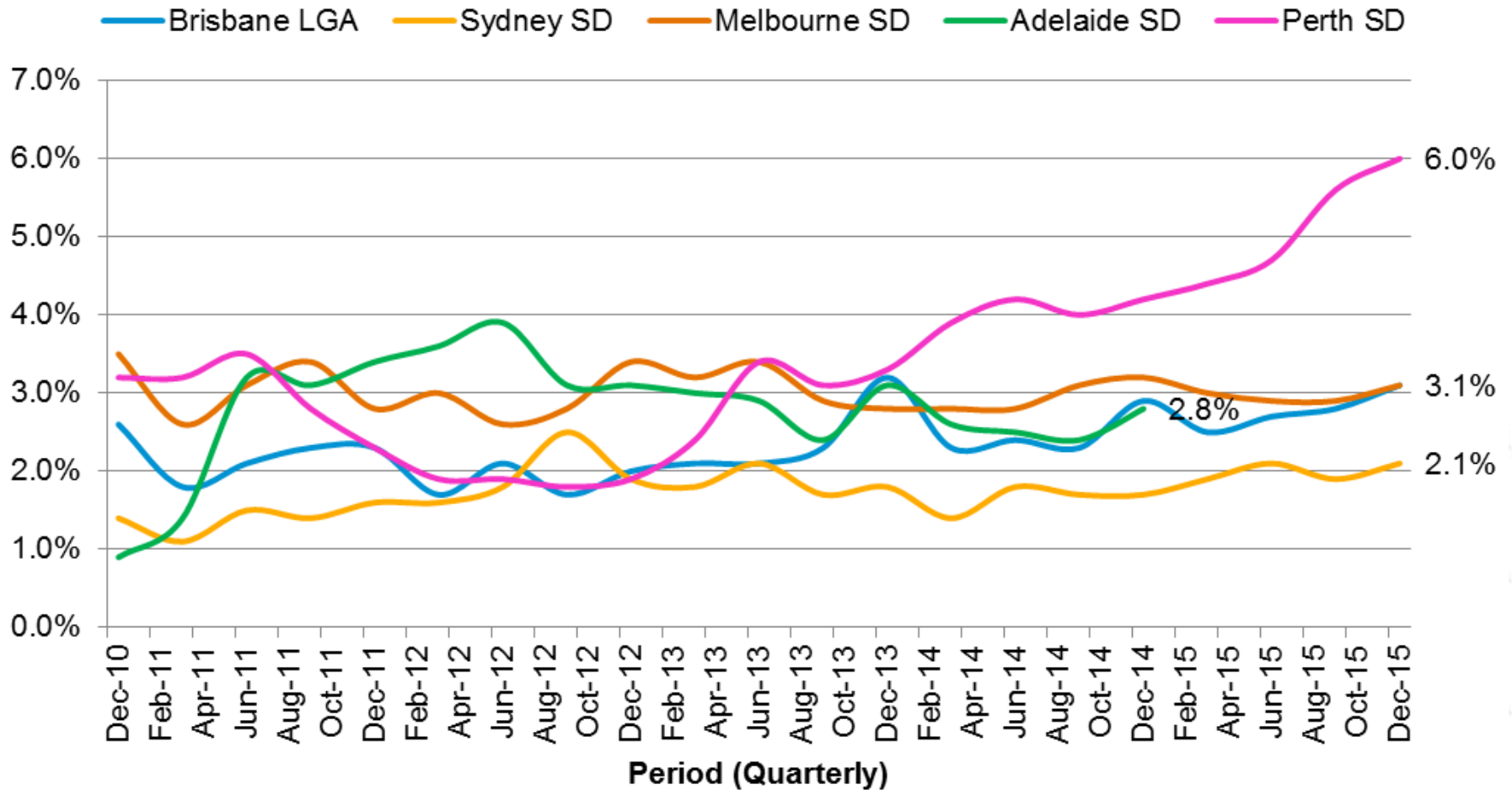
# Rental Market Comparison







## Residential Vacancy Rates



## Inner City Vacancy Rate – Apartments

The inner city rental market across the capital cities is dominated by apartment product, generally characterised by higher yields and lower vacancies. Recent Urbis research in selected cities has identified the following vacancy rate ranges across sample developments:

