

PALLARA

HOUSE & LAND MARKET

SEPTEMBER 2018



The
National
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SUBURB OVERVIEW

The suburb of Pallara has become an important infill area within Brisbane's south west urban corridor. It is fortunate to be surrounded by high levels of amenity whilst still retaining quite affordable price points. This is becoming increasingly difficult to achieve throughout most east coast cities.

Pallara is surrounded by good quality residential suburbs including Parkinson, Calamvale and Heathwood which have recorded median house prices of \$644,500, \$660,500 and \$565,000 thus far in 2018 respectively. Unlike some of its neighbouring suburbs, Pallara has experienced very little residential development to date. This trend is changing with the suburb likely to receive a spike in new housing in the short term, in order to satisfy the demand that continues to grow via sustained, healthy levels of population growth.

The local population is led by young family households with a growing share of healthy retirees and elderly residents. Those aged in the Family Formation (30 – 54 Years) and Education (0 – 19 Years) stages of life currently make up 66% of the population in the local catchment, whilst those aged 65 years or older are expected to increase from a 22% share in 2016 to a 28% share by 2036. The age profile of the local community suggests that convenient access to schools, employment hubs, retail centres and health care facilities are likely to be highest on the priority list. Fortunately, residents of Pallara find themselves well located in terms of access to schools, employment, retail and health care facilities.

Starting with education, there are no less than nineteen different schools within a five kilometer radius of Pallara, including private, public and special needs options. The Pallara State School is one of the newest Independent Public Schools in Brisbane and is situated across the road from the entry to Ausbuild's Prominence project. The closest secondary school from Prominence is Forest Lakes State High (3km away), whilst the nearest private schooling option is St John's Anglican College (3.3km away). Outside of primary and secondary education, Pallara is also located within close proximity to tertiary education centres, with 3 different Griffith university campuses located within a 15 kilometer radius from the suburb, including the Mount Gravatt, Nathan and Logan campuses.

In terms of retail centres, the closest neighbourhood centre is just 650 metres from Ausbuild's Prominence Pallara project, offering access to a 7/11 service station, Zaraffas Coffee, BWS, Zambero, a local dental clinic and more. The closest major shopping centre is 6.5 kilometres away at Forest Lakes (anchored by Aldi, Woolworths, Coles and Best & Less). There are also a number of even larger retail centres within a 20 minute drive from Prominence Pallara, including the Grand Plaza shopping centre at Browns Plains (anchored by Kmart, Woolworths, Target, Big W, Coles and Aldi) and Westfield Garden City in Upper Mount Gravatt (7th largest shopping centre in Australia). Further afield, Pallara is just 20 kilometres from Brisbane's CBD where residents can find world class shopping, dining and recreational facilities.

Daily health care concerns are also well accounted for with access to physiotherapists, dentists, optometrists and podiatrists all found in the local area. For those requiring higher care, there are four hospitals located within a 20 minute drive from Pallara, including the Mater Private Hospital Springfield, Metro South Health, Logan Hospital and Sunnybank Private Hospital. With an aging population base, having access to these essential medical professions is highly valued.

Pallara's proximity to major motorways plays an integral role in facilitating convenient access to the vast array of educational, employment and health care facilities mentioned above. Pallara is just a short drive to the Centenary Motorway which links the suburb to the western side of Brisbane City. Alternatively, at the same junction, a motorist can get on the Logan Motorway which links directly to the M1 heading south to the Gold Coast or merge into the Gateway motorway which goes directly past the international and domestic airports. Beyond the international and domestic airports in the north, motorists can reach the Sunshine Coast without encountering one set of traffic lights once on the motorway.

Pallara is a great family suburb that will continue to improve over time as it reaches its full development potential. Whether you are starting a family, have a family or are simply looking to move closer to one of the many economic centres nearby, many will find this to be the ideal spot to call home.



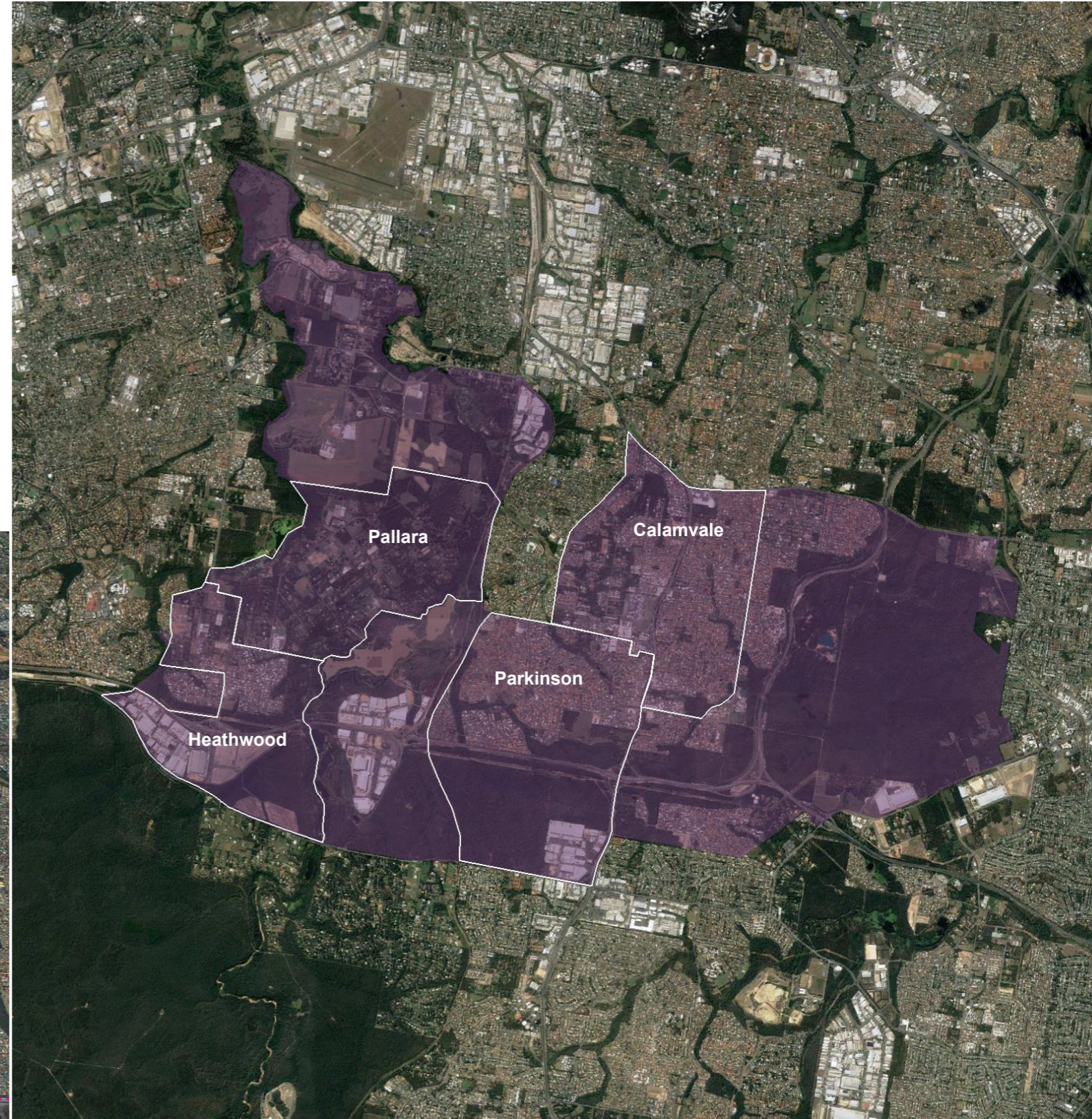
Source: Ausbuild

CATCHMENT MAP

Under the forthcoming overarching report headings of 'Demographics & Economic Drivers', 'Land Sales Market', 'House Sales Market' and 'House Rental Market', market trends will be examined within the borders of two particular catchment regions, including the Primary Catchment and the Brisbane LGA.

