UDIA State of The Land 2021

National Residential Greenfield and Apartment Market Study

March 2021

Urban Development Institute of Australia
NATIONAL

Montego Hills by Villawood Properties

"The economic slowdown from the pandemic was an existential threat to our industry. UDIA National quickly mobilised to engage with the Commonwealth Government and Housing Minister Michael Sukkar on solutions to maintain jobs and activity up and down supply chains. HomeBuilder worked to sustain confidence and construction during the downturn - the property industry and new housing construction will remain central to the ongoing recovery."

- Simon Basheer, UDIA National President

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Welcome to 2021 annual **State of the Land** report

Simon Basheer

UDIA National President

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

It is even more important, as we continue to feel the economic disruption caused by the COVID-19 pandemic and begin to chart the path to recovery – both as a nation, and an industry.

New home construction delivers jobs, wages, prosperity and activity up and down supply chains. Our central role in the national economy – with direct and indirect output generating more than $300 billion in economic activity, or 7.5 percent of the national economy – was reinforced over the past year.

Our industry has been pivotal to sustaining economic momentum through the downturn and in doing so, provided a pathway into home ownership for tens of thousands of Australians.

That is made clear by the data in State of the Land. After a significant slump as the pandemic first arrived, land sales surged – partly due record low interest rates and HomeBuilder stimulus, and partly due to pent up demand stored across our capital cities.

In fact, land sales reached record highs by the September 2020 quarter. Monthly land sales hit 5,200 per month – surpassing a prior record of approximately 4,700 per month set in June 2017.

We also witnessed a major surge in regional markets, reflecting a shift in the way we lived and worked during the pandemic. The question now is whether this is an embedded structural change.

For all the good news, and the prospects of strong activity well into 2021, the question remains: do development pipelines, land sales and pricing soften as we resume the road back to normality.

As outlined later in this document, UDIA National's advocacy efforts are firmly aimed at working with governments to boost supply pipelines, break the back of planning and tax barriers, restart overseas migration and ensure a balanced approach to supply and demand.

That is the ultimate key to improving affordability and giving more Australians the chance to fulfil home ownership aspirations.

Producing these reports takes the time, commitment and collaboration of our partners. Research4 and CoreLogic serve as our research partners and deserve credit for the quality and comprehensive nature of their work. I'd also like to commend the endeavours of the team at UDIA whom manage the project.

We hope you find it a valued resource and look forward to continue to work with you on critical issues facing the industry in the year ahead.

Bushmead by Cedar Woods

THE YEAR THAT WAS

COVID-19 forced transformation, in ways large and small, on everyone in the industry in 2020. From the way we conducted our daily lives to the way we worked on construction sites, in sales centres, and in all of our businesses, everything shifted.

Across the organisation, from our UDIA National Council to our State CEOs, we dramatically switched our focus to one that sustained the industry through the economic downturn and positioned housing as central to the nation's recovery.

It was clear post the declaration of the pandemic that the residential construction sector needed to move quickly to stimulate demand and to generate immediate activity. Our industry was at a critical junction where the jobs of hundreds of thousands of people right up and down the supply chain were at risk.

That is why UDIA National developed practical and implementable policy recommendations for the Federal Government and released our ***"Helping Australia Bounce Back"*** and ***"Plan for Economic Revival"*** policy documents throughout the year.

UDIA had a significant influence in the formulation and implementation of the HomeBuilder program launched by Government in June and its extension later in the year to provide even more support for our industry.

One thing is clear – we have consistently reinforced, and the results are now clear for everyone to see, that housing construction is an indispensable pillar of the nation's economy.

The stellar success of the HomeBuilder program reaffirms the importance of the housing and construction sectors to the nation's health and prosperity.

Against an original estimate of 27,000 homes, more than 85,000 applications have been received to date – with 80 percent for the construction of new housing. The figures is translating to a mammoth surge in jobs, wages and activity across supply chains.

We know however that housing markets remain sensitive to the pace of recovery and will keep working with the Federal Government, the Assistant Treasurer and Housing Minister, Michael Sukkar, and his office.

Our work on HomeBuilder was matched by consistent engagement with the Independent Review into the Environment Protection and Biodiversity Conservation (EPBC). Meetings with Environment Minister Sussan Ley, Minister Assisting the Prime Minister Ben Morton, and other critical stakeholders meant we've been able to give clear voice to the industry's priorities.

The Government has so far been receptive to our issues and our hope is that they remain so as they move into a phase of designing and implementing the reform process.

UDIA National's advocacy agenda has been mirrored in our state divisions, from dealing with the challenges of lockdowns of varying degrees to cultivating swift policy reforms to boost recovery.

I thank the entire National Council, our superb team of State CEOs and their staff and of course our broader membership, who've been loyal during a tough year and deeply engaged in providing insights and resources to bolster our work.

Simon Basheer, UDIA National President

WEST by Commercial & General

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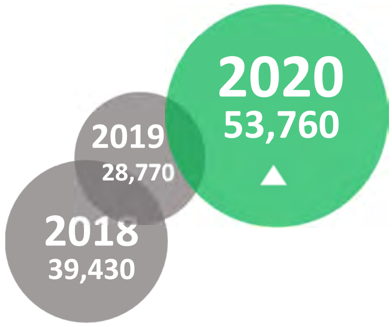
UDIA State of the Land 2021

Greenfield Summary

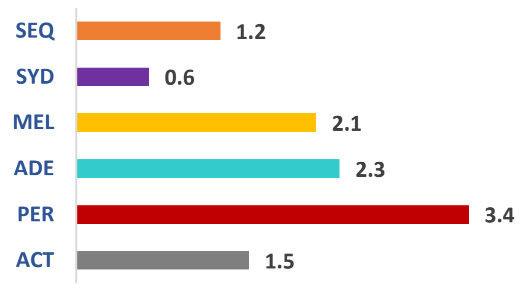
NEW RELEASES (2020)

		Annual Change
SEQ	12,430	▲ 43%
SYD	8,280	▲ 52%
MEL	17,400	▲ 45%
ADL	3,340	▲ 30%
PER	10,870	▲ 56%
ACT	2,490	▲ 57%

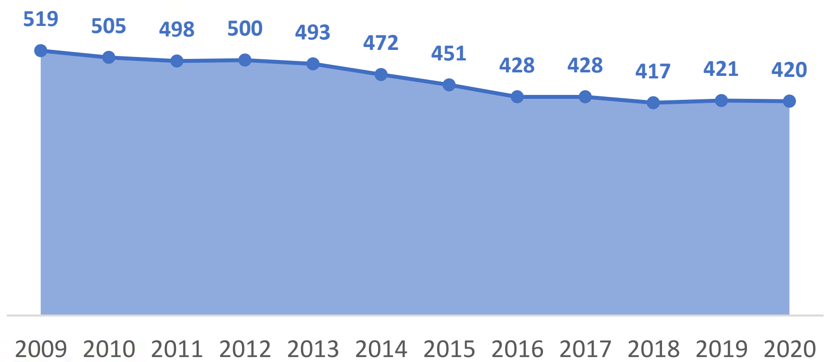
NATIONAL ANNUAL LOT SALES



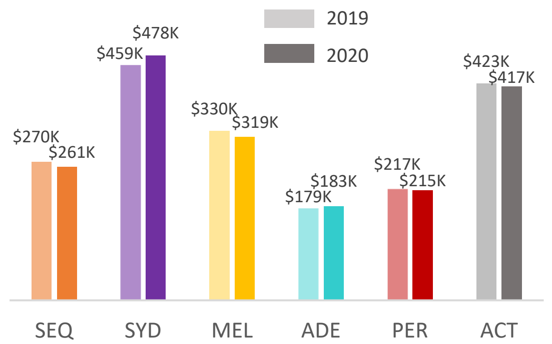
TRADING MONTHS OF STOCK (as at Q4 2020)



COMBINED CAPITAL CITIES ANNUAL MEDIAN LOT SIZE (sqm)



MEDIAN LOT PRICES (2019 v 2020)

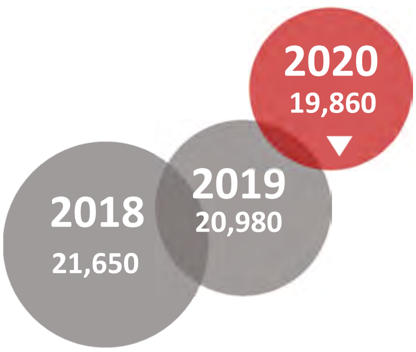


Multi-Unit Summary

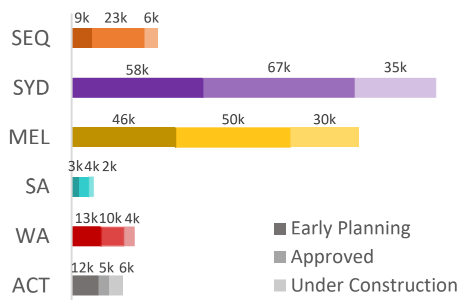
NEW UNIT COMPLETIONS (2020)

		Annual Change
SEQ	9,530	▼ 28%
SYD	23,390	▼ 15%
MEL	20,580	▼ 7%
ADL	2,160	▼ 38%
PER	2,830	▼ 35%
ACT	2,030	▼ 19%

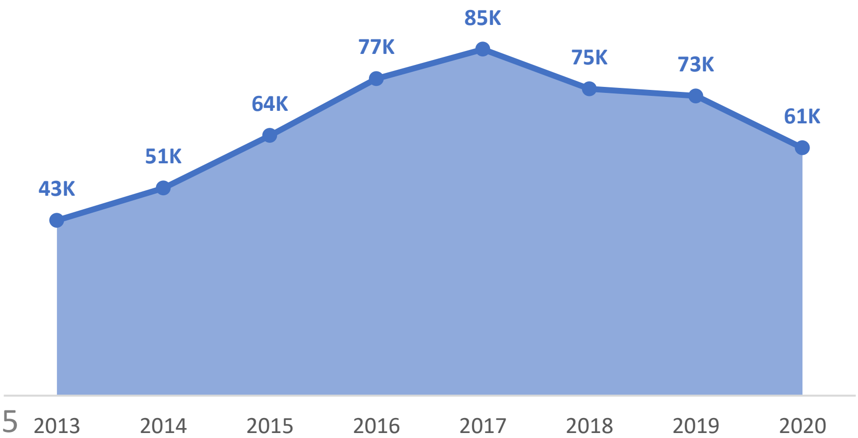
ANNUAL NEW UNIT SALES (NAT)



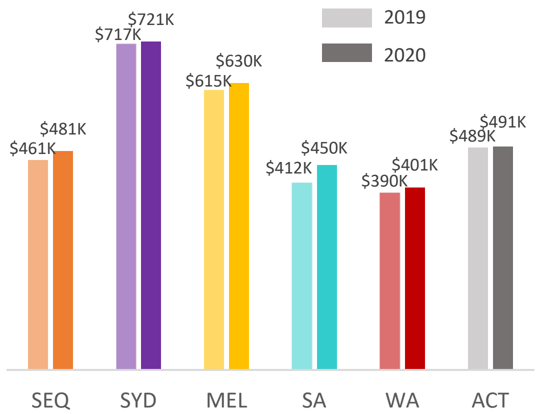
UNITS PIPELINE (as at Q4 2020)



ANNUAL NATIONAL NEW UNIT COMPLETIONS



MEDIAN SALE PRICE OF NEW UNITS (2019 v 2020)



UDIA State of the Land 2021

Capital City Market Performance Dashboard – Annual Change (2019 – 2020)

Market	Measure	SEQ	Greater Sydney	Greater Melbourne	Greater Adelaide	Greater Perth	ACT
	Total New Dwellings	-23% ↓	-17% ↓	-20% ↓	-24% ↓	-20% ↓	-4% ↓
Greenfield Market	Greenfield Lot Sales	65% ↑	88% ↑	83% ↑	83% ↑	128% ↑	101% ↑
Greenfield Market	Greenfield Lot Releases	43% ↑	52% ↑	45% ↑	30% ↑	56% ↑	57% ↑
Greenfield Market	Greenfield Median Lot Price	-4% ↓	4% ↑	-3% ↓	2% ↑	-1% ↓	-1% ↓
Greenfield Market	Greenfield Median Lot Size	415sqm ↓	372sqm ↓	390sqm ↓	459sqm ↑	375sqm ⇆	507qm ↑
Multi-Unit | Infill Market	Multi-Unit Sales Volume (New)	8% ↑	-2% ↓	-20% ↓	-10% ↓	13% ↑	21% ↑
Multi-Unit | Infill Market	Multi-Unit Completions	-28% ↓	-15% ↓	-7% ↓	38% ↓	35% ↓	-19% ↓
Multi-Unit | Infill Market	Multi-Unit Median Sale Price (New)	4% ↑	1% ↑	2% ↑	9% ↑	3% ↑	0% ⇆
Multi-Unit | Infill Market	Under Construction	-8% ↓	-11% ↓	-8% ↓	-10% ↓	-9% ↓	-4% ↓

NATIONAL RESIDENTIAL MARKET OVERVIEW

The national development industry experienced a dramatic year that will be etched into the history books for many reasons. While the COVID-19 pandemic inflicted severe economic impacts on certain parts of the economy, the property market has held up resiliently, to the extent that there have been record levels of land lot sales activity across the second half of the year.

National Greenfield Performance Snapshot

- Across Australia the greenfield development sector moved to full capacity in 2020 with a 100% upswing in sales in the September and December quarters from the 'pre-COVID' trading period.
- This produced the highest two quarters of lot sales in Research4's National Land Survey history since 2009, with a record 691 residential projects registering lot sales in the September 2020 quarter alone.
- The surge in demand for new land underpinned a 7.1 percent increase in the national median lot price to $314,660 between June and December.
- The national greenfield lot clearance rate was 105% for the December quarter, with sales exceeding releases by 5% (taking into account carry-in unsold stock into the quarter). Over the three quarters since March 2020, the clearance rate has averaged 102% (inclusive of carry in stock), which has resulted in the stock ready for sale drop away by 39%, with current stock levels now equal to only 1.7 months worth of trading.
- UDIA estimates that there were approximately 44,880 completions of detached houses in the nation's greenfield release areas in 2020 which represented 30% annual growth on 2019.

National Multi-Unit Performance Snapshot

- The national new-build multi-unit apartment sector experienced a more subdued 2020 than greenfield release areas, with settled sales for new apartments and townhouses down 6% on 2019 and 50% below the decade average.
- Momentum has continued to unwind in the new multi-unit sector with total sales across the combined capital cities totalling just 19,860 in 2020, down 70% from peak sales volumes in mid-2015.
- Pricing for new apartments grew 2.9% across the combined capital cities to a median sale price of $529,000.
- Underpinning the weak new multi-unit sales performance has been the on-going retreat of investors, however the second half of 2020 saw modestly heightened levels of sales transactions and unit value growth stemming from an uptick in consumer sentiment and record low interest rates.