Dec-15 Qtr	Vacancy Rate New or Near-New Apartments
Melbourne CBD	1.6% - 1.7%
Inner Brisbane	1.5% - 1.6%

*Source: Urbis Primary Research*

### The Case of Perth

- High levels of new inner-city apartment developments have also acted to push supply ahead of demand – however these rental properties are still seeing relatively strong levels of demand. **Established housing in outer precincts are most at risk of becoming vacant as value is placed on the amenity providing by inner-city living.**

**Inner City Perth Vacancy = 5.6%**

## Yields & Rental Growth by Capital City

Dec -15 Qtr	House		Unit	
	5 yr Growth p.a.	Gross Current Yield	5 yr Growth p.a.	Gross Current Yield
Brisbane LGA	2.8%	3.9%	1.3%	4.7%
Melbourne SD	1.6%	3.5%	1.7%	4.1%
Sydney SD	4.1%	3.0%	3.9%	3.9%
Perth SD	2.5%	4.1%	2.7%	4.8%
Adelaide SD	1.2%	4.3%	0.6%	4.6%

Source: APM PriceFinder

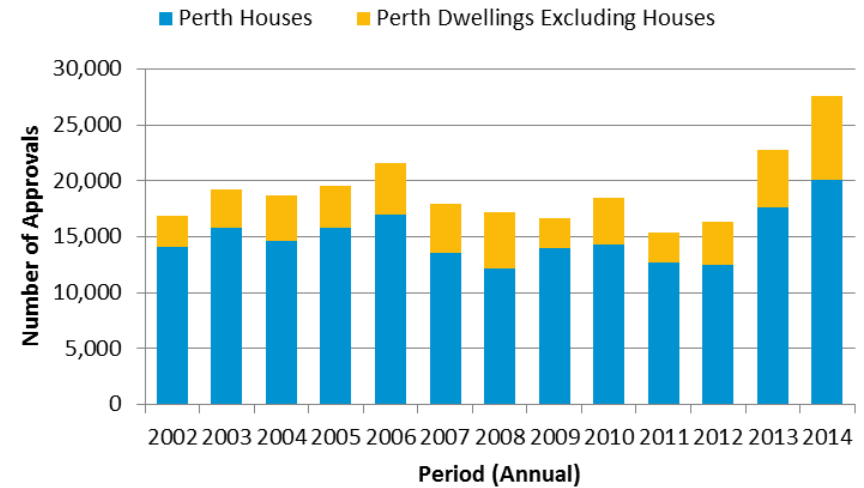
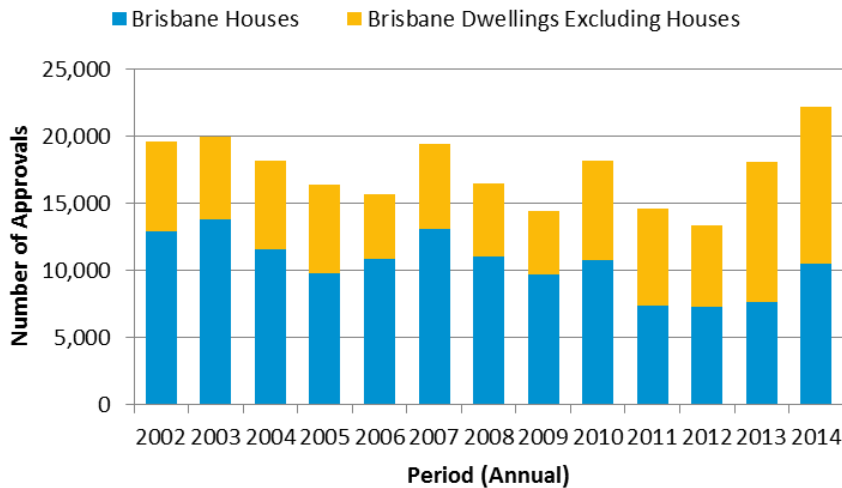
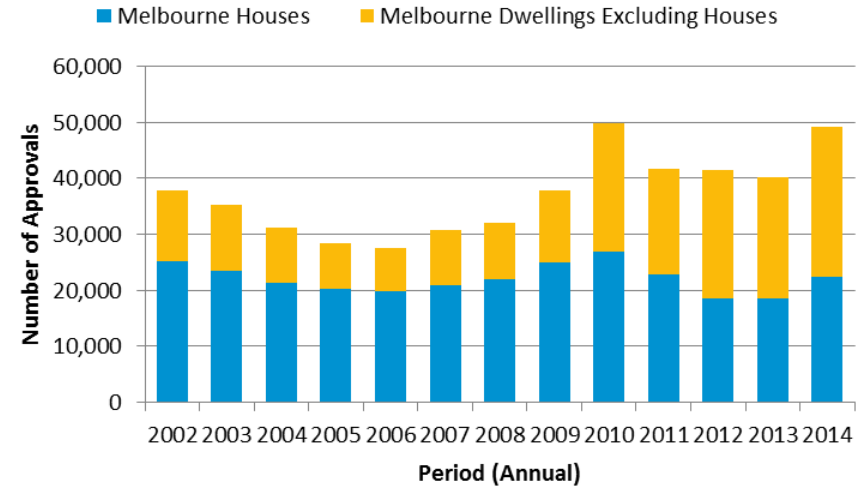
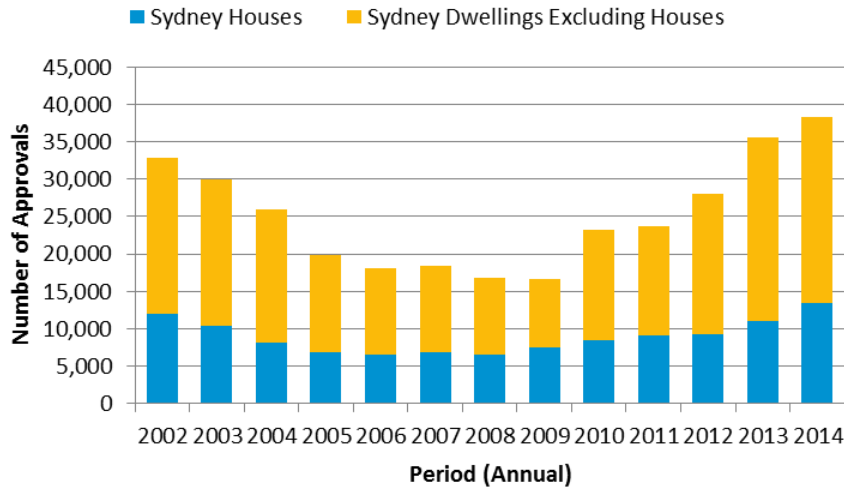
# Supply & Demand