The map below provides a clear depiction of the Primary Catchment region. It should be noted that the Primary Catchment varies slightly across certain sections of the report. In the demographic section, the Primary Catchment includes the entire amalgamation of three Statistical Area 2's (SA2), including Pallara - Willawong SA2, Calamvale - Stretton SA2 and Parkinson - Drewvale SA2, which is shaded purple in the map below. However, in the Land Sales, House Sales and House Rental sections of the report, Primary Catchment relates more specifically to the suburbs Pallara, Heathwood, Calamvale and Parkinson alone, which are outlined in white in the map below.

Research Analysis Catchment Map



Source: Australian Bureau of Statistics & The NPR Co

SIGNIFICANT INFRASTRUCTURE

There is a vast array of major infrastructure projects that are currently planned or under construction throughout the Greater Brisbane, Ipswich and Logan regions. Located on the south-western fringe of Brisbane, Pallara is fortunately well positioned to reap the benefits of the ongoing development activity in each of these areas, including the rapid expansion of Springfield Central and the dynamic evolution of Brisbane City.

Whilst infrastructure growth will improve quality of life and liveability at a local and regional level, it will also provide a considerable boost for local employment through the creation of new jobs. As a whole, employment throughout the broader Brisbane LGA is expected to increase by 49% between 2016-17 and 2040-41, with 412,046 new jobs to be added to the local labour force. In addition, employment in the two other neighbouring areas of Ipswich LGA and Logan LGA is predicted to grow by a combined total of 159% over the same time frame, with 182,271 new jobs to be created between 2015-16 and 2040-41.

Provided below is an overview of nine specific key infrastructure projects that are either underway or planned for development within relevant proximity to Pallara, in either Brisbane, Ipswich or Logan. Overall, the nine projects below represent a forecast investment of more than \$85 Billion, with more than 60,000 jobs expected to be created as a result of their construction and future operations.

Greater Springfield CBD



The Greater Springfield CBD is located less than 20 kilometres from Pallara and is rapidly becoming a viable alternative to the Brisbane CBD for local, national and international businesses. There has been more than \$15 Billion invested into the project thus far, establishing a range of key facilities. Key established components of the Greater Springfield CBD in its current form includes an estimated residential population of circa 36,000 people, the Orion Springfield Central shopping centre and swimming lagoon, University of Southern Queensland Springfield campus, Mater Private Hospital Springfield, Aveo Springfield Retirement village and GE's Queensland headquarters.

Looking forward, when completed in circa 2030, the Greater Springfield CBD will comprise 390 hectares and will offer employment opportunities for an estimated 52,000 people. Australia's newest city is expected to host a total population of 138,000 people at an estimated project cost of \$85 billion and will feature 22,855 residential dwellings along with 2.7 million square metres of educational, Health and Technology facilities plus office and retail commercial properties.

For residents of Pallara, ongoing development at Greater Springfield CBD will have a range of flow-on effects. Primarily, it will continue to improve employment, health and educational prospects, whilst adding to the lifestyle offer through ongoing expansion of the projects retail and recreational hubs. When completed, residents of Pallara will find themselves within a convenient 35-minute drive from both the Greater Springfield CBD and the Brisbane CBD.

Logan Motorway Enhancement Project



The \$512 million Logan Motorway Enhancement Project involves widening sections of the Logan and Gateway Extension motorways, improving key congestion hot spots and constructing new south-facing on and off-ramps on the Gateway Extension Motorway at Compton Road.

The aim of the project is to improve driver safety, reduce travel times, relieve local traffic congestion and enhance connectivity with other major road networks. The Logan Motorway Enhancement Project is located just 10 kilometres south east of Pallara and is part of a key transit route utilised by locals on their daily commute. For residents of Pallara, the completion of the Logan Motorway Enhancement Project will mean shorter travel times and enhanced road safety along journeys to and from key employment and recreational hubs located east and south-east of the suburb. It will shorten the time it takes to reach a wide range of destinations including the likes of Browns Plains, Logan Hospital, Griffith University Logan Campus, the Hyperdome Shopping Centre, the Pacific Innovation Corridor and the Gold Coast as a whole (to name a few).

Work on the Logan Motorway Enhancement Project began in June 2017 with completion scheduled to occur in 2019. The project is expected to support around 1,300 jobs during the 2.5 year construction period and will generate around \$1.2 billion in economic benefits for Queenslanders over 30 years.

Logan Hospital Expansion



The Logan Hospital is located just 14 kilometres south-east of Pallara (as the crow flies) and has become the major health centre for one of the fastest growing regions in the state. The hospital is a 448-bed facility which is estimated to employ approximately 2,000 staff, including 955 nurses, 331 doctors, 244 health professionals, 255 operational officers and 271 managerial and clerical officers. Each year, there are more than 88,000 presentations to the Emergency Department and more than 75,000 inpatient admissions to the hospital.

Rapid and culturally diverse population growth coupled with an ageing population have resulted in greater demand for beds. The scope and scale of Logan Hospital's current services and physical infrastructure have been identified as being insufficient to meet existing demand. Acknowledging the need for expansion, a detailed business case is currently underway.

At this stage, future expansion plans for the Logan Hospital are expected to cost between \$260 and \$280 million and will be likely to include the construction of four new levels on top of the existing Emergency Department, comprising 105 new beds and 48 treatment spaces, as well as a new multi-storey car park and the expansion of the maternity ward by a further 1,803m². However, these features are subject to change as schematic design continues and engagement with User Groups and other stakeholder progresses.

SIGNIFICANT INFRASTRUCTURE

Queens Wharf Integrated Resort Development



Queen's Wharf is a \$3.6 Billion development project that will ultimately provide a world-class tourism, leisure and entertainment precinct in the heart of the Brisbane CBD. The revitalised precinct will offer improved facilities for everyday use and public events, showcasing Brisbane to locals, interstate and international visitors.

The benefits of Queen's Wharf to Brisbane include, \$272 Million in payments to the State, a guarantee of \$880 Million in casino taxes for the first ten years of operations, \$1.69 billion annual increase in tourism and \$4 billion to the Gross State Product.

Brisbane Airport Upgrades



The Brisbane Airport Corporation currently has more than 100 construction and development projects on site or in planning. Furthermore, BAC has delivered approximately \$1 billion worth of infrastructure since 2009 with a further \$3.8 billion earmarked for investment in major projects over the next decade.