Amberton Beach Coastal Precinct by Stockland

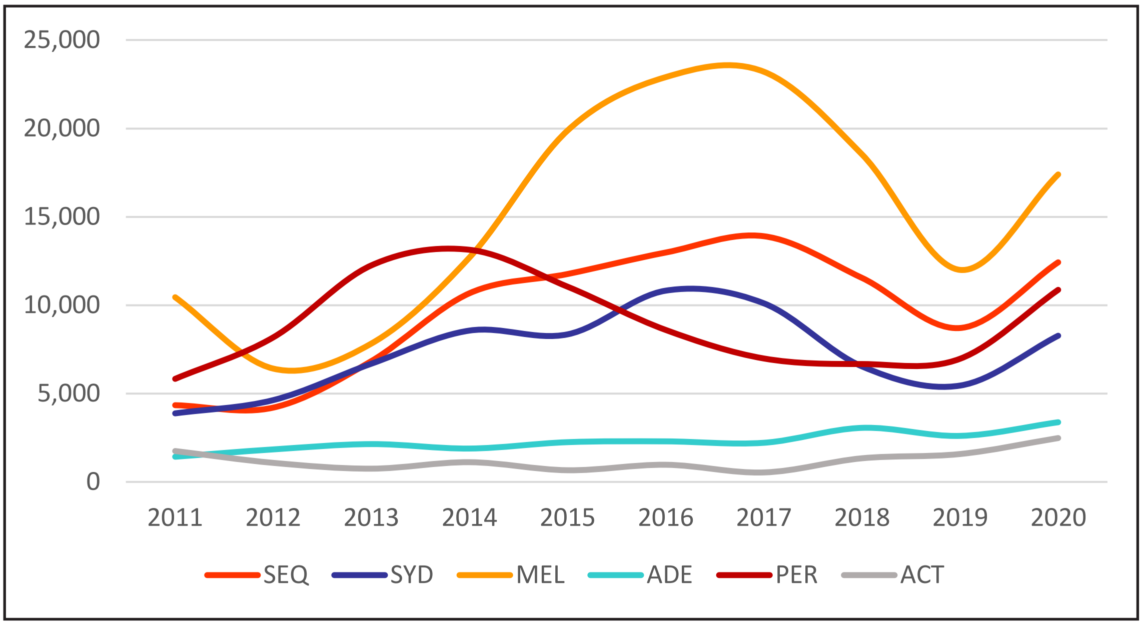
GREENFIELD MARKET ANALYSIS

The National Land Survey (NLS) undertaken by Research4 provides the core market intelligence underpinning the *State of the Land*'s greenfield market analysis. The following points highlight the key capital city comparative headline trends for 2020.

Lot Releases

- **National** residential annual lot releases increased by 47% in 2020, with a total of 54,860 lots released across the capital city markets.
- **Melbourne** reasserted its prominent role as the nation's largest greenfield market with a total release to market of 17,400, lots across the year, up 45% from 2019 and 18% on the decade average.
- **SEQ** recorded a 43% uplift in lot releases in 2020 with a total of 12,430 lots released, to comfortably retain the mantle of the second largest greenfield market in the country. This was 41% above the decade average.
- The **Perth** greenfield market roared back to life in 2020 with a 56% lift in lot production to total 10,870 lots which was 27% higher than the decade average.
- **Sydney** also recorded a major uptick in output up 52% with 8,280 lots released to market across the year with further production limited by industry capacity and supply availability rather than demand.
- **Adelaide's** developers released 30% more lots in 2020, with a total of 3,400 released to the market equating to 52% higher than the decade average.
- The **ACT** also enjoyed a bumper year with a 57% uplift in lot release activity with 2,490 lots released to market, which represents a record supply level across the 12-year reporting timeframe of the Survey.

Annual lots Released



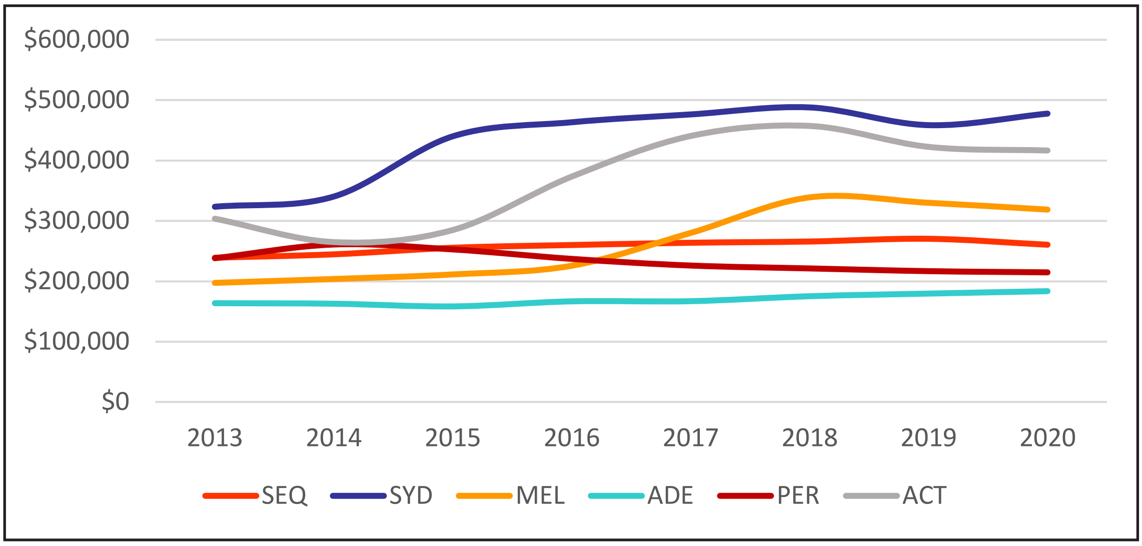
Source: UDIA; Research4

Lot Prices ($)

While lot production and sales lifted dramatically across the second half of the year, median lot pricing flat-lined or retracted modestly across many of the nation's greenfield markets in 2020.

- The most expensive greenfield market, Sydney, recorded a 4% increase in median pricing in 2020 with a year-end lot price of $477,750. This median lot pricing increase was largely driven by a spike in December quarter pricing to $495,000 a lot.
- For the second consecutive year Melbourne recorded an annual decrease in median lot pricing, dropping by 3%, to finish the year at $319,000.
- SEQ recorded a 4% annual price decline to $260,500. At this median price-point level SEQ continues to hold an affordability advantage over the other two major east coast housing markets, being 45% cheaper than Sydney and 18% cheaper than Melbourne.
- Perth's median lot pricing retracted a modest 1% to $215,000 (which was the sixth straight year of price reduction) and the ACT also saw median pricing retract by 1% to $416,000.
- Adelaide recorded a 2% annual price increase in 2020 to $183,460 and remains Australia's most affordable market by some margin.

Median Lot Price



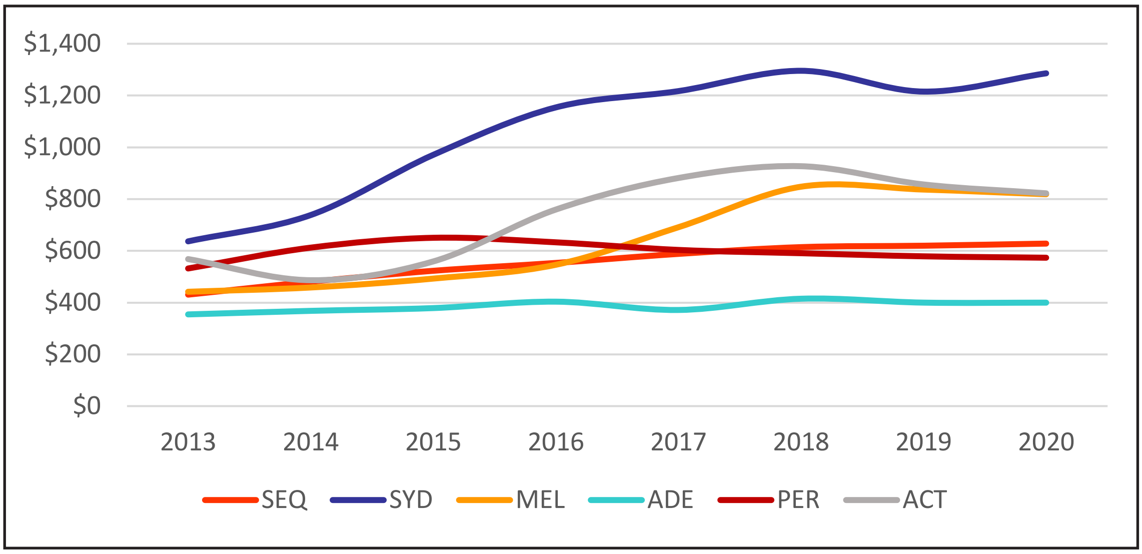
Source: UDIA; Research4

Land Price ($/sqm)

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

- **Sydney's** land price was the only city to record substantive growth with a 6% increase to $1,285 per sqm.
- **Melbourne's** land price declined 2% in 2020 to $819 per sqm.
- **ACT** recorded an 4% reduction in land price to $822 per sqm.
- **SEQ** recorded 1% growth in land pricing to $628 per sqm.
- **Perth's** land price retracted by 1% to $573 per sqm.
- **Adelaide** recorded a no change to the metropolitan land rate which remains at $400 per sqm.

Median Land Price

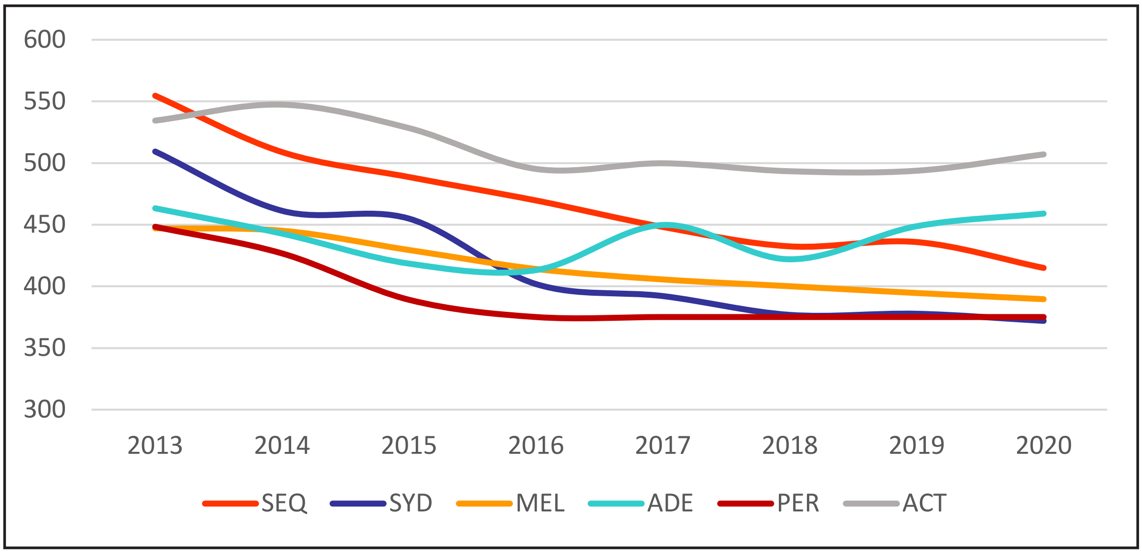


Source: UDIA; Research4

Lot Sizes (sqm)

- The trend of declining lot sizes highlighted in previous State of the Land reports has continued in 2020 on the large east coast capitals but held steady for the smaller cities.
- The median lot size for **SEQ** dropped 5% to 415 sqm, while **Sydney's** dropped 2% to 372 sqm, which now makes Sydney's median lot size the smallest in Australia for the first time in Survey reporting over twelve years.
- The largest median lot sizes are still found in the nation's capital with the **ACT** recording a 3% increase in lot sizing to finish 2020 at 507 sqm, the largest the median lot size has been in the nation's capital since 2015.

Median Lot Size



Source: UDIA; Research4

NATIONAL RESIDENTIAL MARKET OVERVIEW

MULTI-UNIT MARKET ANALYSIS

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

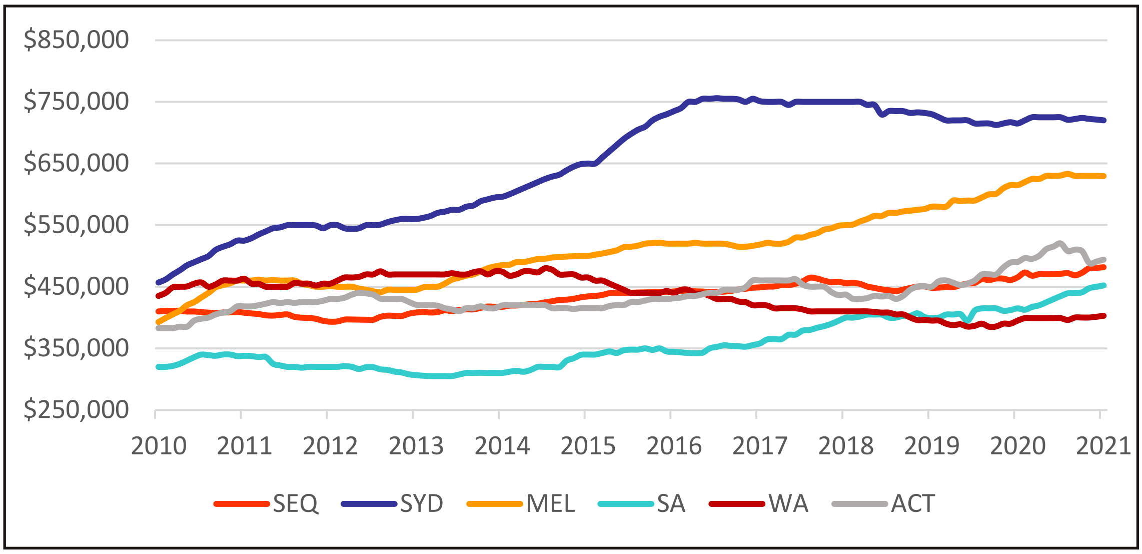
- Multi-unit sales volumes of new supply remained subdued across the capital cities in 2020.
- **Sydney** new unit sales transactions for 2020 were down 45% on the decade average to 9,390 sales and maintains the soft volumes consistently recorded since the September quarter 2018.
- **Melbourne's** annual new multi-unit settled sales annual volumes dropped 20% across the year to 4,780 sales, which is 60% below the decade average yearly sales.
- **SEQ** recorded another soft year in new apartment transactions with just 1,035 settled sales for the year, down 2% on 2019 volumes and down 80% from the decade average.
- **Perth's** multi-unit sector experienced an uptick in sales in the September quarter reflecting broader housing market momentum, to record 1,940 sales for 2020, 13% growth on 2019 but still 8% below the decade average.
- **Adelaide's** new multi-unit market recorded 1,775 sales across 2020, 19% higher than the decade average, however down 10% on 2019 volumes.
- **ACT** multi-unit sales remained low at just 360 annual settled sales which is 71% lower than the decade average.

New Multi-Unit Pricing

- **Sydney** recorded a 0.6% annual growth of new unit pricing across 2020 to $721,350, which is 36% more expensive than the combined capital city new unit average of $529,600.
- **Melbourne** recorded 2.4% annual price growth in 2020 to record a new unit median price of $630,000, which was 13% cheaper than Sydney and 19% above the combined capital city average.
- **SEQ** new unit prices rose by 1% over the year, recording a median new unit sale price of $459,975.
- **Perth's** new units recorded 2.9% pricing growth across 2020 to finish the year at $401,210, which still reflects a 16% reduction of median new unit stock pricing achieved in the peak of 2014.
- **ACT** unit pricing flat-lined across the year to remain at $490,580, which is now 7% lower than the combined capital city average median pricing.
- **Adelaide's** new unit pricing recorded a 9.2% increase in 2020 to $450,100, which is the highest capital city growth rate achieved across the year.