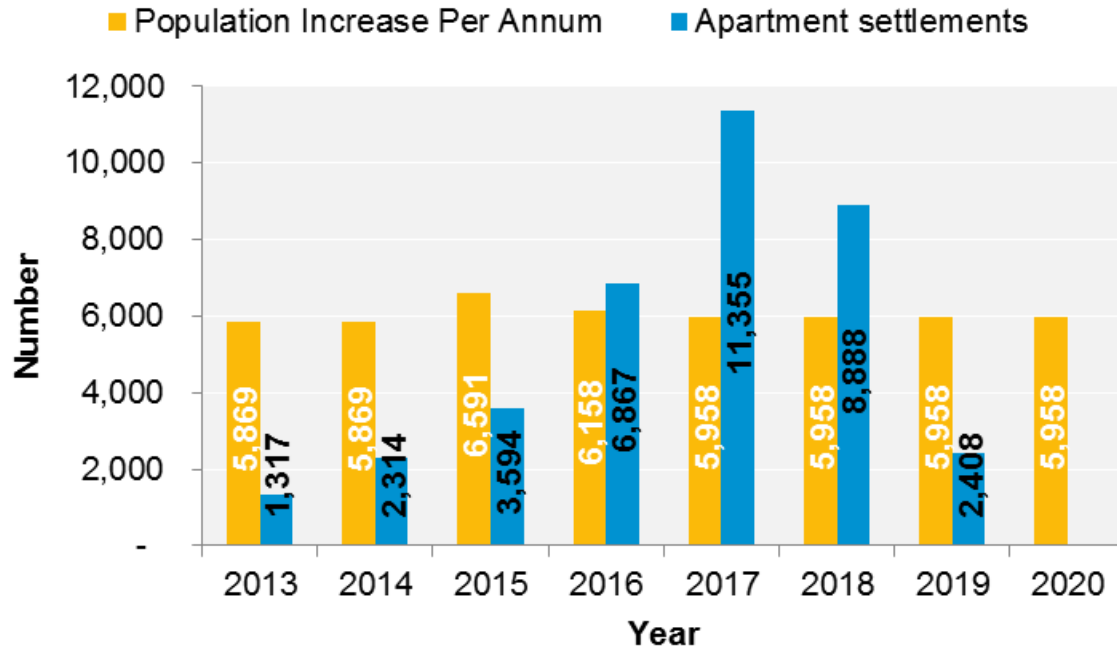




# Historical Dwelling Approvals – Capital City Comparison



## Supply of Apartments – Inner Brisbane (0-5km)

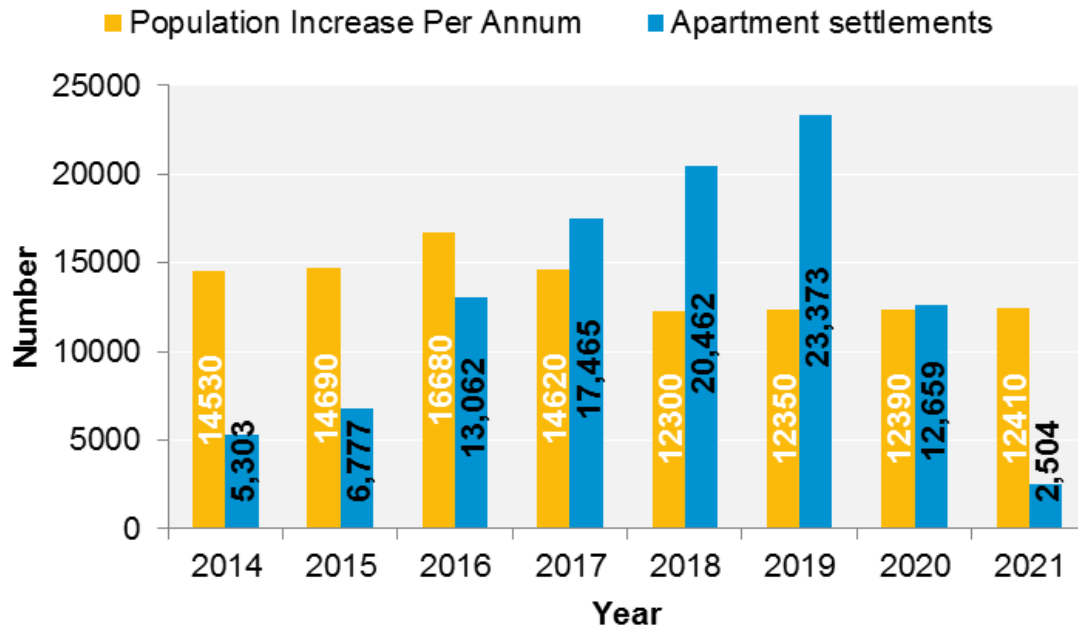


Source Population: ABS

Source Settlements: Urbis Primary Research

- 2013 through to 2015 saw a higher population growth than apartments settling.
- 2016 through to 2018 will see significantly more apartments selling on the back of current off-the-plan activity, however settlements are expected to slow post 2018.
- It is noted that State Government population projections are conservative, and actual population growth is expected to be considerably higher.