Australia's biggest aviation project, the \$1.35 billion New Parallel Runway is under construction, with plans for a new Regional Satellite Terminal, new aircraft aprons and taxiways, more car parks, two new hotels & a Brisbane Airport Conference Centre. In fact, outside of the New Parallel Runway, a further \$277 Million worth of infrastructure projects are earmarked to reach completion at Brisbane Airport in 2018 alone.

Brisbane Metro



The Brisbane Metro project features two new high capacity Metro lines, one from Eight Mile Plains Busway station to Roma Street station and one from the RBWH station to UQ Lakes Busway station. It will also introduce a new fleet of 60 trackless, rubber-tyred Metro vehicles, each with the capacity to carry up to 150 passengers.

Brisbane Metro has an estimated project cost of \$944 Million and an expected delivery of \$1.8 Billion in value to the Brisbane economy. \$300 million of the estimated project cost was pledged in the 2018-19 Federal Budget. Following this announcement, Brisbane City Council is proceeding to the next stages of planning and expects construction to start in 2019, with the project to be completed in 2022.

Brisbane Mega Cruise Ship Terminal



Stage 1 of the \$158 Million Cruise Ship Terminal is planned to be delivered at Luggage Point, at the mouth of the Brisbane River. The development could potentially triple the size of Brisbane's cruise industry over the next 20 years, growing to support 3,750 jobs, bringing 766,260 international and domestic cruise visitors annually to the City and contributing approximately \$1 billion in gross output annually to Queensland's economy by 2036.

Construction work on the new terminal building itself is now expected to commence in early 2019, with the Brisbane Mega Cruise Ship Terminal scheduled to be open to the public during the second quarter of 2020.

Brisbane Live Entertainment Precinct



The proposed Brisbane Live precinct is a multi-use entertainment and public space anchored by a 17,000-seat world class arena which will showcase international concerts and performances as well as world sporting events. The \$450 million arena will also include a 4,000-person capacity rock club and be surrounded by multiplex cinemas, restaurants and bars. The proposed facility also includes a giant screen and amphitheatre catering for around 15,000 people.

In May 2018 the State Government announced \$5 Million worth of funding to cover the cost of developing business case for the proposal. The business case is expected to take 6 months to complete and will assist the Queensland Government in determining sufficient value-for-money can be achieved by developing the Brisbane Live Proposal.

Cross River Rail



Brisbane's Cross River Rail project is a planned 10.2 km rail link which is expected to expand the capacity of the existing rail network and improve travel within the inner city and its surrounds.

The project includes 5.9 kilometres of tunnel between Boggo Road and the RNA Showgrounds, with three additional stations in between at Woolloongabba, Albert Street and Roma Street. Cross River Rail will unlock network capacity to meet forecast passenger demand and accommodate future growth. Once operational, the Cross River Rail will provide the equivalent capacity of a 30-lane highway and will provide faster access to the CBD and South Bank.

Initial construction work has now officially commenced on the \$5.4 Billion Cross River Rail project, with the new rail network earmarked to be complete and operational by 2024.

DEMOGRAPHIC & ECONOMIC DRIVERS

DEMOGRAPHIC & ECONOMIC DRIVERS

POPULATION GROWTH

As Brisbane's population continues to grow, dwindling vacant land supply within the Local Government Area has seen more and more development activity being both forced and directed further afield in pursuit of greenfield opportunities, particularly towards Springfield in the West, Yarrabilba in the South and Moreton Bay to the North. Unfortunately, for those looking to buy or build a new detached home in an established community that is more conveniently located closer to the city and with the benefit or pre-existing supportive infrastructure, there has been very few options. However, the emergence of the infill development activity that is now taking place within the likes of Pallara and Heathwood presents as a new, viable alternative for these types of buyers.

Supported by infill development activity and driven by family households that have been drawn to the increasingly unique prospect of attaining a new home in a mature suburban destination, the Primary Catchment region has experienced a healthy surge in population growth throughout recent years.

Between 2006 and 2017, the Primary Catchment's total population increased significantly by 54%, from 28,834 to 44,436 people. The growth that has been achieved in the Primary Catchment is particularly impressive when you consider that it has more than doubled the pace recorded in the broader Brisbane LGA, which saw a 22% increase in population between 2006 and 2016, from 987,831 to 1,209,322 people.

Looking to the future, population growth in the Primary Catchment will largely keep pace with broader market trends, but is expected to be more restrained in comparison to the current surge that is occurring. The more subtle growth predicted in the local area is not reflective of market demand, but is purely influenced by dwindling in residual land supply. Once development activity reaches completion in the likes of Pallara and Heathwood, there will be very few opportunities to add to the established supply of detached housing in the local area.

Between 2016 and 2036, the Primary Catchment's total population is expected to increase by 17%, from 43,561 to 51,181. Across the same time-frame, the broader Brisbane LGA's total population is expected to increase by a similar 21% from 1,184,752 to 1,433,675.

Assuming trends in current persons per dwelling were to remain consistent throughout the Primary Catchment, the anticipated arrival of 7,620 new residents by 2036 will create the need for an additional 2,441 residential dwellings to be built.

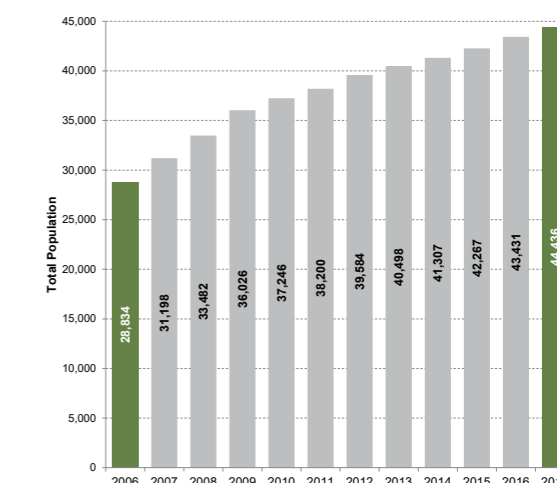
In terms of growth profile, the local population is predicted to age through to 2036. As shown in the accompanying chart, each of the three age groups over 55 years are expected to increase in prominence, at the expense of all age groups under 55 years. Overall, the portion of local residents aged 55 years or older is expected to increase from an 18% share in 2016 to a 25% share by 2036. However, the ageing population base is not unique to the Primary Catchment, with the portion of residents aged 55 years or older expected to increase from 22% in 2016 to 28% across the entire Brisbane LGA.

As the region experiences an increase in the number of older, less mobile residents, demand for lower maintenance residential dwellings is likely to increase. Historically, this demographic is known to have been supportive of downsizing from larger homes on traditional sized lots, into more compact, single storey homes on smaller, more manageable sized lots. In doing so, people are generally able to free up additional capital to assist in funding their retirement, whilst also improving their quality of life by reducing the physical burden of ongoing property maintenance concerns.

Furthermore, whilst the region will see an increase in the portion of those aged in the Healthy Retirement and the Elderly life-stage, the population base will continue to be driven by more traditional family households and those aged in the Family Formation and Education life stages. Combined, these two cohorts are expected to accommodate a dominant 62% of the Primary Catchment's total population in 2036.