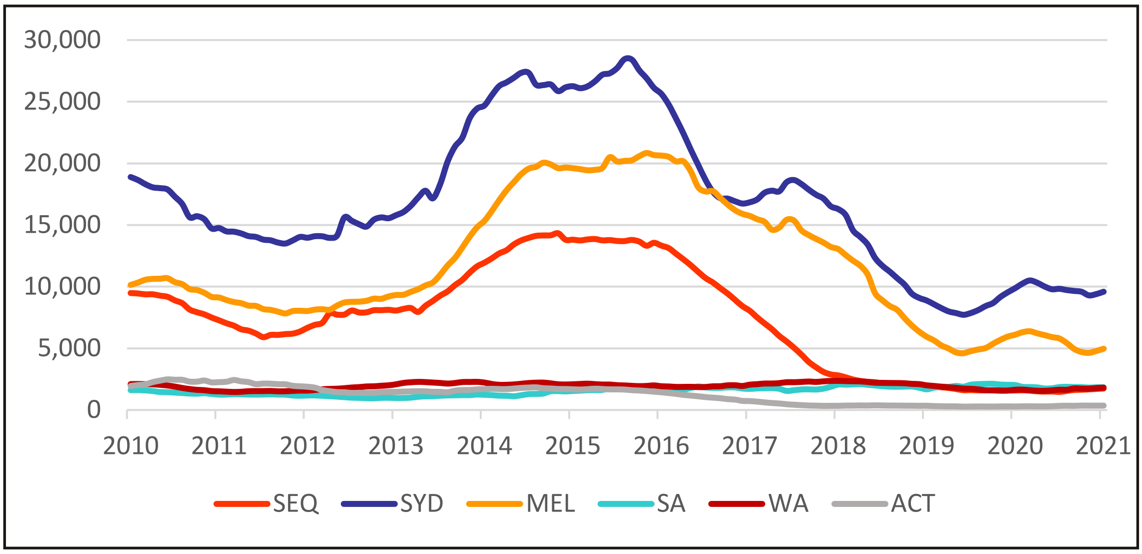
St Leonards Square by Mirvac and Ping An

Annual Median New Multi-Unit Sale Price



Source: UDIA; CoreLogic

Annual Median New Multi-Unit Sales Volumes

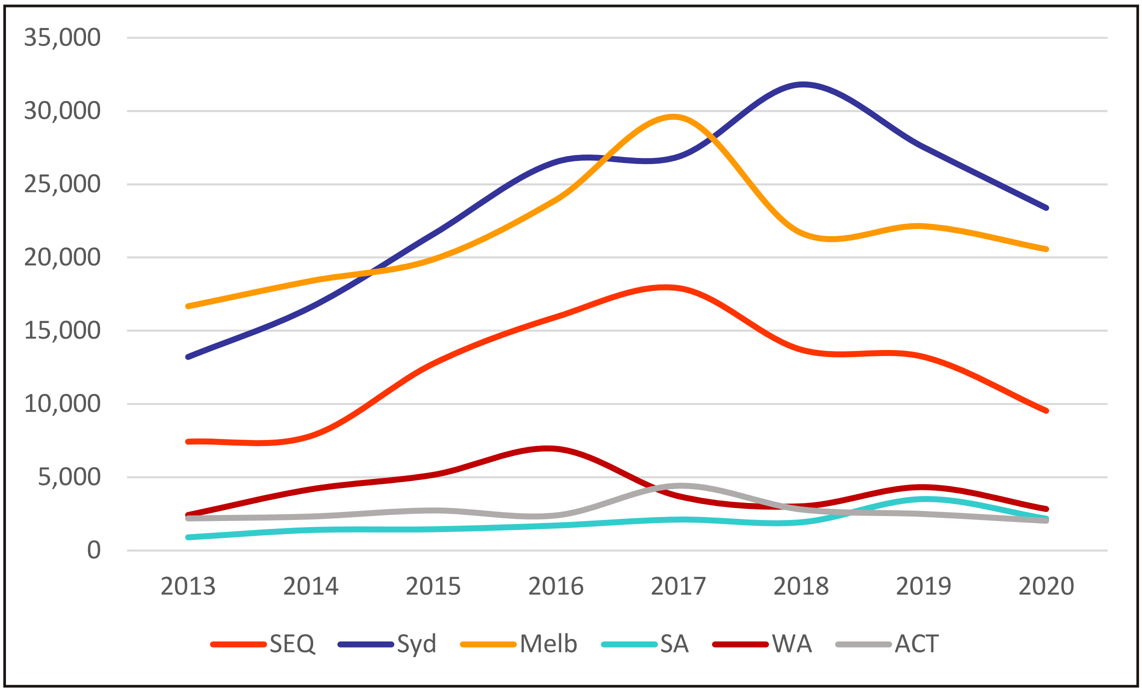


Source: UDIA; CoreLogic

Construction Activity

- There was a 18% annual contraction in total multi-unit dwelling completions in 2020 across the **combined capital cities**, with a total supply yield of 60,520 units. This quantum of new build apartment and townhouse supply is down 28% on the peak supply achieved in 2017.
- **Sydney** recorded 40% of the capital city apartment completions in 2020, however annual volumes dropped 15% to total 23,390 units, which is 26% below the peak supply achieved in 2018.
- **Melbourne** remained the other focal point for new multi-units with 20,580 completed in 2020, reflecting 36% of new capital city supply. Annual completions dropped by 7% on 2019, and 30% on the peak achieved in 2017.
- **SEQ** registered 9,350 new unit completions in 2020 which was down 28% from 2019 and 40% below the peak of 2017.
- **Perth's** new multi-unit completions plummeted 35% across the year to 2,830 units which the lowest volume of new units completed since 2013.
- **Adelaide's** multi-unit annual completions fell 38% in 2020 to 2,160, with the **ACT** also producing a similar new supply quantum of 2,025.

Annual Median New Multi-Unit Completions



Source: UDIA; CoreLogic

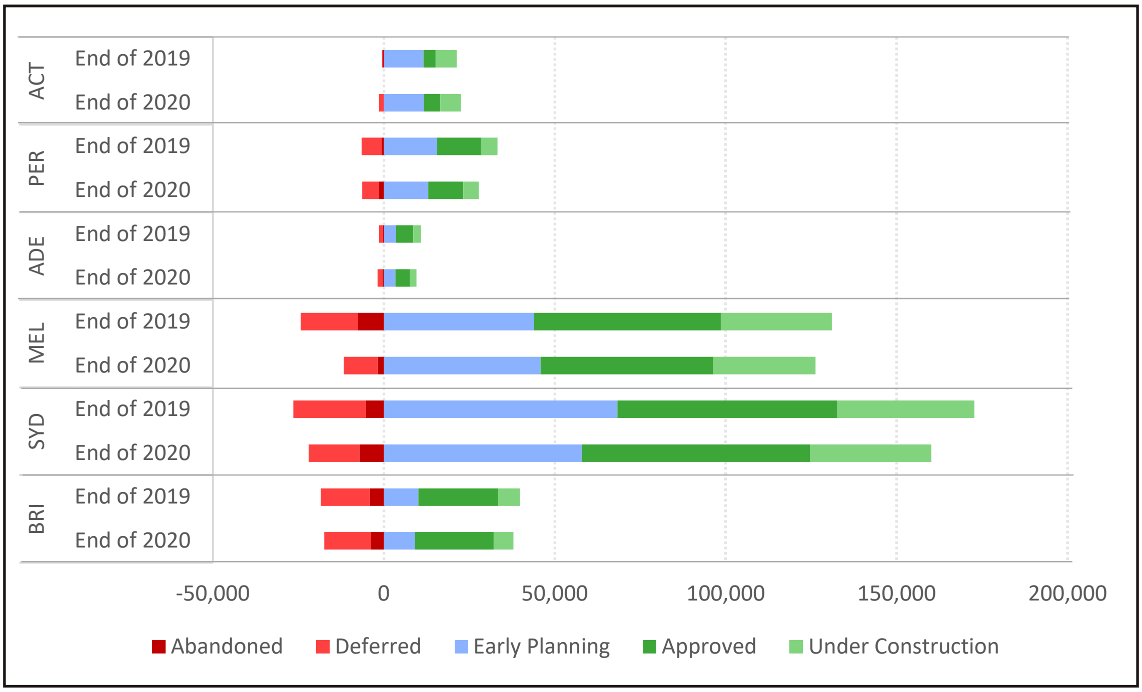
Multi-Unit Pipeline Analysis

CoreLogic has produced point-in-time estimates of the multi-unit pipeline based on a December 2020 and December 2019 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 6% across the year, with pipeline contraction recorded in every city except the **ACT**.
- The large east coast markets experienced the largest reductions of forward pipeline supply, led by **Sydney** down 7% and **Melbourne** down 4%. Sydney and Melbourne are the nation's key apartment markets (holding 75% 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 contracted by 5% across the year led by a 10% decrease of units in 'Early Planning' and an 8% decrease of units under construction.
- The on-going weakness in the **Perth** multi-unit sector was reflected in a 17% decrease in pipeline volume, while the Adelaide pipeline decreased by 12% over the year.

Capital Cities Multi-Unit Pipeline by Status



Source: UDIA; CoreLogic

NATIONAL RESIDENTIAL MARKET OVERVIEW

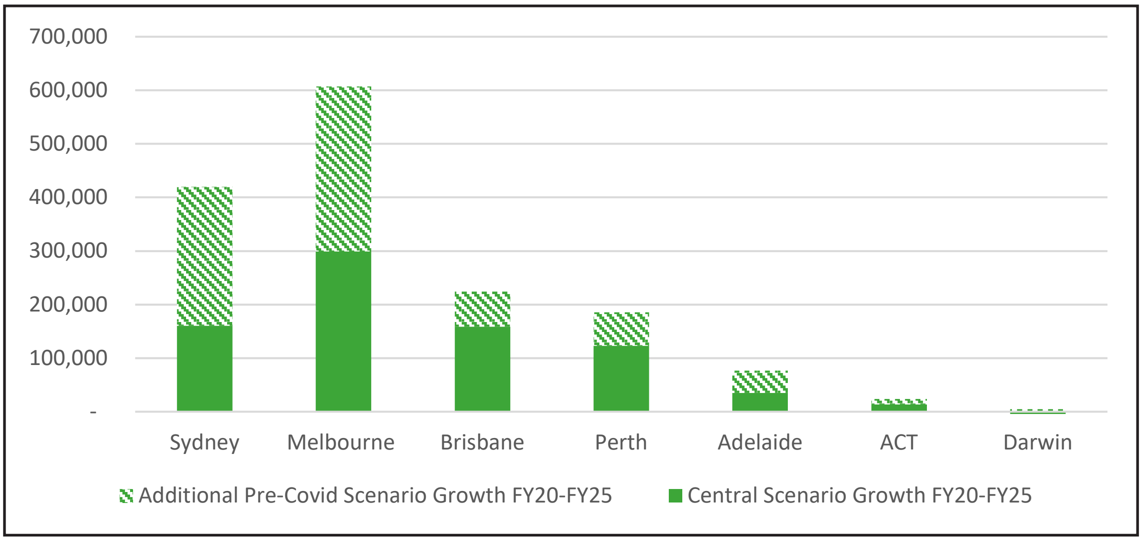
THE ECONOMIC STATE OF PLAY

Five big factors are currently shaping housing markets and will shape their fortunes for the next few years.

Population

- Population growth is the primary driver of demand for new dwellings in Australia, with net overseas migration (NOM) accounting for 56% of demand.
- The closure of Australia's international borders in March has exposed capital city housing markets to a unique and re-set demand profile for new residential products.
- The Australian Centre for Population released forward population growth scenarios in December 2020 highlighting a potential 96% reduction of population growth under a 'central forecast scenario' across the capital cities over the coming five years, with Sydney (-258,000 fewer people) and Melbourne (-308,000 fewer people) being the cities expected to be most heavily impacted from COVID-19 from a growth perspective.

Population Growth Projections by Capital City, FY20-FY25

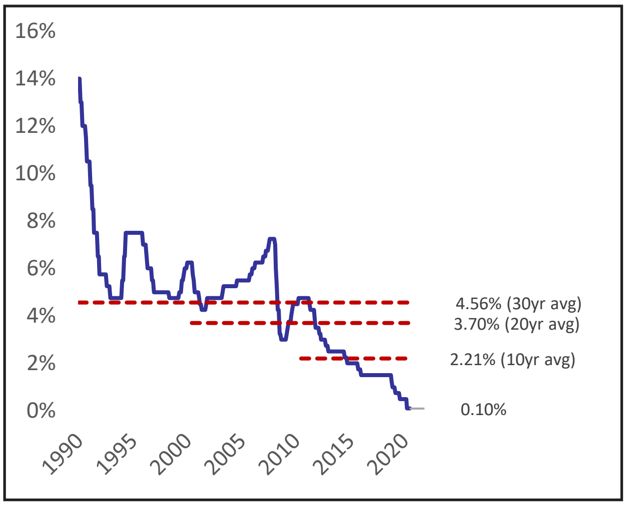


Source: Centre for Population 2020, Population Statement: Capital city and balance of state (GCCSA) Population Projections, 2019-20 to 2030-31, the Australian Government, Canberra (December 2020 release)

Housing Finance

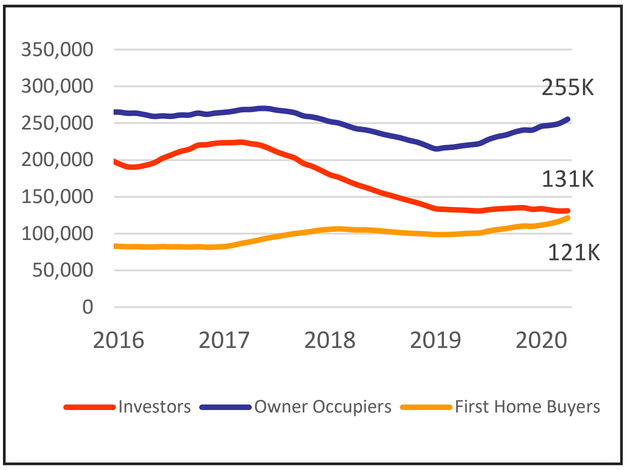
- Record low lending rates for home purchasers has been a major supportive factor to on-going housing demand across 2020. According to CoreLogic research, average dwelling lending rates have declined 65 basis points for owner-occupiers, and 70 basis points for investors in the year to November 2020.
- First Home Buyers have been taking advantage of the recent softness in dwelling prices, low interest rates and government stimulus, and accounted for more than 40% of total new housing loans across 2020, 10% higher than the long-term average.

Australian Cash Rate Target



Source: UDIA; RBA

Rolling Annual Number of Loan Commitments by Purchaser Class



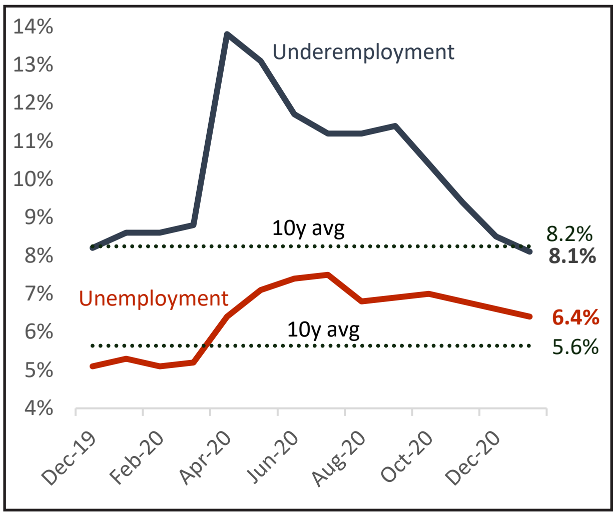
Source: UDIA; ABS

First home buyers have swelled as a proportion of purchasers, in addition to some signs of recovery among investors in the latter half of 2020. Both groups will be crucial to kick-starting the apartment market, which needs to be revived in time to accommodate the return of immigration expected in 2022.

Employment

- Economic conditions and the state of the job market are cornerstone drivers to new housing demand.
- After the initial COVID shocks in March and April, labour markets held up remarkably well across 2020 with unemployment and underemployment as at December only 0.3% and 1% above the decade averages.
- The RBA's *February 2021 Economic Outlook* provided upgraded and improved forecasts for GDP and employment growth, which are both expected to reach their pre-pandemic levels over the course of 2021, 6-12 months earlier than previously expected.

Unemployment and Underemployment Rates, Australia



Source: UDIA; ABS

Housing stimulus measures such as HomeBuilder were crucial to sustaining Australia's economy through 2020 and will remain so well into 2021. UDIA National continues to work with governments on measures to boost supply to support demand and employment into 2021 and beyond.

Housing Affordability

- The National Housing Finance Investment Corporation's (NHFIC) State of the Nation's Housing report articulates the crux of Australia's housing affordability crisis:

  "Over the past 15 years, new housing constructed in cities like Sydney has typically fallen well short of agreed housing targets, which has helped exacerbate affordability problems, and reflects the challenges of building enough homes in areas of need."

- The long-run deterioration of housing affordability in our largest population centres relates to substantial increases in dwelling values, while wage growth has been relatively benign.