## Supply of Apartments – Inner Melbourne (0-5km)



Source Population: ABS

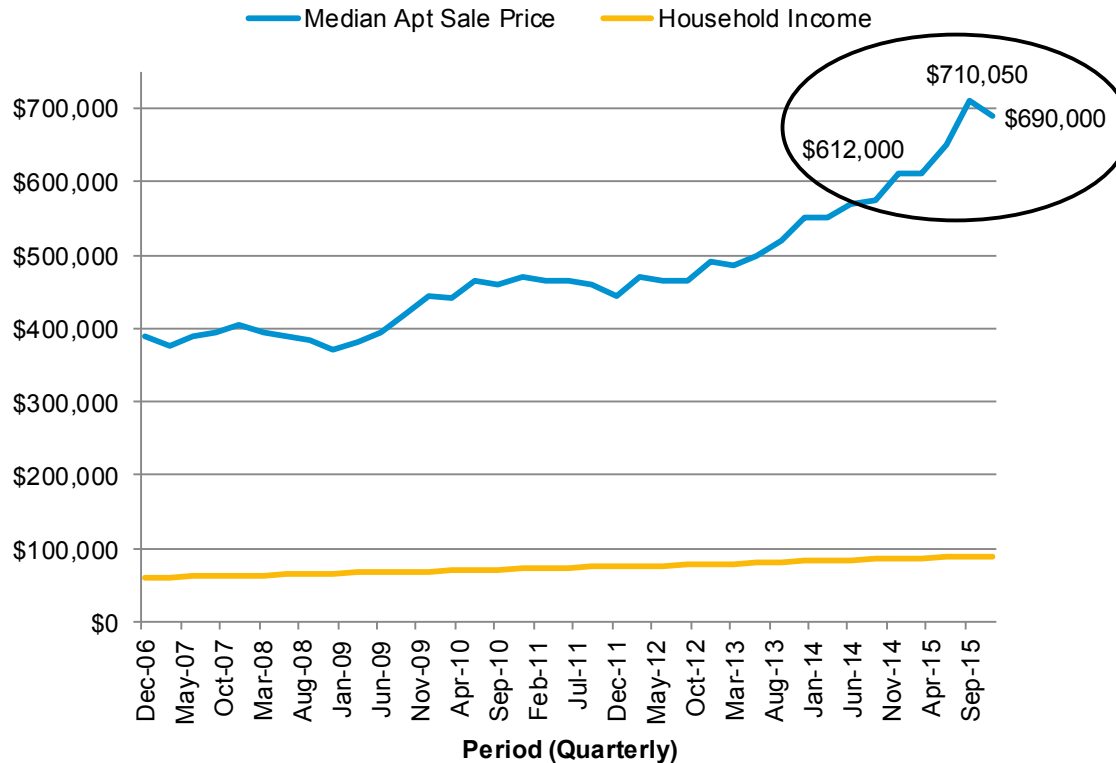
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- 2017 through to 2019 will see significantly more apartments selling on the back of current off-the-plan activity, however settlements are expected to slow post 2018.
- It is noted that State Government population projections are conservative, and actual population growth is expected to be considerably higher.

- Introduction of Temporary Planning Policy C262 for the CBD area, which restricts residential development on sites to a plot ratio factor of 25:1 which is expected to be adjusted and made permanent in November 2016
- Urbis observations:
  - No major CBD projects have been approved since the gazettal of Amendment C262.
  - Projects that were already in planning and under assessment benefit from the transitional provisions and DELWP's advice in relation to policy changes that those projects will be assessed against the planning scheme as it was prior to 4 September 2015. Council's interpretation is different however and this presents some increased uncertainty for projects that are not aligned with updated policy.
  - The biggest impact has been felt by those projects that were not lodged prior to Amendment C262. A number of projects that are prohibited under the interim controls have been mothballed, and others that are proceeding on the basis of significant reductions in terms of proposed / mooted floor area.
  - Anticipate a substantially reduced number of applications for major CBD projects being made over the course of the next 7 months while the policy is debated and finalised.