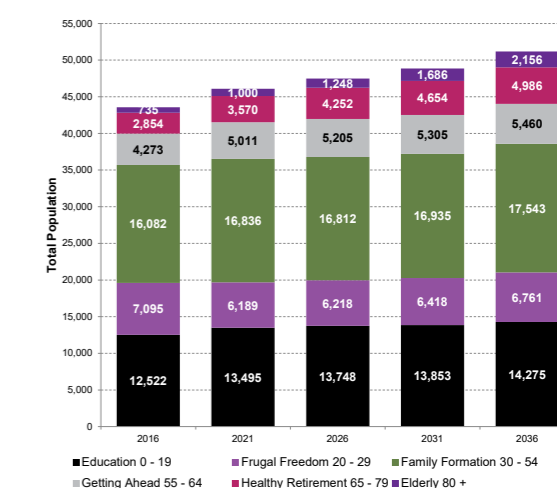
The Family Formation and Education life stages includes the bulk of the regions labour force, whilst those aged in the Education stage are the inspiration for most household expenditures. Accordingly, the sustained dominance of these two age groups will play an integral role in maintaining strength and resilience in the local economy.

Primary Catchment: Recorded Population Growth: 2006 - 2017



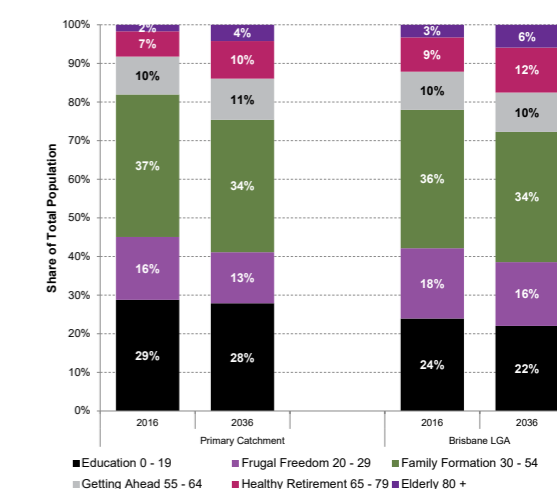
source: QLD Government Statistician's Office

Primary Catchment: Population Projections by Age Group



source: QLD Government Statistician's Office

Projected Change in Population Profile by Age Group & Catchment



Source: QLD Government Statistician's Office

DEMOGRAPHIC & ECONOMIC DRIVERS

DWELLING STRUCTURE & HOUSING TENURE

The residential market in the Primary Catchment is quintessentially suburban with regards to dwelling structures. Houses are the most common product type and comprise 79% of the market, whilst Townhouses make up the residual 21%. Apartments are largely non-existent.

There has been a notable increase in the prevalence of Townhouse dwellings throughout the Primary Catchment in recent years. Between the 2011 and the 2016 census date, the total share of Townhouses increased from 15% to 21%, largely at the expense of Houses. The increased presence of Townhouse dwellings has come in response to sustained residential demand in the area and a need to maximise the residential capacity of the regions residual land supply. Importantly, the uptake in Townhouse dwellings reflects a high level of acceptance in the market place for incremental growth in local residential densities.

Townhouse development activity has been most common in the more established pockets of the Primary Catchment, namely Calamvale and Parkinson. However, Pallara and Heathwood have continued to be led almost exclusively by detached housing, with larger lot, rural residential dwellings still quite common.

Looking ahead, as the population continues to grow; trends in dwelling structure will continue to change. Townhouses are expected to increase in prevalence in Calamvale and Parkinson, as these suburbs become more and more built out. In Pallara and Heathwood, rural residential lots will ultimately make way for a mix of smaller lot detached homes and Townhouses in order to adequately accommodate population growth projections for the region.

Moreover, in terms of dwelling tenure, the Primary Catchment hosts a high share of owner occupiers when compared with trends observed in the broader Brisbane LGA.

Across all occupied private dwellings in the Primary Catchment, 75% are occupied by those who own outright or own with a mortgage. This is considerably higher than the broader market trend with just 62% of dwellings in the entire Brisbane LGA estimated to be owner occupied.

Concentrating on houses alone, 80% of dwellings in the Primary Catchment are owner occupied, compared with 76% of dwellings in Brisbane LGA as a whole.

Areas that host above average levels of owner occupiers often exhibit stronger community networks and improved streetscape aesthetics, with the 'pride of place' enhanced by the high portion of those who have a sizeable financial and emotional investment in the region. High levels of home ownership also support healthier economies through the accumulation of equity that is embedded in local property.

Despite their differing financial positions and personal circumstances, when choosing somewhere to live, both buyers and tenants are both driven by a mutual desire to live somewhere that offers a safe, convenient and well-kept environment. The high portion of owner occupiers in the Primary Catchment holds the suburb in good stead to attract healthy interest from future prospective tenants or buyers.

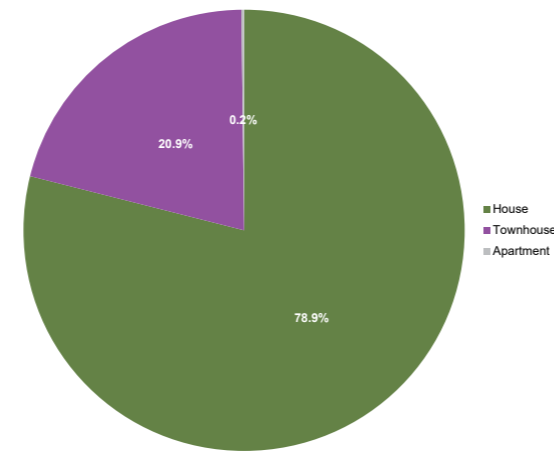
INDUSTRY OF EMPLOYMENT

The local economy is driven by a healthy mix of predominantly white collar workers, with the suburbs top industries of employment including Health Care & Social Assistance (16%), Retail Trade (11%) and Education & Training (10%) based employees. Professional, Scientific & Technical Services (7%) and Accommodation & Food Services (7%) round out the top five industries of employment for the Primary Catchment.

Importantly, the Primary Catchment's top five industries of employment are quite diverse, generally accommodating highly skilled employees within the Health Care, Professional and Education sectors, but also hosting lesser skilled employees in the Retail and Accommodation sectors.

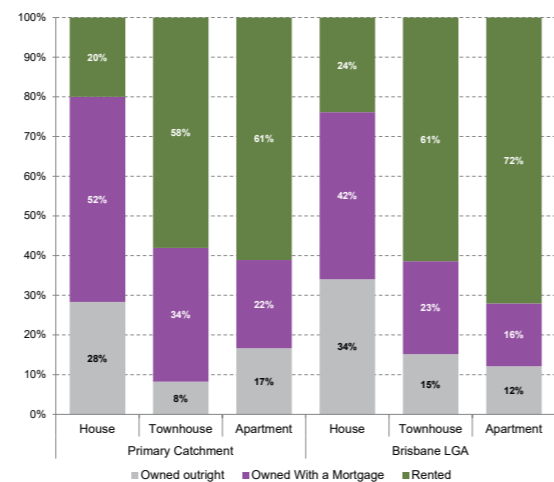
Diversity in the local workforce ensures that there are employment prospects for all types of residents, with differing skill sets. It also avoids vulnerabilities that can arise from relying too heavily on any one particular industry and offers a degree of resilience against unfavourable shifts in the broader economy.