- There are a host of drivers underpinning house price growth including the inability of supply to adequately match the year-on-year demand profile. Another major factor is the on-going increase of government taxes and charges on development, which ultimately flows to retail pricing.

Australia remains one of the least affordable housing markets in the world. Measures to boost affordability by turbocharging supply and reducing costs induced by planning and tax impositions needs to be a major focus for all levels of government.

Housing Affordabilty Measures (as of December 2020)

	Median Dwelling Value	Dwelling Value to Income Ratio	Years of household income required for a 20% deposit on a dwelling	% of household income required to service an 80% LVR mortgage	% of household income required to rent a home
Brisbane	$521,686	6.2	8	24%	25%
Sydney	$871,749	9.6	13	37%	29%
Melbourne	$682,197	7.7	10	30%	25%
Adelaide	$468,544	5.9	8	23%	24%
Perth	$471,310	4.9	7	19%	20%
ACT	$678,765	7.6	10	30%	30%

Source: UDIA; ABS; CoreLogic

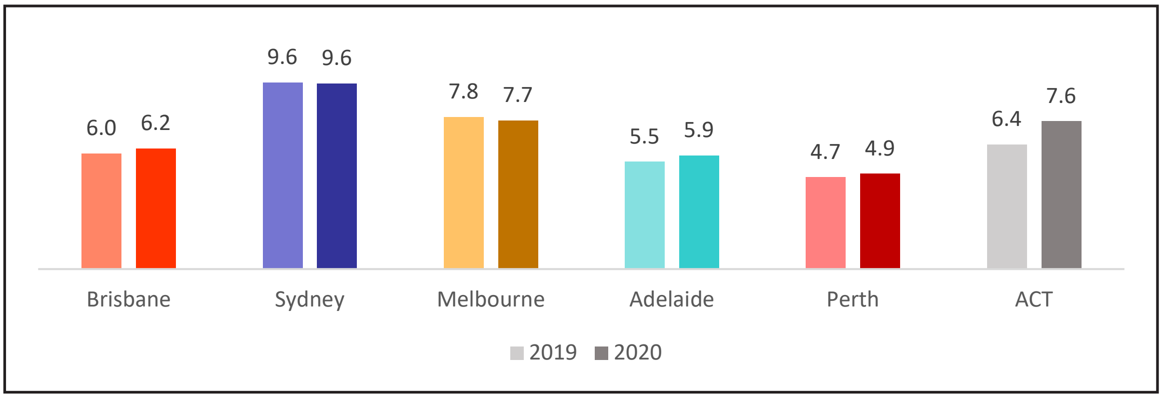
- Housing affordability remains a critical industry and societal issue with Australia having some of the most unaffordable capital city housing markets in the world, with average household debt also amongst the highest in OECD countries.

- Housing affordability, as measured by a ratio of median house value to median income value, remained relatively stable in Sydney (x9.6) and Melbourne (x7.7) in the year to June 2020.

- A modest deterioration of affordability was recorded in Brisbane (up to x6.2), Adelaide (up to x5.9) and Perth (up to x4.9), while the ACT recorded a significant worsening in affordabilty to x7.6) as established home values grew strongly across the year outpacing household income growth.

- There are a host of drivers underpinning house price growth, which include the high rates of population growth coupled with a generally insufficient supply response. Another key factor is the on-going increase in government taxes and charges on development, which ultimately flow through to retail pricing and end consumer housing affordability.

Capital City Dwelling Price to Income Ratios



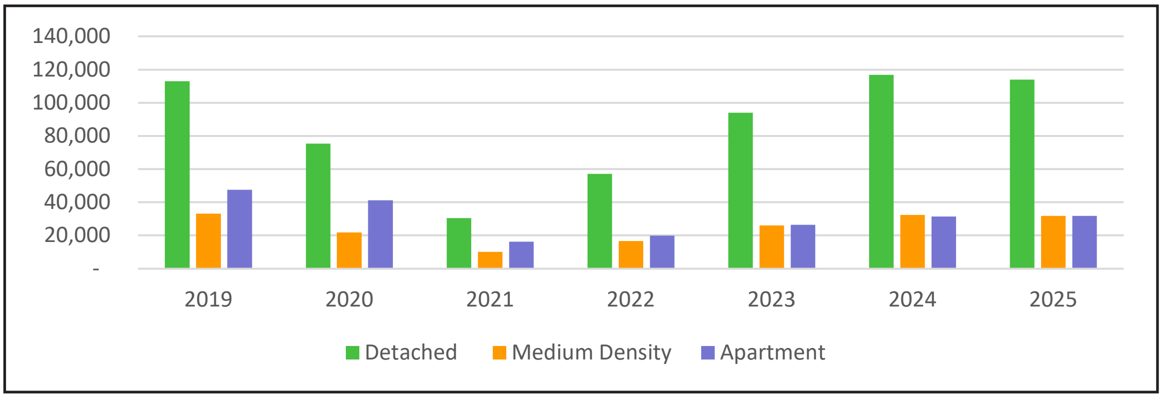
Source: UDIA; ABS; CoreLogic

Dwelling Demand and Forward Pipeline

- Forward dwelling demand is expected to reduce significantly over this year and next due to the tapering of fiscal stimulus and the likelihood of on-going restrictions to overseas migration. National Housing Finance & Investment Corporation (NFHIC) predict new demand for housing to fall by a total of 286,000 dwellings over the next 5 years relative to the pre-crisis outlook.
- Driven by the sharp falls in net overseas migration (NOM), demand for new housing will likely fall from pre-COVID forecast levels of 2021 and 2022 of 176,300 and 186,900 dwellings respectively (nationwide) to drop 69% to 54,200 in 2021 and 51% to 91,600 in 2022.
- The NHFIC projections then foreshadow demand picking back up to 141,700 dwellings in 2023 on the back of a strengthening economy and positive NOM, and then move back to close the pre-COVID levels of around 178,800 dwellings in 2024.

Major imbalances between supply and demand that have bedevilled Australia's housing markets for decades remain a real risk. Transparency and accountability is needed by the Federal Government and States for their performance in running efficient planning systems to assist in supply delivery.

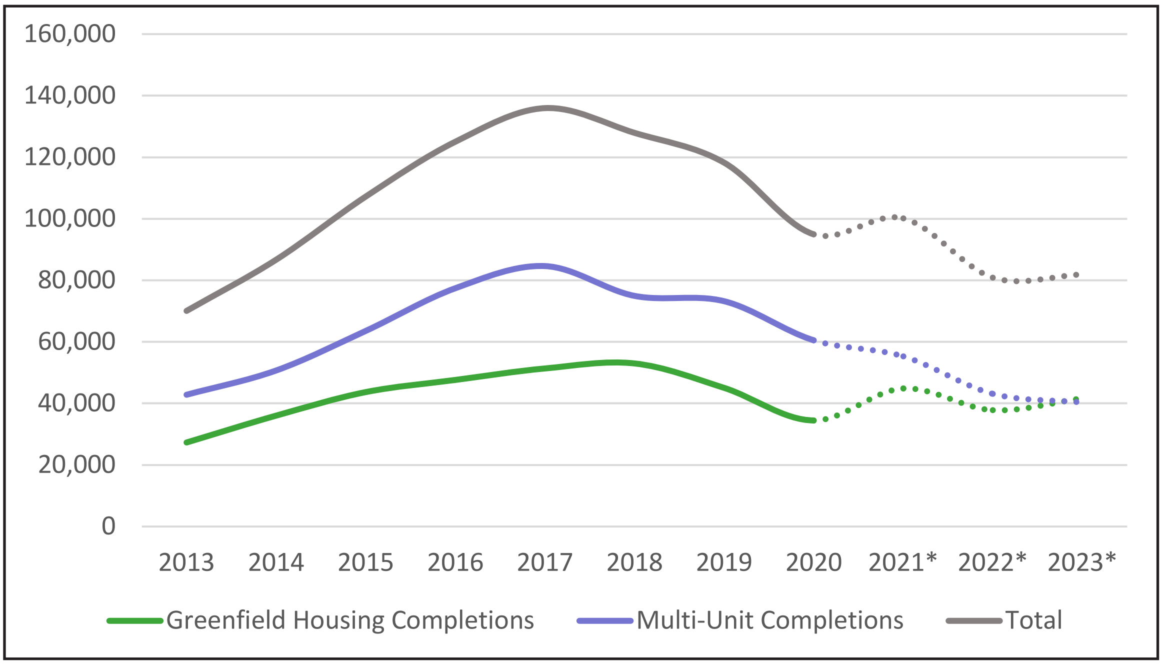
Demand by Dwelling Type, Australia



Source: NHFIC

NATIONAL RESIDENTIAL MARKET OVERVIEW

Dwelling Pipeline Outlook, Combined Capitals



Source: UDIA; ABS; CoreLogic; Research4

- UDIA modelling of current & forward pipeline activity[1] indicates that there will be a modest aggregate lift in combined capital city new residential market supply to be delivered in 2021 to total 100,160 dwellings, which is up 6.7% on the completions achieved in 2020.
- This forecast volume in 2021 from across both greenfield corridors and multi-unit and infill completions will be 15% below the output achieved in 2019 and 26% below the peak supply delivered in 2017.
- The strong greenfield sales activity rebound in 2020 will help to counter-balance the soft sales achieved in 2019, with forward completions in 2021 and 2022 expected to be maintain at around 40,000 new detached homes per year, which is in line with the decade average annual volumes.
- The multi-unit pipeline is at risk of retracting significantly post 2022 with many projects currently under construction not being replaced due to the significant reduction in market demand both pre-COVID and escalating through the post-March 2020 period.
- In summary, the current market momentum, helped by HomeBuilder, has helped ensure there remains a strong level of detached housing construction activity in the pipeline going into 2021.

Australia remains one of the least affordable housing markets in the world. Measures to boost affordability by turbocharging supply and reducing costs induced by planning and tax impositions needs to be a major focus for all levels of government.

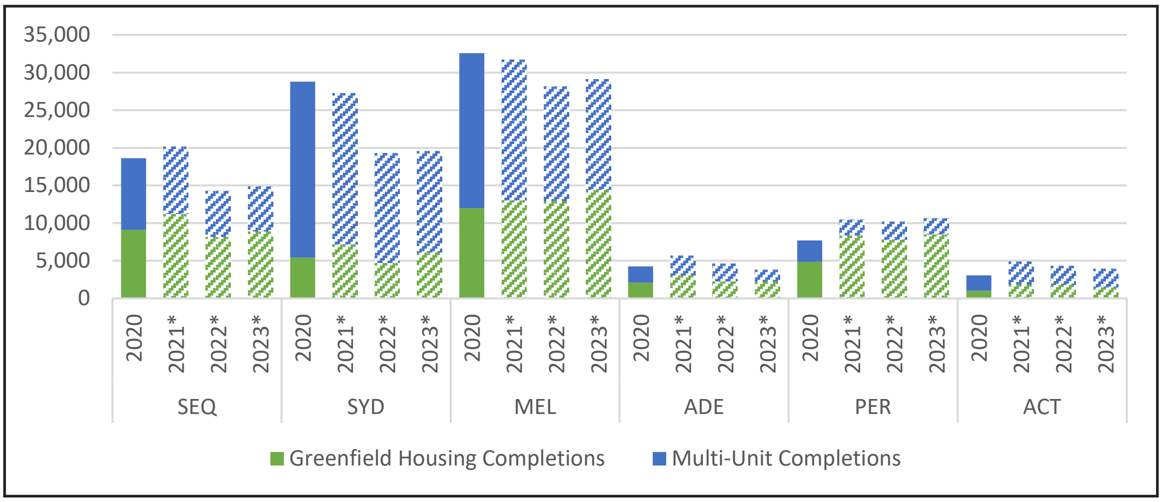
[1] This includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed across each of Australia's major metropolitan regions. There are additional dwelling completions which are not covered under State of the Land reporting including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

Capital City New Dwelling Supply Annual Growth Forecasts, 2021 to 2023

- **Sydney:** the forward dwelling completion outlook continues to weaken, driven by an on-going retraction of multi-unit supply. Despite robust demand, Sydney's greenfield sector is hampered by supply constraints related to rezoning and a paucity of land release corridors.
- **Melbourne:** will remain the largest new home market in the country over the next three years, however the continued unwinding of momentum in the multi-unit sector will drag on overall residential product completion volumes.
- **SEQ:** The current momentum in the new home market will flow through to near record greenfield completions in 2021 before moderating in the following two years. Multi-unit completions will continue to retract to record series lows in 2022 and 2023.
- **Perth:** The pull forward of demand for detached houses in 2020 will help balance out the low sales achieved in 2019, and sets up greenfield supply to deliver at around the long term average over the coming three years. Completions of multi-units will remain subdued over the coming term.
- **Adelaide:** Greenfield house completions are set to break a series record in 2021 with elevated supply also forecast for the following two years. Higher than average annual volumes of multi-unit completions are also expected through to 2023.
- **ACT:** Record levels of new market supply is expected in 2021 which will also flow into elevated new residential product volumes completing construction in the following two years. While greenfield release areas will supply the majority of new homes, the local apartment market pipeline will also contribute at elevated levels over the coming years to 2023.

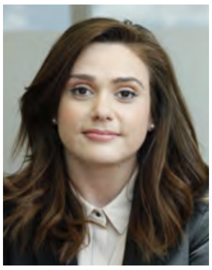
If additional government action is taken in rezoning greenfield sites in key markets we would expect heightened greenfield activity to continue, which is needed given the weak outlook for the apartment market. The retracting apartment supply pipeline is a major concern, with the return of overseas migration and overseas students likely in late 2021/early 2022 set to place considerable demand pressure on the apartment sector in the near term.

Dwelling Pipeline Outlook by Capital City



Source: UDIA; ABS; CoreLogic; Research4

RESEARCH PARTNER: CORELOGIC
NATIONAL SUMMARY & OUTLOOK 2021



Eliza Owen

Head of Australian Research, CoreLogic

The overall outlook for housing values and transaction activity across the capital cities is to remain elevated in 2021, though affordability constraints may start to slow the momentum of growth late in the year. There are also risks for part of the market as JobSeeker supplements come to an end, and the number of dwellings under construction remains elevated. The positive outlook for housing assumes there are no major economic shocks over the year, and COVID-19 remains well contained across Australia.

- Australian housing values have been resilient through 2020, despite a sharp economic downturn brought about by the response to the global pandemic. Over the year to January 2021, Australian housing values increased 3%, taking the value of the housing market to a new record high.
- Resilience in the Australian housing market has been the result of a combination of factors. These include accommodative monetary and fiscal policy, various state and federal government incentives targeted specifically at housing, and a quicker than expected economic recovery. In internal migration terms, departures slowed in many parts of the country, which has contributed to low stock levels, and added to the upward pressure in prices.
- Smaller capital cities and regional markets outperformed over the year, as Sydney and Melbourne markets saw dampened demand from closed international borders. Melbourne values and sales volumes have been particularly affected by extended social distancing restrictions through the September quarter.
- A major trend of market dynamics over the year was the prominence of owner occupiers, and a continued rise in first home buyer participation. In 2020, ABS housing finance data suggests that 75% of housing finance for the purchase of property, and 23% of finance was lent to first home buyers. However, given the sensitivity of first home buyer participation to government incentives, it is expected first home buyer activity may taper as HomeBuilder finishes in March, and additional stamp duty concessions wind down in NSW later in the year.
- Another apparent trend in 2020 was the general preference for houses over units. In the year to January, CoreLogic estimates that there were 459,308 properties transacted across Australia, 74% of which were houses. This is higher than the decade average, where houses made up 70% of dwelling sales nationally.
- Dwelling approvals data from the ABS shows approvals for the construction of new houses increased 14% in the 12 months to January, compared with a 9% fall across units approvals. Regions with larger typical land sizes have also tended to see higher growth rates over the year to January.
- Detached houses are expected to remain in high demand over units in 2021, and will likely exhibit higher capital growth increases than units.

Halycon Greens by Halycon

OUR FOCUS FOR THE YEAR AHEAD

Australia's response to the pandemic has been stellar. Compared to international peers, our health response was the gold standard and along the way, we have been able to navigate deep economic challenges.