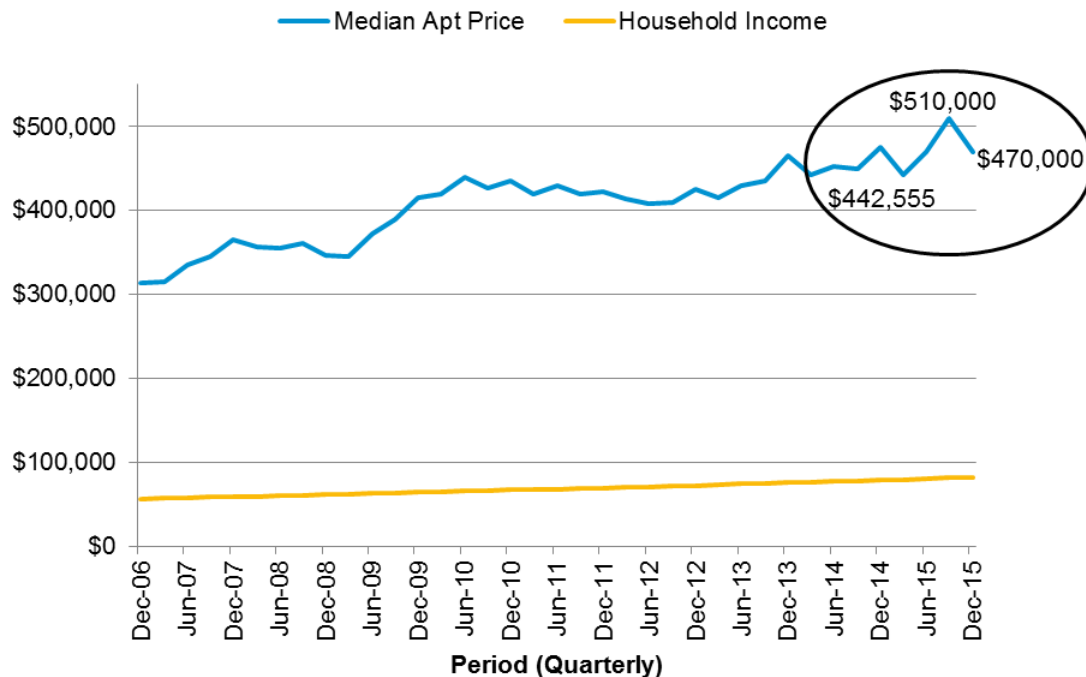
# Sydney Median Apartment Price vs Income



Source: ABS & APM PriceFinder

- Dec-15 saw a reduction in median apartment price, reducing to \$690,000 – a drop of 2.8% over the quarter.
- Stabilisation of sale price as market adjusts
- Continued increase of household income, with stability in the residential market will continue to reduce the gap.
- This will be driven by current levels of employment growth, and apartment supply levels.

# Melbourne Median Apartment Price vs Household Income



Source: ABS & APM PriceFinder

- Dec-15 saw a reduction in median apartment price, reducing to \$470,000, or 7.8% over the quarter
- Stabilisation of sale price as market adjusts
- Continued increase of household income, with stability in the residential market will continue to reduce the gap.
- This will be driven by current levels of employment growth, and apartment supply levels.

### **Major drivers:**

- Economic growth at a national level has been stable, with Australian seen as a 'safe' investment market from an international perspective.
- Employment growth has generally been positive across the major capital cities, with white collar growth expected to increase over the coming years – increasing the importance of our inner city commercial precincts.
- Population growth has been solid across all capital cities, whilst land supply in most cases has been limited, particularly in proximity to CBD precincts. Affordability constraints mean that future inner city living will likely be within apartments.
- Demographic shifts will drive dwelling demand: The Gen Y and Downsizer markets are key to apartment demand and both demographics have recorded increases in the inner city areas.
- Migration: Overseas migration has, and will continue to be a driver, particularly combined with employment growth and large scale infrastructure investment.



### **Key Drivers of Inner City (Apartment) Living moving forward:**

#### **Increased desire to have 'Ease of living'**

- Ease of lifestyle refers to product location and how 'easy' it is to live within the particular development or area. Residents perceive proximity to employment, education, retail and recreation as a factor which makes life easier and evaluate how this will affect their daily routine.

#### **Variety of lifestyle**

- A variety of amenity creates a social atmosphere residents associate with lifestyle. Residents are looking for a range of facilities that cater for their family, social and everyday life. Appeal to buyers searching for a flexible lifestyle by including parks, cafes and walkways within the development or highlighting their proximity.

#### **Status**

- This driver refers to how the residents will feel after renting the product. Residents want to feel good about their purchase and evaluate how the product will improve their status. To motivate potential residents, developers can highlight the exclusivity of the area, product or design. Detailing residents-only facilities or showcasing any award-winning features will create demand.

### Final Note:

- Our major capital cities have no choice but to grow in density. House prices, constrained land supply, demographic shifts, infrastructure investment (location) and employment growth will drive this. Sustainable investments will be made in nodes that show **key economic fundamentals (P.I.E), lifestyle amenity, and in developments that provide high levels of amenity (internal and communal), from reputable developers.**





**THANK YOU!**

**Q&A**