Primary Catchment Dwelling Structure



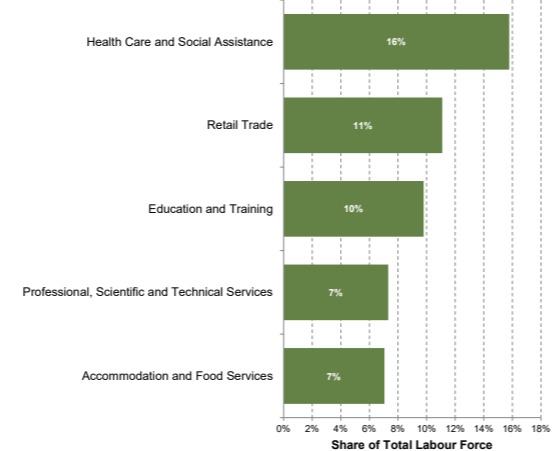
Source: ABS

Housing Tenure by Dwelling Structure (%) & Catchment



Source: QLD Government Statistician's Office

Primary Catchment: Top Five Industries of Employment



Source: ABS

DEMOGRAPHIC & ECONOMIC DRIVERS

OCCUPATION OF EMPLOYMENT

With regards to occupations of employment, Professionals are by far the most common in the Primary Catchment, with close to one-in-four local employees fulfilling professional roles in the workforce.

The clear prevalence of highly skilled, professional employees residing within the Primary Catchment has a positive impact on household incomes, particularly for those professionals employed in the Health Care sector.

Healthy levels of disposable income play an integral role in supporting growth in the local economy through capital being cycle through local businesses and services.

UNEMPLOYMENT RATES

Unemployment rates are known as a leading indicator of health in any economy, with an unemployment rate of 5% generally regarded as being reflective of a healthy economy with 'full employment'.

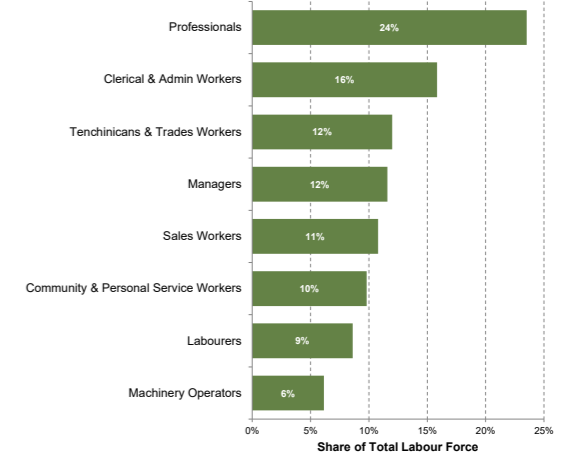
Fortunately, unemployment rates within the Primary Catchment region have remained impressively low for quite some time and have only edged above 5% once since December 2010. Again, this reiterates the healthy economic base discussed above, with a broad range of key industries of employment catering to a diverse mix of employees and skill sets.

This is a corridor which has continued to expand economically whilst retaining vacant land that will continue to see the expansion of industry for many years to come.

Overall, between December 2010 and March 2018, the Primary Catchment has recorded achieved a long term average unemployment rate of just 4%. Across the same time frame, unemployment rates in the Primary Catchment have outperformed that of the Brisbane LGA, Queensland and Australia as a whole, which have each recorded long term average unemployment rates of 5%, 6% and 5.6% respectively.

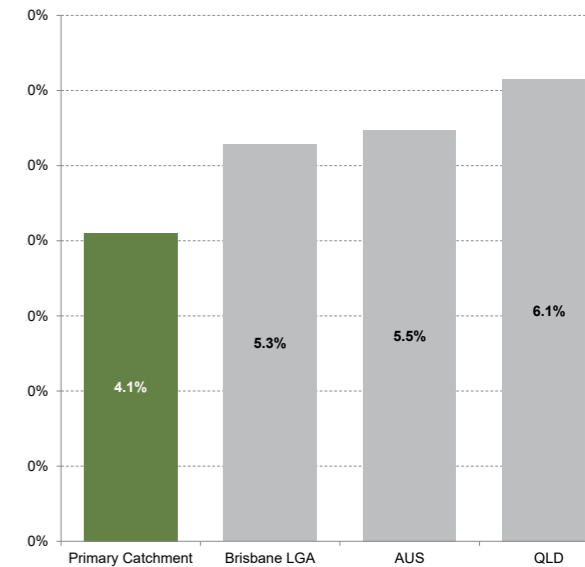
As at the most recent recording period (March 2018), The Primary Catchment's unemployment rate remained at a healthy 4.1%, continuing to outperform broader market trends whilst unemployment rates reached 5.3% in the Brisbane LGA, 6.1% across Queensland and 5.5% throughout Australia as a whole.

Primary Catchment: Occupation of Employment



Source: QLD Government Statistician's Office

Unemployment Rates: March 2018



Source: Australian Government Department of Employment



LAND SALES MARKET

VACANT LAND SALES MARKET

HISTORICAL LAND SALES SUMMARY

The first of three accompanying charts provides a breakdown of annual sales volumes and the median sales price for vacant lots sold in the Primary Catchment since the start of 2000. It should be noted that only lots sized between 250m² and 800m² have been included in the following analysis in order to eliminate irregularly large sized lots, which have been known to achieve rather inflated sales prices due to their prospective purchase as a potential infill development site. *Furthermore, at the time of writing, 2018 sales data is restricted to transactions that occurred within approximately the first five months of the year, due to an approximate three month lag in the database.

Vacant land sales volumes have fluctuated quite sporadically throughout the recording period, as governed by the introduction and completion of certain developments and the subsequent availability of land. Between 2000 and 2017, the Primary Catchment recorded an average sales rate of 186 lots per annum, taking in a high of 543 sales during the previous market peak and a low of 35 in 2013 in the wake of the Global Financial Crisis, when development activity stalled nationwide.

More recently, sales volumes spiked at an eight year high of 295 lots in 2016, thanks to the introduction of a number of new, small scale development projects which sold quite rapidly. In the time that has passed since, a number of these infill development projects in the local area, including Ausbuild's own Prominence Heathwood project, have reached completion. This played a key role in the declining sales volumes that transpired between 2016 and 2017, with sales volumes being restrained by reductions in supply, rather than demand. As is often the case in markets with strong, sustained levels of residential demand, the recent reductions in supply have resulted in a strong period of median land price growth.

Perhaps the most impressive facet of the Primary Catchment's land market has been the price growth that has been achieved across the entire recording period. On a point to point basis, between 2000 and 2017 the Primary Catchment's median land price increased by an impressive 308%, from just \$74,000 to \$302,000.

Broken down annually, the median land price in the Primary Catchment has increased at an average annual growth rate of 9% between 2000 and 2017.

Whilst 2018 sales remain incomplete, land values are on track to continue to improve by years end, with the median reaching \$309,000 thus far in 2018, up 2% from last year. The second chart on the right denotes median land prices by lot size throughout 2017 and 2018 thus far, emphasising that price growth is being achieved across all different lot size ranges. The most common lot sizes sold in the Primary Catchment region during 2018 have been between 400m² and 449m² (47%). These sized lots are shown to have achieved a median sale prices of \$306,000 thus far in 2018. In addition, lots sized 450m² or more, are typically achieving sales prices of over \$320,000.