That is not to minimise the impact of COVID-19 on either front. Every loss of life is devastating, and there have been real and lasting economic effects.

UDIA National was swift to recognise these risks and swung our advocacy endeavours towards stimulating housing and construction as rapidly as possible.

Our work to promote the importance of the industry for economic recovery saw us partner with the Commonwealth Government on the design and implementation of HomeBuilder was central to our endeavours.

However, we do recognise there is a long way to go, for our nation and the industry. Until the vaccine roll out reaches saturation levels, and international borders (let alone the internal ones) fully reopen, stress will linger.

Hence, UDIA National is accelerating its robust advocacy work on behalf of our Members in2021. We have a clear and sharp National Strategy shaped by our Board, informed by our State divisions and matched by a commitment to research to develop policy on critical issues facing our industry.

There is however one overriding issue that will weigh heavily on the prospects for our nation and our industry – which is a return of immigration, which has been the economic engine which saw Australia with 28 years (a world record) of unimpeded economic growth up to the COVID Pandemic.

UDIA National understands health protocols will always govern the precise timing and pace for a return to business-as-usual immigration levels.

Restart International Migration

There is no escaping the fact though that Australia is a nation that depends on net overseas migration and population growth for so much of its productivity, wealth and economic momentum. The Government's own analysis supports this. A report published by Treasury and the Department of Home Affairs in 2018 estimated that, over the 40 years to 2015, population factors contributed almost 18% of the 1.7% annual average growth in GDP per person.

Likewise, research commissioned by UDIA National last year found that net overseas migration accounted for more than half of the demand for new housing construction in Australia.

Notwithstanding the great work of the Federal Government's in stimulating housing and jobs in the interim, a resurgence in immigration and population growth remains a key priority.

Australia will return from the Pandemic with its reputation enhanced. Our management of the health and economic impacts of COVID-19 has been a gold-standard among international peers.

That is why we are urging the Commonwealth to parlay that into both resuming an aggressive approach to overseas migration as soon as practical, as well as developing and implementing a strategy that can accelerate the re-integration of traditional strengths – such as high rates of international students – with other opportunities that can be unlocked by our strong international reputation.

Wentworth Point Marinas by Billbergia

We look forward to working with the Government as they seek to design and deliver a holistic plan to boost immigration, net overseas migration and population growth as soon as health and operation conditions allow.

These efforts will be duplicated with dedicated streams of work on core policy issues facing the industry. These include:

Housing stimulus

- Ensuring the success of HomeBuilder for the detached housing market is replicated via a plan to ensure semi-detached and apartment markets can switch on supply to meet demand as it returns. We know the pipeline of apartment projects is thin, and there is a real risk of a disconnect in the market that will damage affordability.

Streamlined green tape

- The seamless transition to a new Environmental Protection and Biodiversity Conservation (EPBC) Act regime, that both provides for reduced green tape and good environmental outcomes, as well as strong collaboration with the states. The Government has made some initial steps on the path to reform following the independent review conducted in 2020, but we need to ensure the final approach works for our industry.

Housing supply and affordability

- Turbo-charging the research mandate of the National Housing Finance and Investment Corporation (NHFIC) to identify the barriers to housing supply, and applying greater accountability and transparency to the performance of states and territories. This includes developing and publishing league tables on key issues such as land release plans, development assessment timelines, the efficiency (or otherwise) of infrastructure charges and other property taxes.

Reducing red tape

- Tasking National Cabinet with designing and establishing the appropriate funding envelope and system needed to adequately incentivise state, territory and local governments to support population growth, fix planning systems and reform the tax base.

Stronger cities and regions

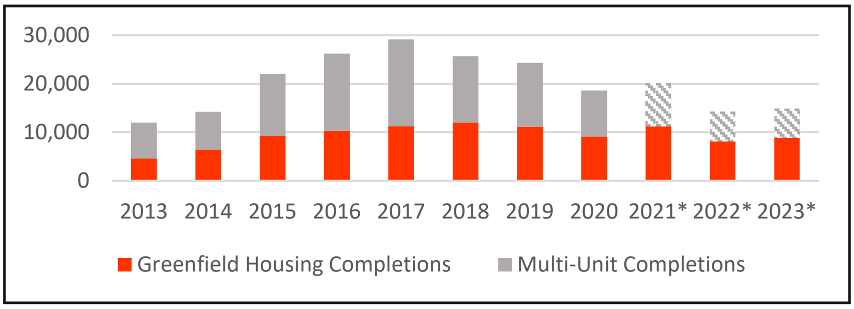
- Building a durable pipeline of infrastructure needed to service growing cities and regions, and ensuring governments scrutinise investments to test whether good land use plans are attached.
- These ideas are good for the nation, good for the economy and good for housing markets. We look forward to continuing to engage with policy makers in the year to come and working with members on the policy and advocacy agenda we seek to advance.

SOUTH EAST QUEENSLAND

SUMMARY

- SEQ region saw a significant lift in activity in the second half of 2020 with lot sales in greenfield areas up 46% and unit sales up 8%.
- The greenfield development sector was at full capacity servicing the spike in demand across the September and December quarters, which reflected significant local pent-up demand unsold stock levels are currently at record lows with just 1.2 months of trading supply.
- 2020 saw a combined total (greenfield and multi-unit completions) new market supply of 18,630 dwellings completed across SEQ which was the lowest level delivered since 2014 and was 36% lower than the peak supply delivered in 2017.
- Pricing for new residential products retracted across the year with a 4% decrease in the median lot price to $261,000 and 4% rise in new units to $480,890
- The outlook for the SEQ new dwelling market is very positive for the first half 2021, with potential softening in the second half as the 'pull-forward' of demand from HomeBuilder is realised and other government stimulus measures are eased off.
- With the ongoing halt to overseas migration the demand profile will remain primarily local in character with the strong ongoing drift of residents from NSW and VIC set to support new residential product demand across the year.

New Residential Market Supply[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

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

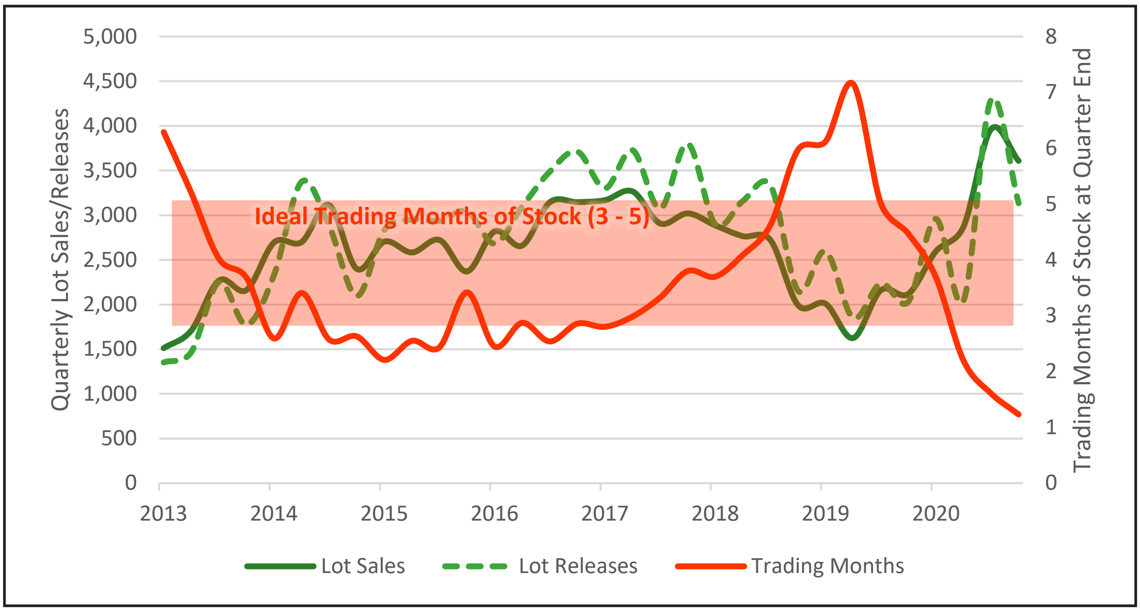
One Bulimba Riverfront by Velocity Property Group

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The SEQ greenfield market experienced a record 13,040 lot sales across 2020, which was 65% higher than 2019 and the highest sales volume observed across the 12-year reporting timeframe of the Research4 National Land Survey.
- There was a 53% lift in sales in September quarter compared to the 'pre-COVID' impacted March quarter, with an average of 1,320 lot sales per month recorded across the combined SEQ sub-markets.
- Industry responded to the significantly increased demand profile by releasing a record 4,290 lots in the September quarter, but was unable to maintain this elevated production rate dropping back to 3,135 lots released in the December quarter – which was still 5% above the decade average.
- The inflection in sales and production capacity constraints has unsold stock levels currently at record lows with just 1.2 worth of trading months supply available at the end of the December quarter.

Annual Greenfield Activity



Source: UDIA; Research4

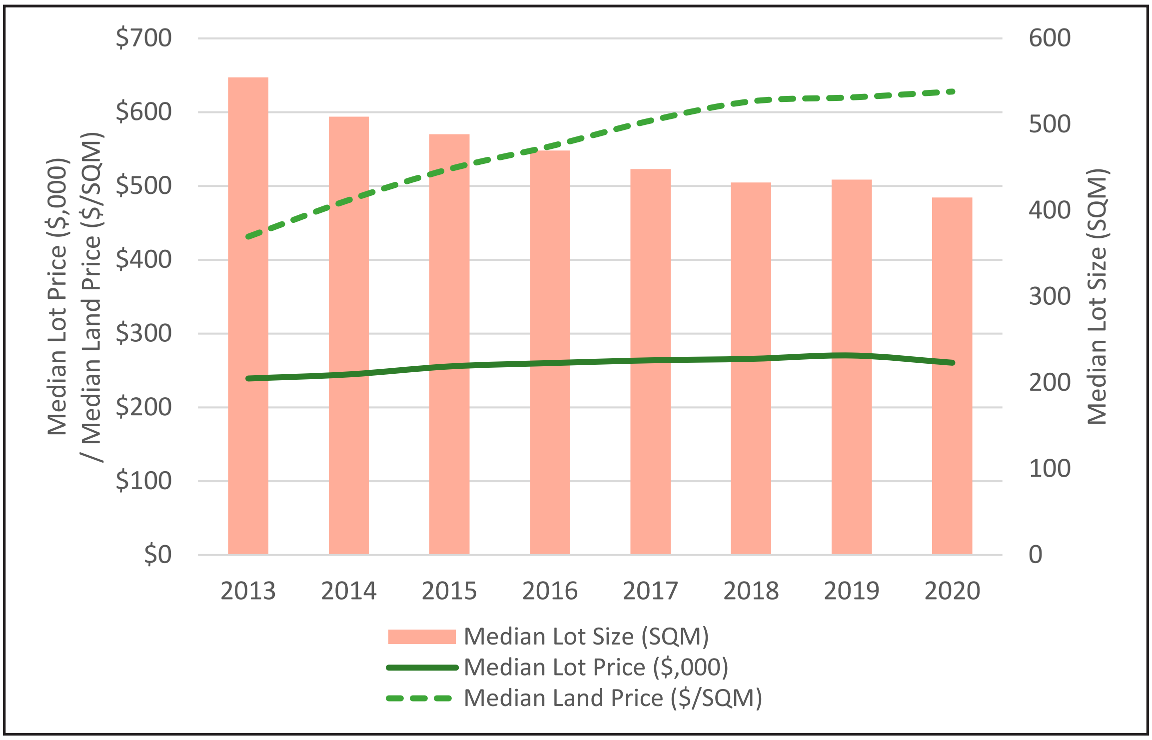
Active Estates & Industry Capacity

- The average count of active trading estates across 2020 was 184, which was up 6% from 2019 with the highest count coming in the June quarter with a near record 198 estates recording sales.
- The 2020 average volume of active trading estates was up 25% on the decade average and reflects industry output and participation at record highs.
- Research4's modelled capacity for the current active land estates is 1,862 lots per month; inferring that a sustainable level of activity would be 931 lots per month (2:1 ratio). With land sales in the December quarter averaging 1,203 lots sales per month there is upward pressure on land prices, which was reflected in the modest pricing increases in the second two quarters of 2020.

Median Lot Pricing

- Despite the elevated levels of sales activity, the median lot price remained stable across SEQ for the 2020 calendar year, finishing at $265,000 in the December quarter. This median lot price level represented 52% of the Greater Brisbane established median house price of $550,000 (CoreLogic) as at November 2020.
- This compares with the long-run average of 53% of the median house price (across 2009-2019) indicating that lot pricing is currently at a 'fair-value' benchmark and represents a strong retail value proposition.
- The flat lining of land pricing in SEQ points to the supply fundamentals being robust across most sub-markets, and the lack of industry anticipation of the scale of the second half of the year demand uplift.

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



Source: UDIA; Research4

SOUTH EAST QUEENSLAND

Median Lot Sizes

- The SEQ median lot size averaged 415 sqm across 2020 which reflected a -5% drop from 2019, and the ongoing retraction experienced since 2013.
- The gradual reduction in median lot sizing reflects the market seeking to continue to provide products at price points affordable to home buyers.
- The market acceptance of smaller lots has helped edge-up per square metre land rates to $628 psm for the year which was up 1.3% from 2019. SEQ's current land rates are 51% more affordable than Greater Sydney, and 23% more affordable than Greater Melbourne.

Greenfield Sub-markets

- Most SEQ sub-markets recorded a strong second half lift in activity except the Gold Coast, which is facing ongoing supply constraints.
- The Logan and Ipswich sub-markets are the major volume markets for SEQ accounting for a combined amount of 30% of total sales for the 2020 calendar year. These strong sales are underpinned by more affordable price points to other SEQ sub-markets, with competition set to ramp up over the year ahead between Logan and Ipswich.

Greenfield Market Performance Summary Table

Row Labels	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/M)
2009	5,233	84	622	$248K	$398
2010	5,554	107	620	$247K	$397
2011	4,107	129	616	$246K	$400
2012	4,667	147	602	$242K	$402
2013	7,655	157	555	$239K	$431
2014	10,909	169	509	$245K	$481
2015	10,383	144	489	$256K	$523
2016	11,773	143	470	$260K	$554
2017	12,366	166	448	$264K	$588
2018	10,370	193	433	$266K	$614
2019	7,916	174	436	$270K	$620
2020	13,039	184	415	$261K	$628

Source: UDIA; Research4

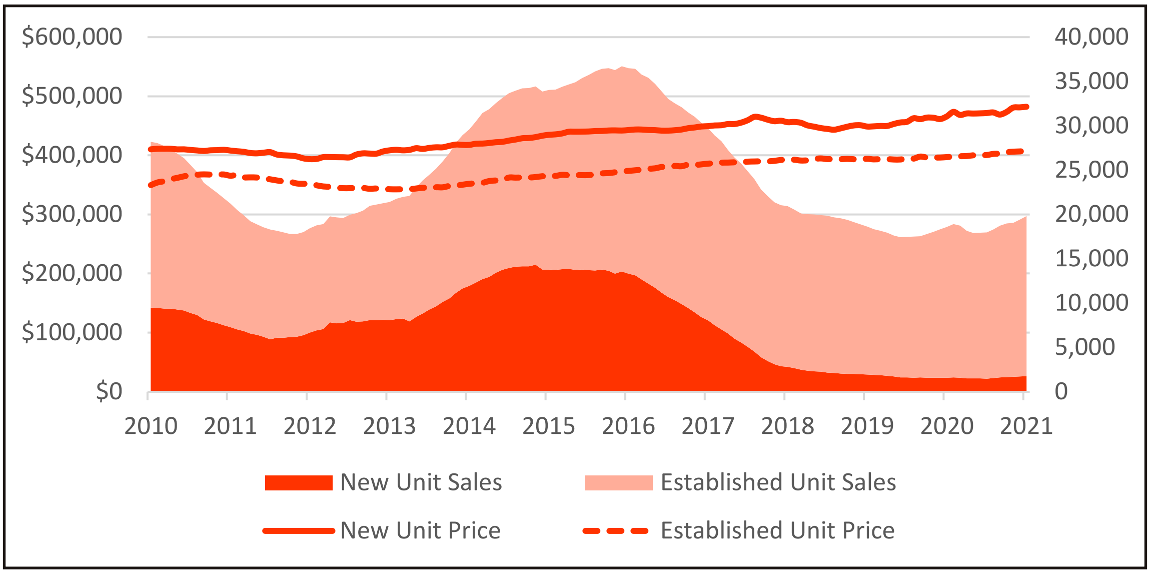
SOUTH EAST QUEENSLAND

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- Sales of newly built apartments and townhouses for 2020 remained at a depressed level for the third year running, with the 1,715 settled sales across SEQ, down 77% on the decade average.
- Sales of new units represented just 9% of all unit sales activity across 2020, which is less than a third of the proportion of new sales activity expected from the long term trend.
- While the overall sales volumes for new units remained low there was a modest improvement in transaction activity across the second half of the year, with the overall new sales quantum up 8% on 2019.

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



Source: UDIA; CoreLogic

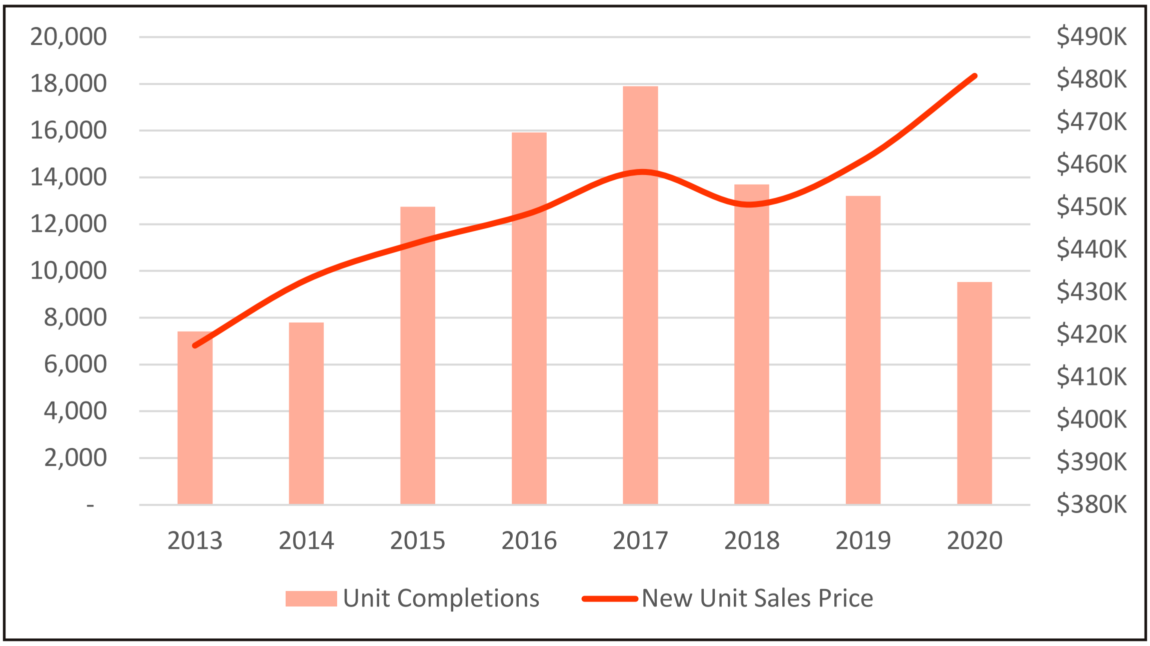
Median Unit Pricing

- The median sale price of new units grew by 3% across the year in SEQ to $480,890, which reflects a 18% 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 33% more affordable than Sydney's units, and 23% more affordable than Melbourne's median unit price point.
- The median sale value for all multi-units (new and resales) for SEQ in December 2020 was $406,700, which 18% lower than the median unit sale price, which indicates a modest pricing premium is being achieved on current sales above the underlying property value.
- The current median sale value of new units is currently 17% more affordable than the median value for new houses, which is significantly higher than the long-term average of 12% cheaper, which represents a positive retail proposition for the market – particularly first home buyers.

Construction Activity

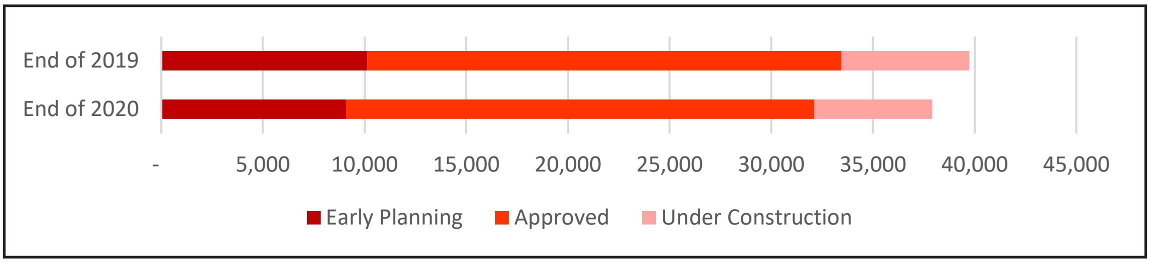
- There were 9,530 new multi-unit dwellings completed across SEQ in 2020. This is an annual decline of 28% on 2019 completions, and a 46% decline on the historic high achieved in 2017.
- In 2020 the majority of SEQ's new apartment supply was delivered within a 5km band of the Brisbane GPO (35% of all new units), and on the Gold Coast and Sunshine Coast (31%).
- There is 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 4000, 4006 and 4,101 all in the Brisbane inner city. The next highest were 4209 and 4212, both on the Gold Coast.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis

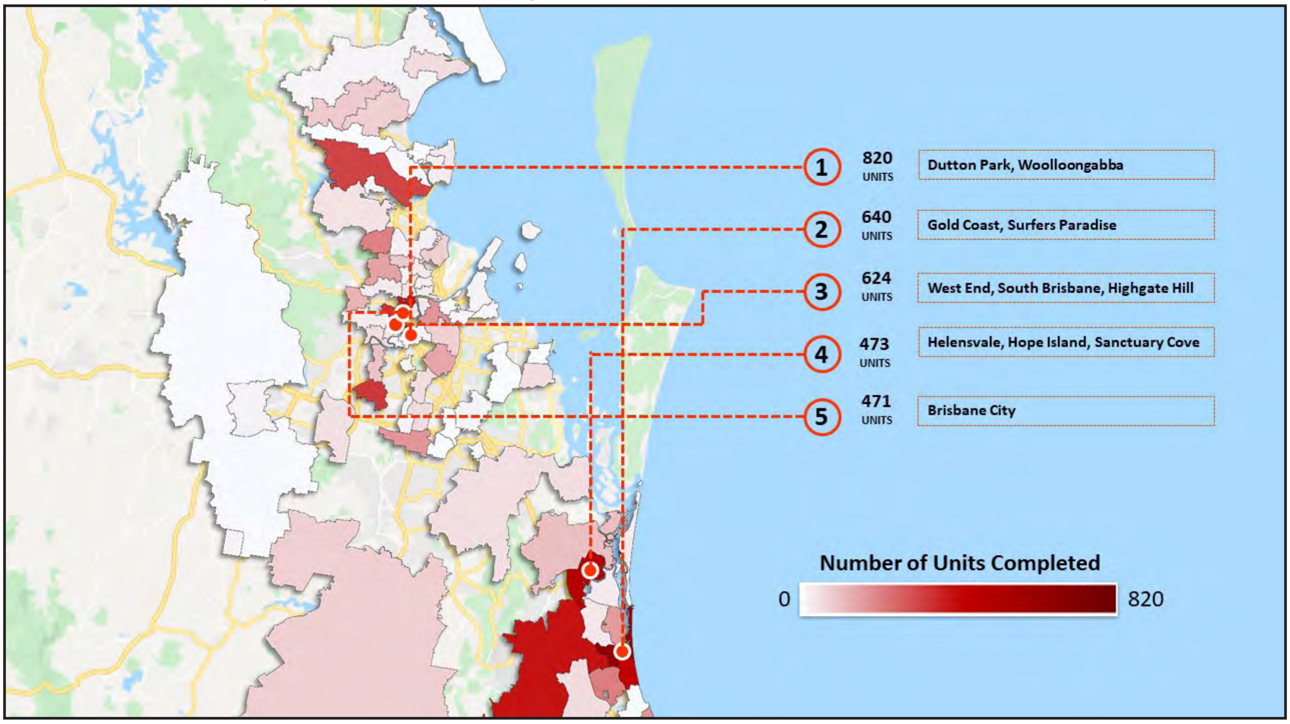


Source: UDIA; CoreLogic

Pipeline Analysis

- CoreLogic has produced point-in-time estimates of the multi-unit pipeline based on a December 2019 and December 2020 snapshot of the market leading Cordell Construction database.
- This data analysis reveals that there is an aggregate total of 37,915 units in the SEQ active pipeline, which is 5% lower than the supply recorded in December 2019.
- This is made up of units in the early planning phase (down 10% from 2019), units which have received Approvals (down 1% from 2019) and units under construction (down 8%).
- The continued softening of multi-unit approvals recorded across the year, down 64% on 2015 volumes, highlights the forward pressure building on the multi-unit supply pipeline.

Multi-Unit Completions 2020, by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The majority of 2020 apartment sales activity in South East Queensland occurred in the Gold Coast and Brisbane City, with 6,479 and 6,416 apartment sales respectively.
- This was followed by the Sunshine Coast with 2,208 sales and Moreton Bay with 1,115 sales.
- These regions also fared best in terms of price, with the Gold Coast, Sunshine Coast and Brisbane City remaining stable over the year.
- Moreton Bay's median apartment price fell by 5%, while median apartment prices in Redland, Scenic Rim, Logan, and Ipswich all fell by an average of 7%.

Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2010	7,494	$409,091	14,352	$367,592	-	-
2011	6,372	$394,605	11,623	$351,807	-	-
2012	8,124	$406,249	13,132	$343,091	-	-
2013	11,642	$417,424	17,320	$350,229	12,152	7,418
2014	13,799	$432,883	20,067	$364,583	13,703	7,803
2015	13,550	$441,667	23,177	$372,750	23,760	12,744
2016	8,421	$448,510	21,882	$384,739	19,786	15,926
2017	2,889	$458,283	18,144	$392,236	13,254	17,902
2018	1,990	$450,603	16,896	$393,277	12,720	13,702
2019	1,588	$465,543	16,983	$397,056	8,675	13,211
2020	1,715	$480,891	17,706	$406,705	8,526	9,530

Source: UDIA; CoreLogic

RESEARCH PARTNER: CORELOGIC
QUEENSLAND 2021 OUTLOOK

"There are many tailwinds for Queensland dwelling markets, with value increases expected over 2021. The pipeline of unit supply across South East Queensland continues to moderate, internal regional migration patterns highlight the sunshine state as a top destination for Australians looking to move, and an increase in mining investment suggests an economic uplift across some regional areas of the state. In the three months to January, Brisbane dwelling values increased 2.5%, which is the strongest quarterly growth rate since November 2009, while quarterly growth across the combined 'Rest of State' reached the highest level since 2004, at 4.6%.

A potential headwind for property market performance in Queensland may be tougher economic conditions for vulnerable households. The end of the JobSeeker supplement in 2021 may have a dampening effect on markets, particularly rental markets, in regions such as Caboolture, Surfers Paradise and the Inala-Richlands region, where these areas had among the highest recipients of the JobSeeker payments in the state in December 2020."

SOUTH EAST QUEENSLAND

STATE POLICY ENVIRONMENT

Current Policy Landscape

- With the tightening of regulation around payment of building subcontractors and requirement for project bank accounts for building contractors in the recent Building Industry Fairness (Security of Payment) and Other Legislation Amendment Act 2020 also came the requirement for a statutory review this year of the role of developers in the building and construction industry and potential licensing of developers. Additional legislative requirements of the industry in addition to the myriad present regulations circumscribing activity raises serious concerns for housing affordability.

Biggest challenges & advocacy wins from the last 12 months

- Policy challenges in the past year have been considerable in addition to COVID 19 issues. The pandemic saw UDIA Queensland active in avoiding shutdown of the industry.
- Through UDIA Queensland advocacy the state government responded with a $5,000 new home building grant for regional areas, infrastructure announcements together with other stimulus measures and local government initiatives.
- Significant efforts were also made regarding manufactured home and retirement village regulation, environmental offsets, infrastructure charges, transport, valuation, growth monitoring, body corporate, and local government regulation.

Outlook for policy development & advocacy for 2021

- The HomeBuilder grant from the Commonwealth assisted into state operation by the UDIA Queensland has made clearer the slow approval and development process for new land estates and particularly highlighted the crisis in land supply in some areas of South East Queensland.
- The situation is critical in Gold Coast, Moreton Bay, and Redland Coast local government areas with approved lots down to only around two years of effective supply and impacts on affordability worsening. Land and development monitoring action needs to improve. Supply is also challenged by fragmented ownership of land in many growth areas and inadequate arrangements are in place to achieve corridors for infrastructure to enable residential development. Improving land supply will be a key issue for UDIA Queensland advocacy going forward in 2021.

David Laner
General Manager, QLD, Communities
Stockland

"Greenfield markets across Queensland performed well in the second half of 2020, sparked by Federal and State Government HomeBuilder and first home buyer grants. This year has commenced in a similar vein, with the outlook for demand in the year ahead positive, supported by low interest rates, increased availability of credit, and high lifestyle desirability in South East Queensland, particularly for the Sunshine and Gold Coasts.

Demand for detached housing has strengthened in the last 12 months, and we are forecasting continued local demand for affordable, high quality product in the year to come. Land supply, and the associated planning and infrastructure constraints, are the industry's greatest challenge as we lead into the review of the next iteration of the South East Queensland Regional Plan."

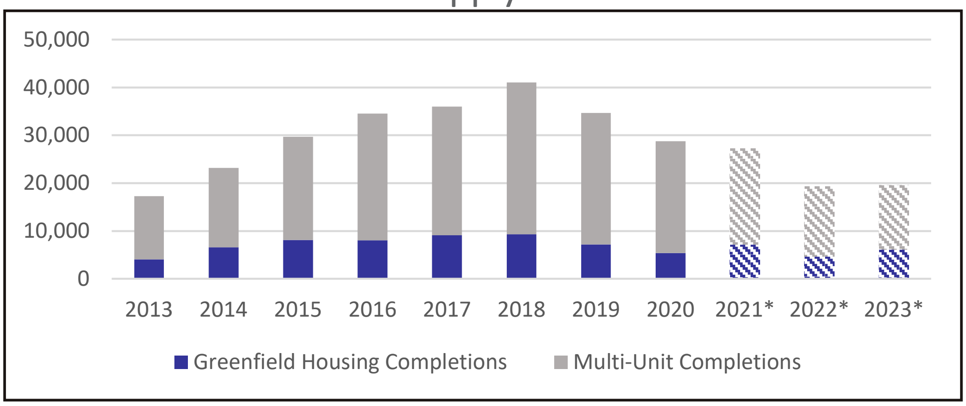
25 King, Brisbane Showgrounds Urban Regeneration Project by Lendlease

SYDNEY

SUMMARY

- Driving Sydney's solid housing performance in 2020 was the greenfield market which experienced a significant uplift in demand and sales activity in the June and September quarters. The huge uplift in lot sales by 88% in 2020 was in part a rebound off poor greenfield sales in 2019 (down 25%).
- The greenfield and detached housing sector captured a greater upswing in activity in the second half of the year than the multi-unit sector, continuing the trend toward softening multi-unit demand, pipeline supply and overall activity in recent years.
- The lead indicators suggest that confidence in the market will remain boyant, at least until mid-2021, whereafter the impacts of stimulus windbacks may translate into a softening demand profile.
- A combined total of circa 28,800 new dwellings across the greenfield release and multi-unit infill sectors were completed in 2020. This reflects a 17% decline in the new dwellings added in 2019 and is a 30% dip from the supply peak of 2018.
- UDIA's modelling is forecasting a further 17% drop in Sydney's new supply completions for 2021 to around 20,900 dwellings, driven by further contraction in multi-unit production, which offsets the expected upswing in homes being completed in the greenfield growth corridors.