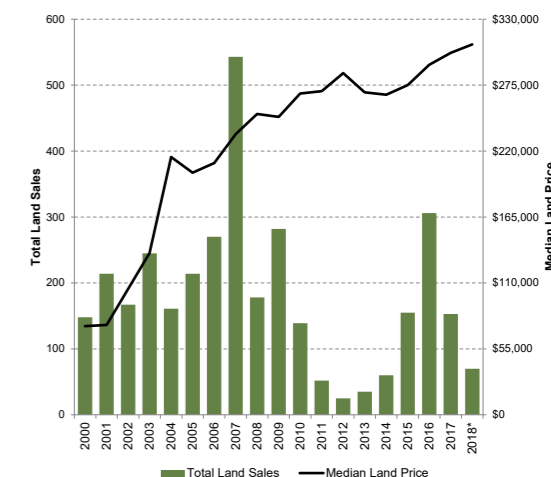
VACANT LAND BUYER ORIGIN SUMMARY

An analysis of buyer origins provides a sound guide as to the presumed mix between owner occupiers and investors in any particular property market. The accompanying chart provides a summary of buyer origins for all land sales in the Primary Catchment since the start of 2000 and also for 2018 as a standalone. As a rule of thumb, buyers from within the local LGA (Brisbane LGA) are assumed to be owner occupiers, whilst those from outside of the local area, are assumed to be investors

Historically, The Primary Catchment's land market has been led by owner occupiers, with 62% of sales since 2000 coming via residents from within the Brisbane LGA. Owner occupiers are often a value add for any property market, as their emotional and financial commitment to the region usually translates into tight-knit communities and well maintained streetscapes.

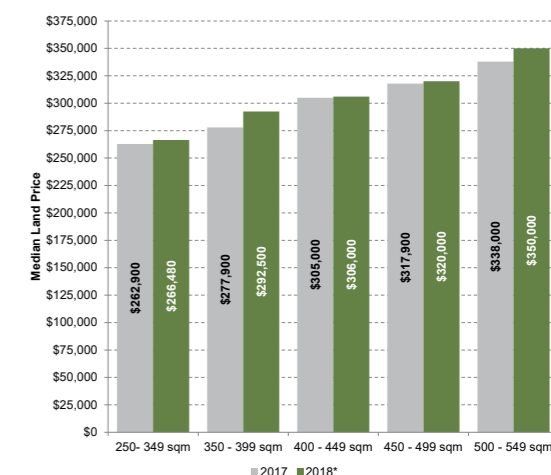
In the early stages of 2018 there has been little change in owner occupier prevalence. However the most notable change in 2018 has been the portion of interstate buyers, which have accounted for 31% of sales and are up considerably on the longer term average of 13%. Interstate sales have come predominantly via residents of New South Wales (21%) and Victoria (9%), who are looking to Queensland property for a greater potential upside to investment when compared with their respective local markets, as Sydney and Melbourne property values continue to cool in the early parts of 2018. As well as attracting investment interest, local property is also believed to have attracted some interstate buyers who are looking to migrate, perhaps in search of improved levels of affordability, amongst other lifestyle benefits. This trend is being observed throughout Queensland as a whole, with the state recently achieving a ten-year high in net interstate migration growth throughout 2017.

Primary Catchment: Historical Vacant Land Sales Summary



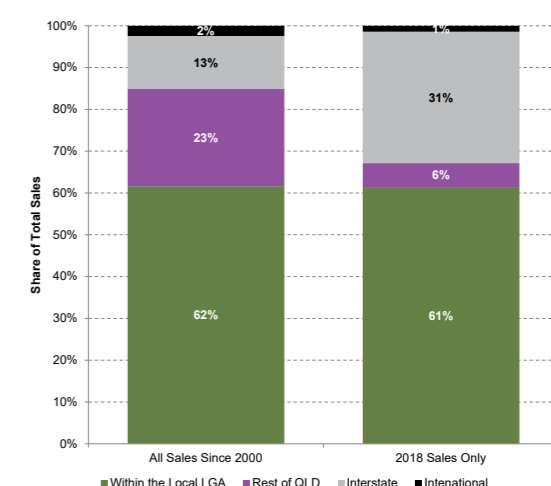
*2018 data is limited to sales recorded within approximately the first 5 months of the year. Source: PriceFinder & The NPR Co.

Primary Catchment: Median Land Price by Lot Size



*2018 data is limited to sales recorded within approximately the first 5 months of the year. Source: PriceFinder & The NPR Co.

Primary Catchment Vacant Land Sales: Buyer Origin Summary



*2018 data is limited to sales recorded within approximately the first 5 months of the year. Source: PriceFinder & The NPR Co.

HOUSE SALES MARKET



HOUSE SALES MARKET

HISTORICAL HOUSE SALES SUMMARY

The first chart on the right provides a breakdown of annual sales volumes and the median sales price for houses sold in the Primary Catchment since the start of 2000. As was the case in the vacant land sales analysis, only houses sold on lots sized between 250m² and 800m² have been included in the following analysis in order to eliminate irregularly large sized lots that have potentially been purchased for redevelopment. *It is also important to remember that at the time of writing, 2018 sales data is restricted to transactions that occurred within the first five months of the year, due to an approximate three month lag in the database.

Annual sales volumes have remained healthy throughout the recording period at an average sales rate of 403 houses per annum, taking in a peak of 559 in 2007 at the height of the property boom and a 'low' of 295 sales most recently in 2017. Whilst remaining at an average annual sales rate of 348 homes there has certainly been a reasonable drop in typical sales rates achieved since 2010, in comparison to the sales rates that were recorded prior. This has been influenced by the completion of two substantial developments in the suburb of Parkinson, with the local market becoming more tightly held as new supply rates have slowed. In more recent times, the completion of a number of smaller scale infill developments have placed greater restraints on new housing supply, as alluded to in the Historical Land Sales Summary. As has been the case in the land market, house sales are being hampered by slow rates of supply rather than any great decline in demand, as supported by the continued upward trend in median house price.

Impressively, excluding 2011, the Primary Catchment's median house price has increased incrementally each year since 2000. On a point to point basis, between 2000 and 2017 the Primary Catchment's median house price increased by 243%, from \$183,450 to \$630,000. Broken down annually, the median house price in the Primary Catchment has achieved an average annual growth rate of 8.4% between 2000 and 2017.

The second chart on the right denotes the annual market share of house sales by lot size in 2010 and 2018 thus far. The purpose of this chart is to highlight the shift towards smaller lot sizes that has taken place in recent years, as largely infill development activity has come to the fore in response to the need to maximise the residential yield from residual, developable land parcels. The total share of houses sold on lots sized 600m² or more has declined from 69% in 2000 to 58% in 2018. Conversely, the total portion of houses sold on lots sized between 250m² and 449m² has increased from 15% in 2000 to 27% thus far in 2018. The sub 450m² size range has fast become the norm for local development projects.

In recent times, houses sold on smaller lots have experienced far greater price growth compared to the broader market trend. The median sale price of houses located on lots sized between 400m² and 449m² of land increased by 11% between 2017 and 2018 thus far, from \$500,000 to \$555,000. The above average price growth being achieved in these lot sizes is likely to reflect a local market that has grown to accept the benefits of modern housing designs on low maintenance lots, over dated houses on larger lots.