New Residential Market Supply[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

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

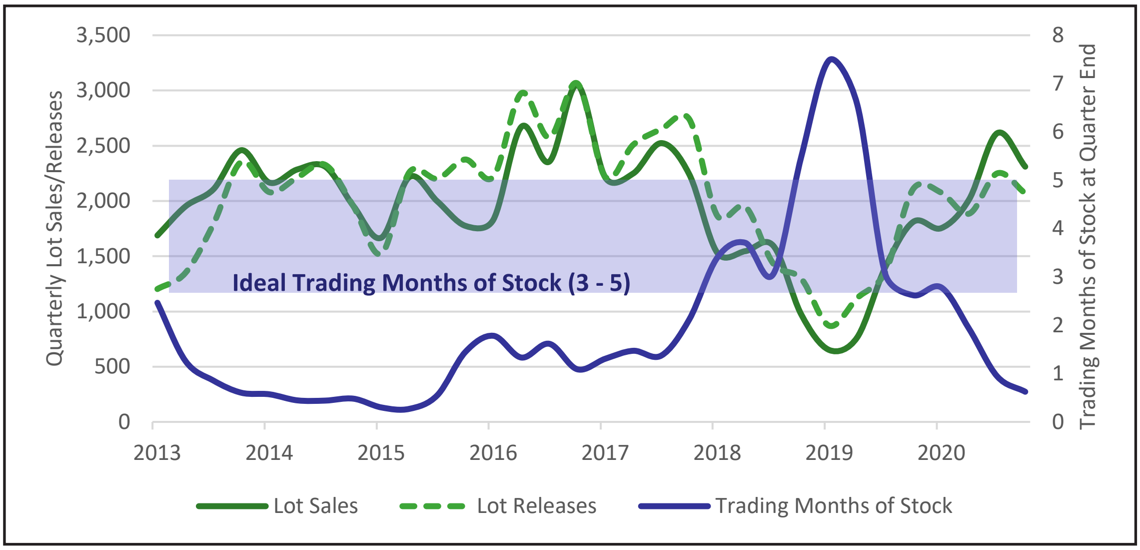
Julia Reserve Youth Precinct by Landcom, Greenfields, Camden Council

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The Sydney greenfield market recorded a dramatic recovery in land sales activity in 2020 up 88% from 2019 to record 8,700 sales. Riding on the back of greatly improved buyer sentiment and government stimulus, the September quarter posted 2,600 sales, the highest quarterly result since December 2016.
- In the pre-COVID period (March quarter) there was an average of 585 lots sales per month. This lifted to 870 lot sales per month in September, and then moderated to 770 per month in the December quarter.
- This reflected supply constraints with 12% more stock sold than was released to market in the December quarter.
- There was a total of 8,280 lots released across Sydney in 2020, which reflects a 52% increase on 2019, with the deep level of pent-up demand driving brisk inventory movement, with serious erosion in the stockpile of available lots plummeting to just 0.6 months supply for the December quarter, down from 2.8 months at the start of the year.

Annual Greenfield Activity



Source: UDIA; Research4

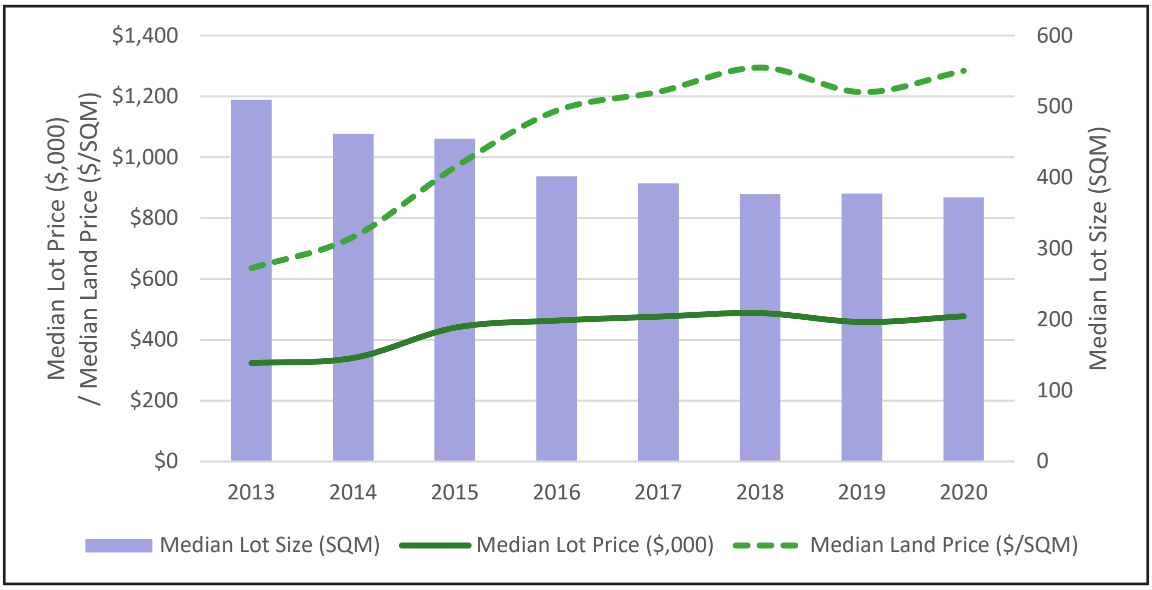
Active Estates & Industry Capacity

- There was an average of 88 active trading estates across the year which is in-line with 2019, but delivered double the output.
- The active estate count dropped to 78 in the December quarter which signals concerns on the industry capacity to sustainably service the strong demand profile.
- A number of estates are set to trade out in 2021, particularly in the South West corridor, new estates will need to quickly replace them to maintain the positive production momentum and retain a healthy competitive trading profile, however this does not appear to be likely.
- Research4 estimates that for the Greater Sydney Mega-region (Sydney, Illawarra and the Hunter) the estimated total production capacity of the 121 active estates is now 1,473 lots per month. Based on current activity levels, the modelled capacity is insufficient to prevent price escalation during periods of strong demand.

Median Lot Pricing

- Sydney was the only capital city to record positive median lot price growth in 2020, growing by 11% to finish the year at $495k.
- This strong demand profile in the second half of the year, set against production constraints supported the ratcheting of median pricing up in the December quarter.
- Sydney's median lot price represented 50% of the established market median house price of $985,000 in the December quarter. This is in line with the long run average of 51% of the median house price (across 2009-2019) indicating that lot pricing is currently marginally under a 'fair value' benchmark and represents a positive retail value proposition.

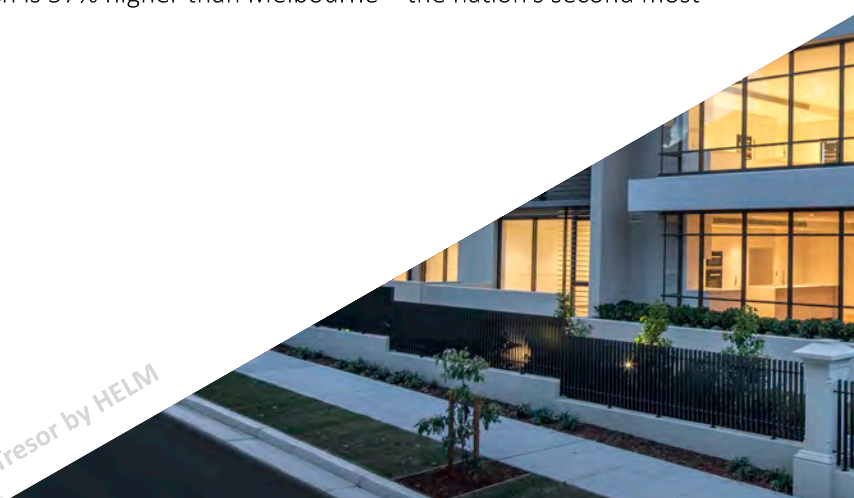
Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

Median Lot Sizes

- The median lot size sold across Sydney in 2020 was 372 sqm which reflects a 2% decrease on the 2019 average lot size and continues the trend of average block size contraction observed year-on-year since 2012, with the exception of the slight increase recorded in 2019.
- At 372psm Sydney now has the smallest median lot sizes in Australia, having overtaken Perth which has held this title since 2016. The contraction in median lot sizes across 2020 has helped deliver an increase in the average land rate of $1,285 psm, which is 57% higher than Melbourne – the nation's second most expensive land market.



Tresor by HELM

Greenfield Sub-markets

- Metropolitan Sydney currently has only two substantive greenfield release corridors – the North West and South West. The Western Corridor (effectively the Penrith LGA) is marked by a lack of supply and lack of affordability, however with the new airport being developed in the Western Corridor, and the significant amount of residential development potential identified in the Aerotropolis and surrounding planning documents, the Western corridor is set to play a far more substantive land supply in the coming years.
- The South West Corridor is the biggest sub-market in Sydney providing a broader range of price-points than the North West, with Wilton Green now offering entry level products at $290k which is translating into strong FHBer sales and positioning the SW as a bone fide competitor to the Illawarra market.
- The NW corridor is characterised by smaller scale estates with the on-going challenge being land supply. The NW experienced a 48% increase in sales in the second half of the year, while the SW saw a 66% uplift factor to 380 lot sales a month through the December quarter.
- Critical for Sydney's on-going greenfield performance is that the North West and South West retain enough supply as Sydney's only two substantive trading corridors, with the North West under Spressure to maintain enough active trading fronts to service demand.

Greenfield Market Performance Summary Table

Row Labels	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/M)
2009	2,378	40	520	$269K	$517
2010	3,337	42	524	$293K	$560
2011	3,771	49	498	$295K	$592
2012	4,344	65	508	$295K	$580
2013	8,206	69	509	$323K	$635
2014	8,719	49	461	$340K	$738
2015	7,659	54	455	$440K	$968
2016	9,909	87	402	$463K	$1,154
2017	9,227	84	392	$476K	$1,215
2018	5,649	86	377	$488K	$1,295
2019	4,634	86	378	$459K	$1,214
2020	8,697	88	372	$478K	$1,285

Source: UDIA; Research4

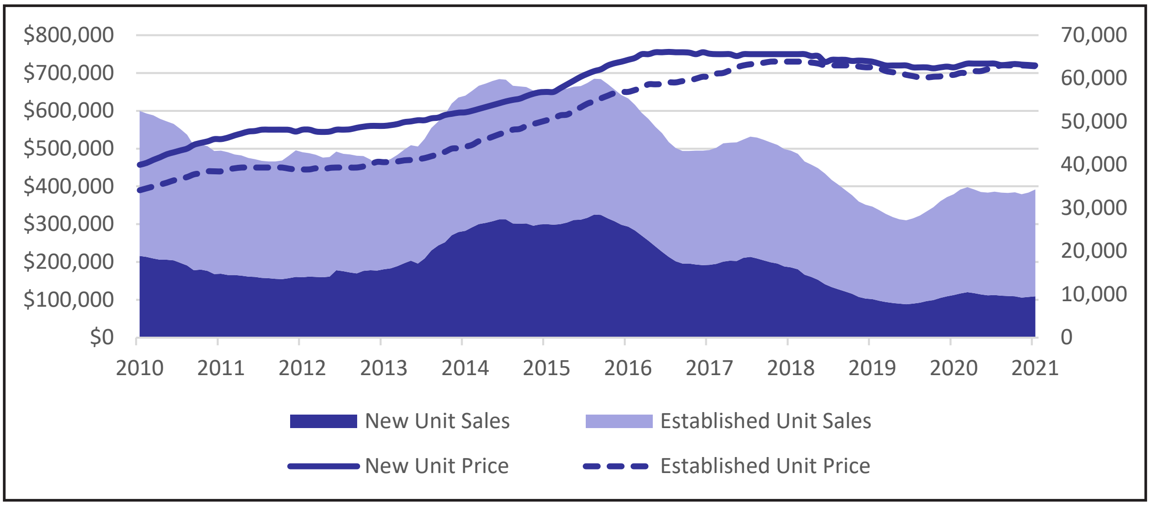
SYDNEY

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- Sydney new unit sales transactions for 2020 were down 45% on the decade average and maintains the soft sales volumes consistently recorded since the September quarter 2018.
- Despite a second half year improvement with sales increasing by 39% over the six months till December to total 10,175 sales, sales activity of new multi-unit sales remained subdued for year, with the HomeBuilder program having limited applicability to the sector, and the 2020 sales volume was down 61% peak of new unit sales in 2014.
- Across the broader whole of market there were 33,570 settled multi-unit dwelling sales across Sydney which was up 3% on 2019 volumes, but 42% lower than the peak of 2014.
- Over the last decade new build multi-units (primarily apartments) have averaged 37% of total annual unit sales activity. In 2020 new units sales accounted for just 28% of total sales.

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



Source: UDIA; CoreLogic

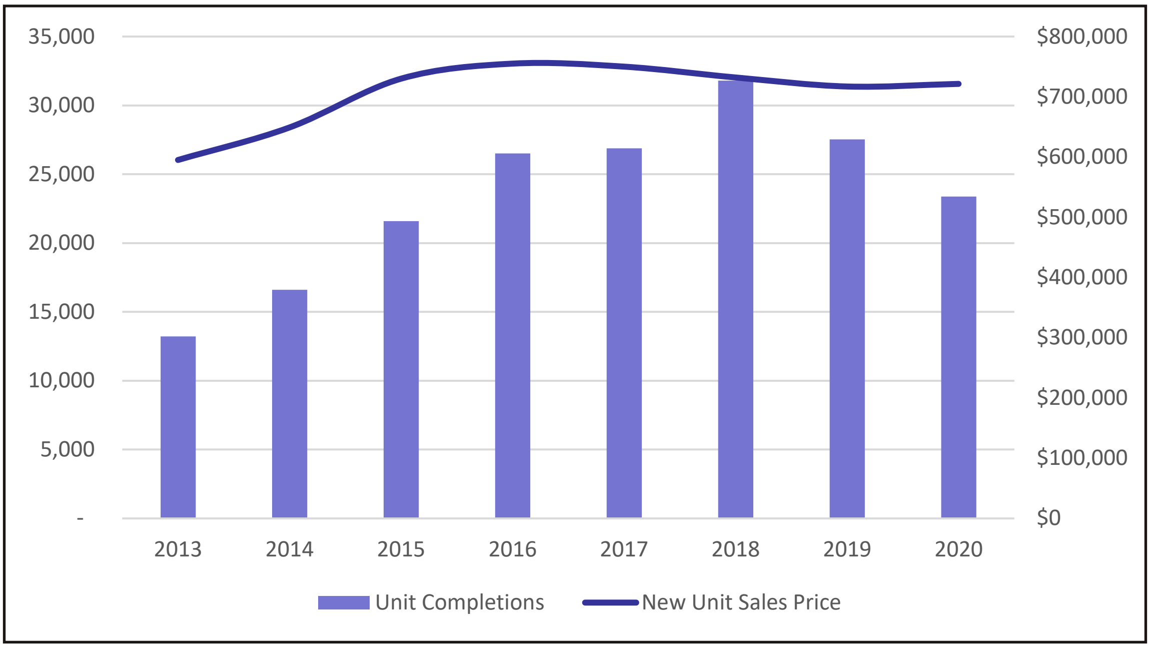
Median Unit Pricing

- The median sale price of new units grew by a modest 0.7% across the year to $721,350, and is now only 4% below Sydney's peak median pricing for multi-units achieved in 2013.
- Sydney's newly constructed units remain the most expensive in Australia, with the median new sale price currently 14% higher than Melbourne's units – which has steadily closed since 2016 when Sydney pricing was up to 45% higher than Melbourne's new units.
- The median sale value for all multi-units (new and resales) across Sydney retracted by 2% across the year to $733,850, which represents a 6% value difference to the peak in mid-2017.
- The current median sale value of new units is currently 27% more affordable the median value for new houses, which is significantly higher than the long term average of 20% cheaper, which represents a positive retail proposition for the multi-unit market – particularly first home buyers.