HOUSE BUYER ORIGIN SUMMARY

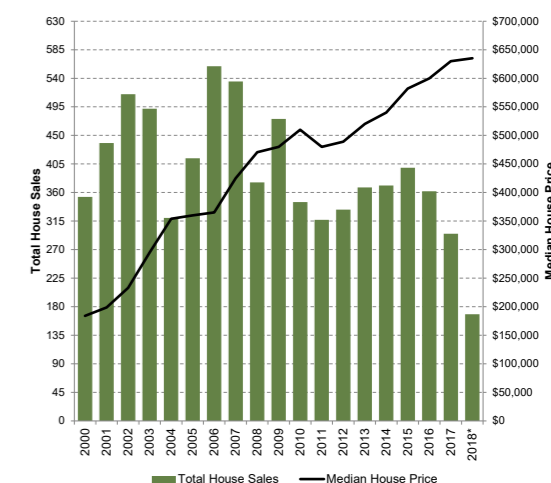
The final chart on the right provides a breakdown of the buyer origins of houses sold in the Primary Catchment, both since the start of 2000 and for 2018 as a stand-alone. When interpreting this chart, it is important to remember that buyers originating from within the local LGA (Brisbane LGA) are assumed to be owner occupiers, whilst those who have come from outside of the local area, are assumed to be investors

The Primary Catchment's house market is shown to have experienced incredibly strong support from owner occupiers, which has accounted for 92% of all houses sold since the start of 2000 and an even greater 94% of sales thus far in 2018.

The owner occupier dominance of the Primary Catchment's house market should be viewed as a positive for future residents or future investors alike. Prospective buyers should take confidence in the fact that by default, local residents are likely to have deeply rooted social networks and will presumably take greater pride in the day to day maintenance of their properties and overall streetscape aesthetics.

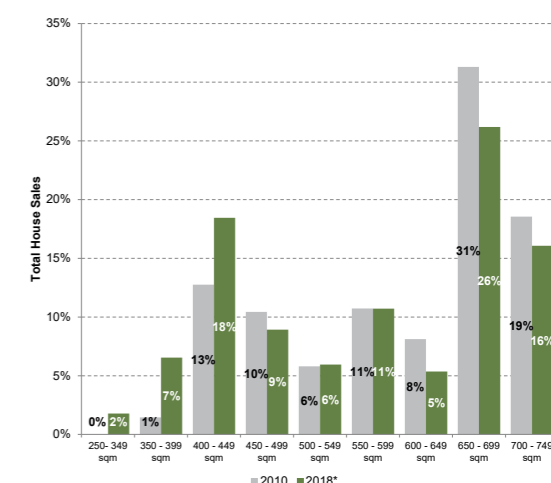
Furthermore, the historical lack of interstate investors will provide a higher level of resilience against unfavourable shifts in market conditions elsewhere in the country, during which investment properties can often be the first assets to be divested.

Primary Catchment: Historical House Sales Summary



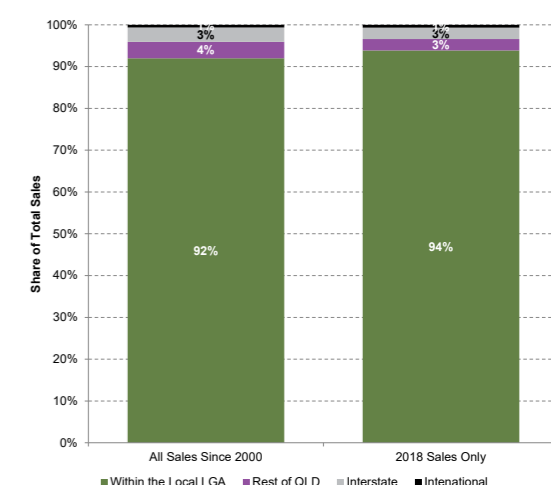
*2018 data is limited to sales recorded within approximately the first 5 months of the year. Source: PriceFinder & The NPR Co.

Annual Share of House Sales by Lot Size: 2000 - 2018*



*2018 data is limited to sales recorded within approximately the first 5 months of the year. Source: PriceFinder & The NPR Co.

Primary Catchment House Sales: Buyer Origin Summary



*2018 data is limited to sales recorded within approximately the first 5 months of the year. Source: PriceFinder & The NPR Co.

HOUSE SALES MARKET

HOUSE RESALES ANALYSIS

The house resales analysis data has been derived from all resales recorded within the Primary Catchment since the start of 2000, with a minimum holding period of one year. The two accompanying charts depict the total split between positive and negative resales transactions and the median capital gains that have been achieved by holding period. In combination, these two charts convey an overwhelmingly strong historical house resales market in the local area.

The total number of capital gains has far outweighed the number of capital losses recorded in the local house resales market. Overall, 2,724 of the 2,839 resales recorded in the Primary Catchment since 2000 have resulted in a capital gain.

The chart on the right breaks down the total split between positive and negative resales by holding period and in doing so emphasises the benefit of holding property longer term. As is shown, 7% of apartments resold in the Primary Catchment after a holding period of between 1 and 2.49 years resulted in a capital loss, compared with 0% of houses resold after a holding period of 15 years or more.

However, the second chart portrays the benefit of holding longer term more strongly, by depicting the median capital gains that have been achieved across each holding period.

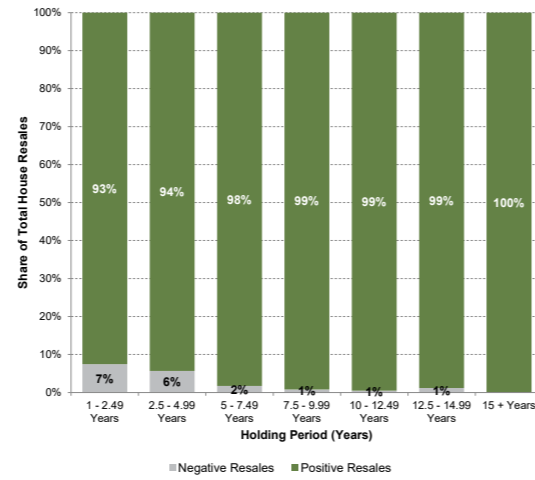
Median capital gains are shown to have incrementally increased in line with an increase in holding period from one cohort to the next. Overall houses resold in the Primary Catchment have recorded median capital gains of between \$57,940 and \$419,494 based on short and long term holding periods.

Furthermore, if you were to take a step back and look at all house resales recorded in the Primary Catchment as a whole, irrespective of holding period there are two ranges that are most important to consider.

Firstly, of the 2,839 resales recorded since 2000, 50% of transactions have returned capital gains of anywhere between \$62,750 and \$190,000. Secondly, in achieving these results, houses have most commonly been held for anywhere between 2.6 and 7.4 years.

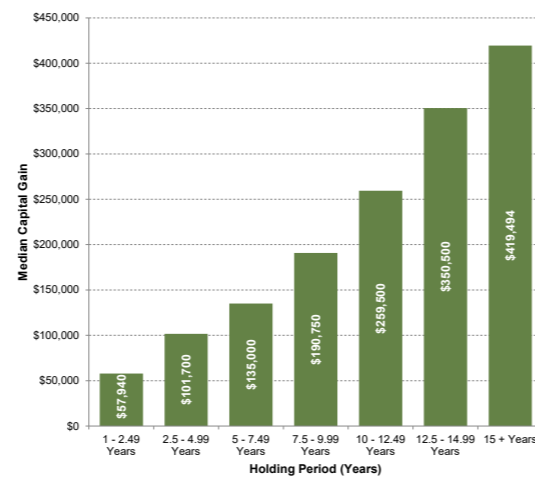
Finally, it is important to note that the capital gains analysis provided above is an indication of past market performance and is not a guarantee of future market performance.

Primary Catchment: Positive & Negative Resales by Holding Period



Source: PriceFinder & The NPR Co.

Primary Catchment Resales: Median Capital Gain by Holding Period



Source: PriceFinder & The NPR Co.

HOUSE RENTAL MARKET



HOUSE RENTAL MARKET

HISTORICAL HOUSE RENTAL SUMMARY

The first chart on the right provides a historical breakdown of the house rental market in the Primary Catchment, covering median and upper quartile weekly rental rates and the total number of new bonds lodged each quarter since the start of 2010. This data is analysed by layout, according to the number of bedrooms. It should be noted that the upper quartile weekly rental rate is typically reflective of new, favourably located houses which logically attain a premium over broader market trends.

Including all rental houses with three bedrooms or more, a quarterly average of 132 new bonds have been lodged in the Primary Catchment house rental market since the start of 2010. The average number of new bonds lodged encompassed a range which included a low of 102 in mid-2013 and a high of 152 which was most recently achieved in the third quarter of 2016.

The house rental market has largely shifted sideways since the start of 2010 in terms of market depth, with no notable upward or downward shift in the total number of new bonds being lodged each quarter. The sideways trend in new bonds being lodged reiterates the owner occupied dominance of the local market, with minimal new stock being added to the rental pool.

Four bedroom layouts have been the most common house rental product in the Primary Catchment and have accounted for a dominant average of 75% of new bonds lodged per quarter. Three bedroom houses have followed at an average quarterly market share of 16%, whilst rental houses with five bedrooms or more have been the least common at an average quarterly market share of just 8%. With regard to volume, these figures translate to an average of 22 three bedroom houses, 99 four bedroom houses and just 11 houses with five bedrooms or more, per quarter since the start of 2010.

Weekly rental prices have steadily improved throughout the recording period for three and four bedroom layouts, whilst rental price growth for houses with five bedrooms or more has been quite sporadic. The sporadic price growth in the largest of the three layouts has been influenced by the low volumes of bonds being lodged, which makes the data vulnerable to skewness.

Overall, across all rental houses with three bedrooms or more in the Primary Catchment, the median weekly rental rate has increased by 12% between the first quarter of 2010 and the second quarter of 2018, from \$410 to \$460 per week. In terms of price growth by layout, the two key product types have experienced similar price growth rates since the start of 2010. Between quarter one 2010 and quarter two 2018, median weekly rental rates increased by 17% for three bedroom houses from \$360 to \$420 and by 13% for four bedroom houses, from \$410 to \$463.

Moreover, in today's market, rental houses that are favourably located and exhibit higher quality finishes are shown to typically be achieving weekly rental rates of circa \$443 per week for three bedroom houses and \$500 per week for four bedroom houses.

VACANCY RATE

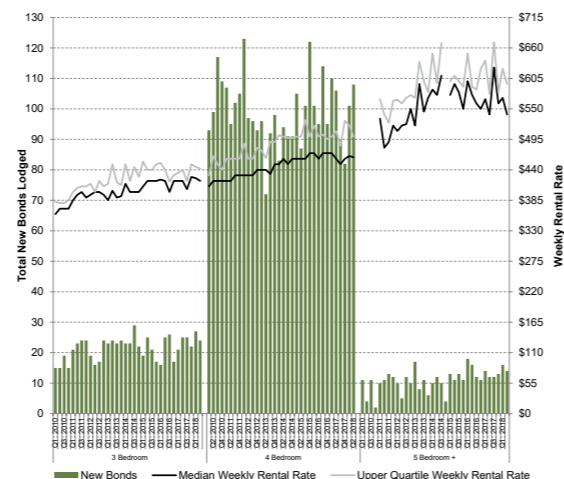
The accompanying chart compares vacancy rates during the second quarter of 2018 for the house rental market within the Primary Catchment as a whole, as well as each of the three individual postcodes that are located within the Primary Catchment region and its surrounds.

Upon examining the following chart it is important to acknowledge that a vacancy rate of between 2.5% and 3.5% is generally reflective of a 'healthy' or balanced rental market. Moreover, vacancy rates below 2.5% are regarded as 'tight' and often lead to upward pressures on rent, whilst vacancy rates above 3.5% are regarded as 'soft' and can be reflective of an oversupplied market facing downward pressures on rent.

During the second quarter of 2018 each of the three local postcodes recorded tight or healthy vacancy rates of 2.0% (4115 postcode), 2.5% (4116 postcode) and 3.0% (4110 postcode) respectively. As a whole, the Primary Catchment's house rental market achieved a healthy vacancy rate of 2.5%.

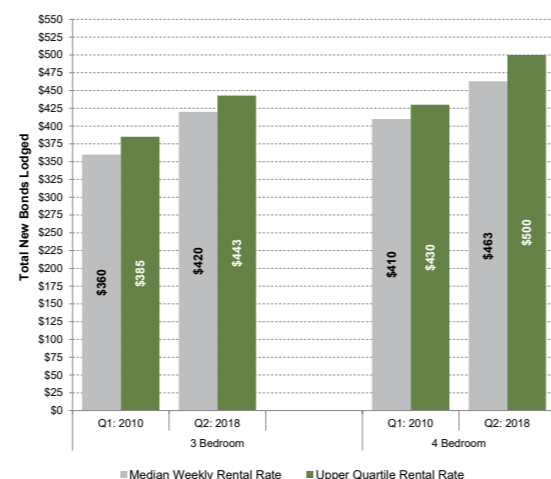
These figures suggest that the house rental market in the local area is likely to offer potential for rental growth in the short term and/or a level of resilience against increases in supply.

Primary Catchment: Historical Rental Summary by Layout



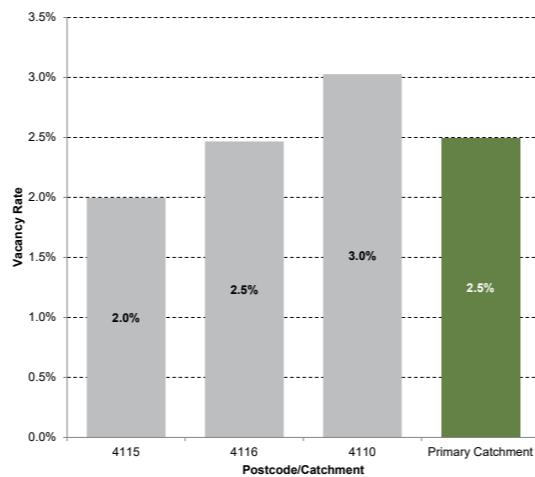
Source: RTA & The NPR Co.

Primary Catchment: Rental House Price Growth by Layout



Source: RTA & The NPR Co.

House Vacancy Rate by Postcode: QTR 2 2018



Source: RTA & The NPR Co.

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