Construction Activity

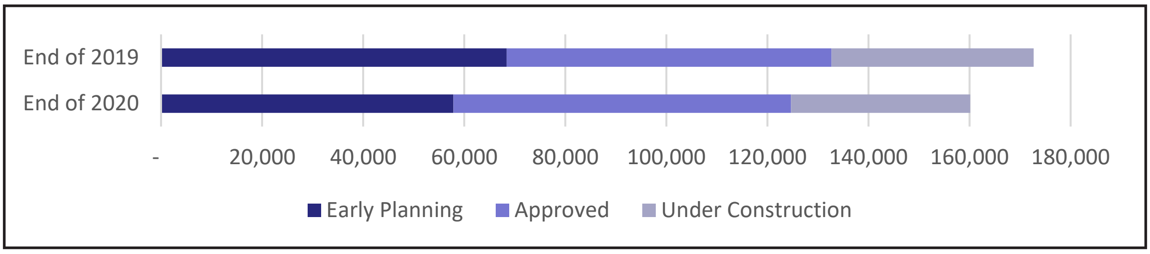
- There were 23,390 new multi-unit dwellings completed in Greater Sydney in 2020. This is an annual decline of 15% on 2019 completions, and a 25% decline on the historic high achieved in 2018.
- The continued softening of multi-unit approvals recorded across the year, down to just 19,250 representing a halving of approvals from 2016 , highlights the forward pressure building on the multi-unit supply pipeline.
- The majority (65%) of the new multi-unit dwelling completions in Greater Sydney occurred between 10km and 50km away from the Sydney city centre.
- 42% of completions occurred in the 10km to 20km and highlights the on-going significance of multi-unit residential development in middle ring corridors and centres including the Greater Parramatta region, Macquarie Park and Rhodes

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis



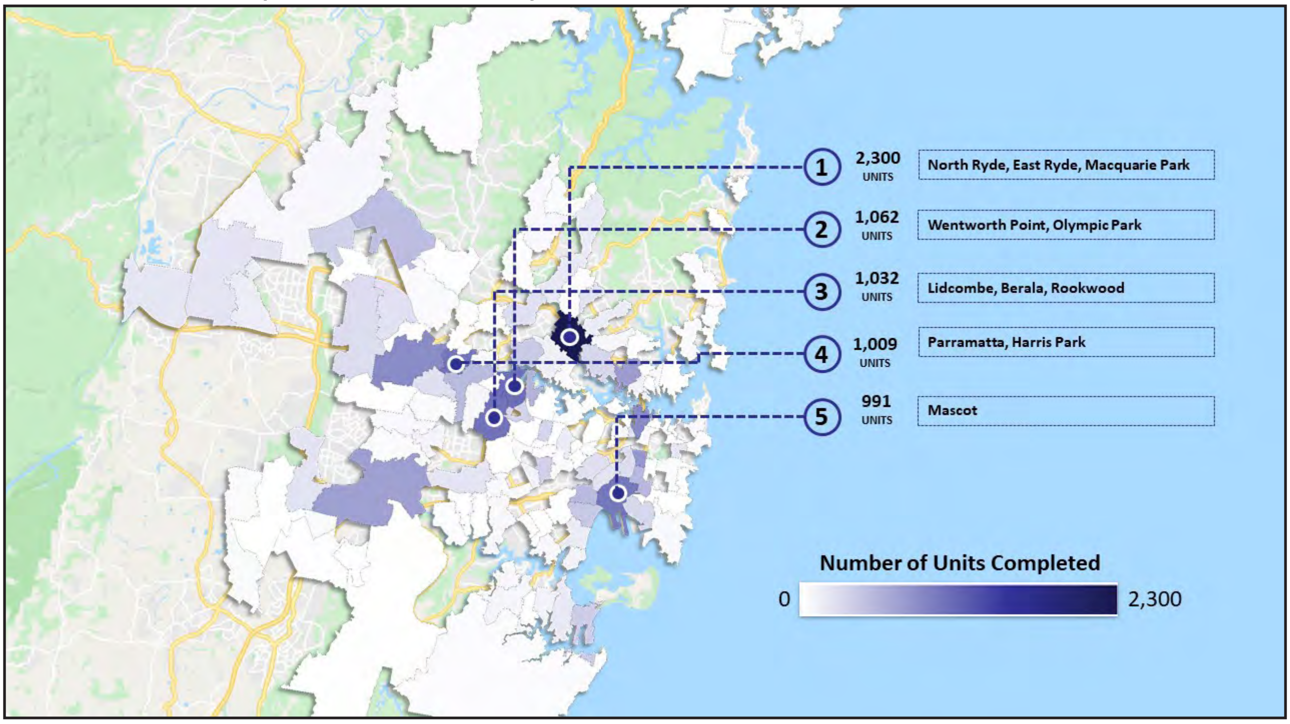
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2019 and December 2020 snapshot of the market leading Cordell Construction database.

- This data analysis reveals that there is an aggregate total of 160,130 units in the Greater Sydney active pipeline, which is 7% lower than the supply recorded in December 2019.
- This is made up of units in the early planning phase (down 15% from 2019), units which have received Approvals (4% from 2019) and units under construction (-11%).
- The number of units in the deferred or abandoned category continues to retract for Greater Sydney, which indicates that the number of speculative/marginal projects that were contemplated through the strong market period 2014- 2017, have already been shelved or abandoned over recent years, with fewer replacement projects emerging which are marginal and unlikely to proceed in the pipeline.

Multi-Unit Completions 2020, by Postcode



Source: UDIA; CoreLogic

Sub-Market Analysis

- The City of Parramatta recorded the most multi-unit completions across the metro region with 3,550 new units reflecting a 139% annual uplift, followed by Ryde with 2,580 completions and the City of Sydney with 2,340 new units.
- The City of Parramatta also recorded the most new multi-unit sales (by LGA) in Greater Sydney, with 893 settled sales at a median sale price of $750,000
- This was followed by Blacktown with 598 new unit sales (median sale price $600,000), Sutherland Shire with 586 sales (median sale price $811,500) and the City of Sydney with 543 new unit sales (median sale price $962,000).

Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2010	14,716	$525,000	28,477	$440,000	-	-
2011	14,033	$545,000	29,309	$445,000	-	-
2012	15,553	$560,000	24,411	$465,000	-	-
2013	24,454	$595,000	31,124	$501,050	24,212	13,219
2014	26,176	$649,000	31,284	$570,000	26,626	16,607
2015	26,136	$730,000	29,997	$650,000	37,678	21,591
2016	16,743	$755,000	26,554	$690,000	39,749	26,516
2017	16,514	$750,000	27,103	$730,000	36,761	26,879
2018	9,076	$732,000	21,665	$715,000	28,701	31,804
2019	9,538	$717,000	22,987	$695,000	20,834	27,529
2020	9,390	$721,353	24,178	$719,031	19,240	23,386

Source: UDIA; CoreLogic

RESEARCH PARTNER: CORELOGIC
NSW 2021 OUTLOOK

"NSW housing values are expected to increase in 2021, and transaction activity may be elevated relative to the past two years. Sydney dwelling values have increased consecutively in the four months to January. If the current trend continues we could see Sydney home values surpassing the previous 2017 peak by the middle of 2021. However, renewed affordability constraints and the phasing out of key fiscal support measures and first home buyer concessions could temper growth rates in late 2021 or early 2022.

Regional NSW markets are virtually all in an upswing, with combined regional dwelling values up 9.5% in the year to January. Recent migration trends confirm higher levels of movement from Sydney to the regions, with the relative affordability of regions and lifestyle factors expected to be continually popular in 2021.

The closure of international borders remains a significant headwind for some pockets of Sydney, which accounted for 30.9% of international migration to Australia in the 2018-19 financial year. These include unit markets with historically high exposure to overseas arrivals such as the Eastern Suburbs, Hurstville and parts of western Sydney."

SYDNEY

STATE POLICY ENVIRONMENT

Current Policy Landscape

- In NSW, the industry is coming off a strong 2020 production and sales performance supported by COVID stimulus in greenfield development, particularly for regional markets, whilst the apartment market has continued to struggle. 2021 will be a critical year to deliver policy reform and to rebuild our land and apartment supply pipelines quickly, with jobs at risk if projects cannot commence. UDIA NSW is focused on ensuring that our sector is the economic bridge to recovery and that we lay the foundations for long-term success.

Biggest challenges & advocacy wins from 2020

- UDIA NSW's Project Bounce Back campaign – A Housing Led Recovery to COVID-19 ensured that we were able to keep open our construction sites during the pandemic, continue our planning activities and work on blockages in the planning system. The Planning Delivery Unit was set up in 2020 and UDIA NSW helped identify critical enabling infrastructure and obtain funding to keep the industry moving. The NSW Treasurer announced his proposal to replace stamp duty with property tax and appointed UDIA NSW to the Property Tax Working Group to help shape that effort in 2021.

- After years of advocacy for reform for developer contributions in NSW, we engaged closely with the Productivity Commissioner on the developer contributions reform agenda, with many of our policies becoming part of the final recommendations, which are still to be actioned by government.

Outlook for policy development & advocacy for 2021

- The pipeline of NSW greenfield housing land supply is extremely thin. Rezoning's are hampered by the planning system and fragmented ownership, and delivery is constrained by a lack of infrastructure. Meanwhile, the apartment sector is struggling, with approvals down by 63% and commencements down 43% from their peaks back in 2016. UDIA NSW is focused on addressing the critical supply issues for both sectors and the economic issues for jobs and housing affordability.

- The Minister for Planning has ruled out amendments to the state planning act but UDIA NSW will be advocating for changes that make the existing system work more efficiently and deliver dividends in NSW. This will include the rollout of Urban Development Programs that help identify the enabling infrastructure that is holding back many sites, improved governance such as tackling the six NSW Planning Agencies that operate in Western Sydney and better project management of precinct re-zonings. Other high priorities include reducing biodiversity green tape and realising the benefits of integrated transport, infrastructure and planning strategies to deliver on the vision for a 30-minute city.

- The NSW Government's reforms to developer contributions and property tax will have a significant impact on our industry. UDIA NSW will be focused on resolving our issues of concern, to remove impediments to productivity and to deliver the outcomes we all want to see for sustainable growth beyond COVID-19 of the development industry in NSW.

Nick Chandler
Managing Director
Rawson Group

"2020 began as the year that would rebuild the pipeline of work in our housing businesses after strong land sales in late 2019. By mid-March, that confidence was shattered as sales dried up and cancellations spiked. Businesses went into capital conservation mode for what might have been a long and uncertain period.

Strong leadership by State and Federal Governments reset confidence and the combined impact of the FHLDS, HomeBuilder and record low interest rates stirred the housing sector back to life. New home and land sales reached levels not seen since 2016/2017.

The dwindling land supply in the Sydney Basin remains a huge challenge. The paralysis in the NSW Planning System must be addressed quickly to ensure that the strong post-pandemic economic momentum is sustained, not crippled by a shortfall of housing and construction activity."

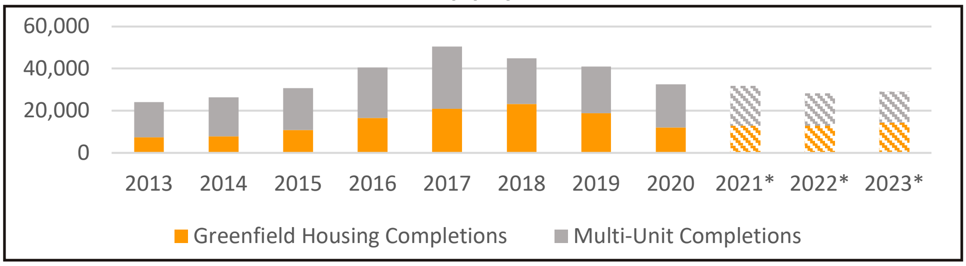
Wentworth Point
Marinas by Billbergia

MELBOURNE

SUMMARY

- Despite the most challenging year for the development industry in living memory due to COVID-19 impacts, the Melbourne housing market demonstrated tremendous resilience to register strong momentum across the December quarter once Stage 4 lockdown were eased.
- The resilience of the Melbourne market is underscored with the outperformance of the greenfield land sector in the second half of 2020, with lot sales up 83% to register record monthly sales in the December quarter, of 1,856 per month.
- The multi-unit sector remained subdued across 2020 with sales volumes of new multi-units down 20% and annual completion of new stock to market down 7%.
- The outlook for the Melbourne new dwelling market is positive for the first half 2021, with potential softening in the second half as the 'pull-forward' of demand from HomeBuilder is realised and other government stimulus measure are eased off.
- 2021 is expected to be once again defined by COVID-19 issues with State border movement being limited and overseas borders shut. This will weigh most heavily on the demand profile in the apartment sector.
- UDIA forecast that completed new residential supply will stabalise at around 32,000 dwellings this year with further retraction in aggregate output in 2022 and 2023 driven by declining multi-unit output.

New Residential Market Supply[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

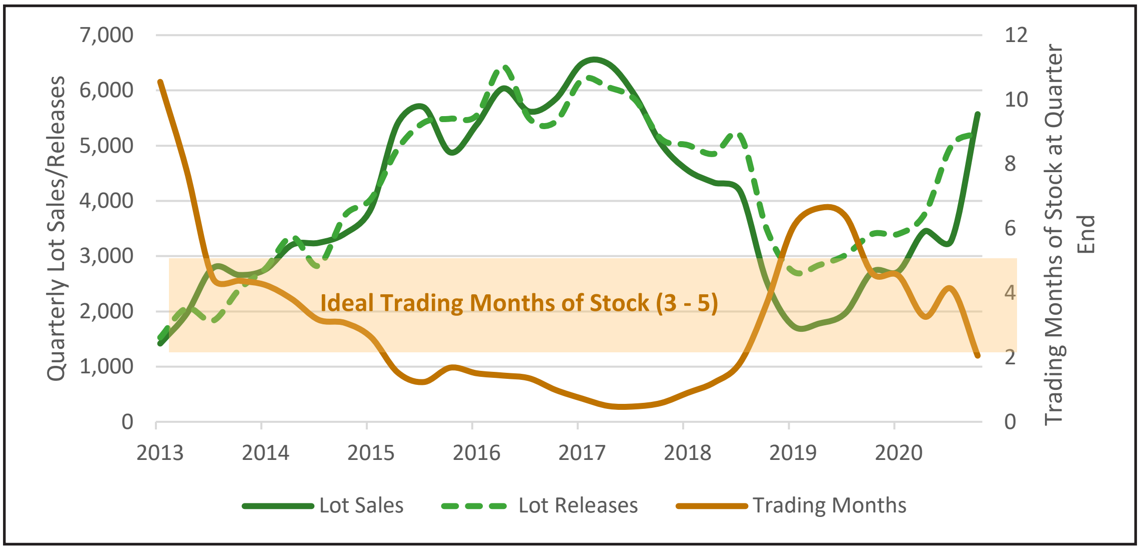
[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock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

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The Melbourne greenfield market recorded an 83% increase in annual lot sales in 2020 to record 15,030 sales, with the December quarter driving much of the recovery with an average of 1,857 sales per month, a level not achieved since the peak of the current cycle in mid-2017.
- The greenfield market performance for 2020 represented a robust correction from the significant underperformance of 2019 when just 8,200 lots were sold. The scale of unmet and stored demand in the market came back in full force in the December quarter when the second COVID-19 metropolitan-wide lockdown was finally lifted.
- Developers responded to the strong demand profile by releasing 5,230 lots in the December quarter, up 53% from the pre-COVID impacted March Quarter, and the highest lot release quantum since the September 2017.
- Clearance levels improved across the year to help clear a build-up of unsold inventory, to close the year with 2.1 months worth of stock – slightly below the ideal supply-demand benchmark of 3-5 months trading months of supply.

Annual Greenfield Activity



Source: UDIA; Research4

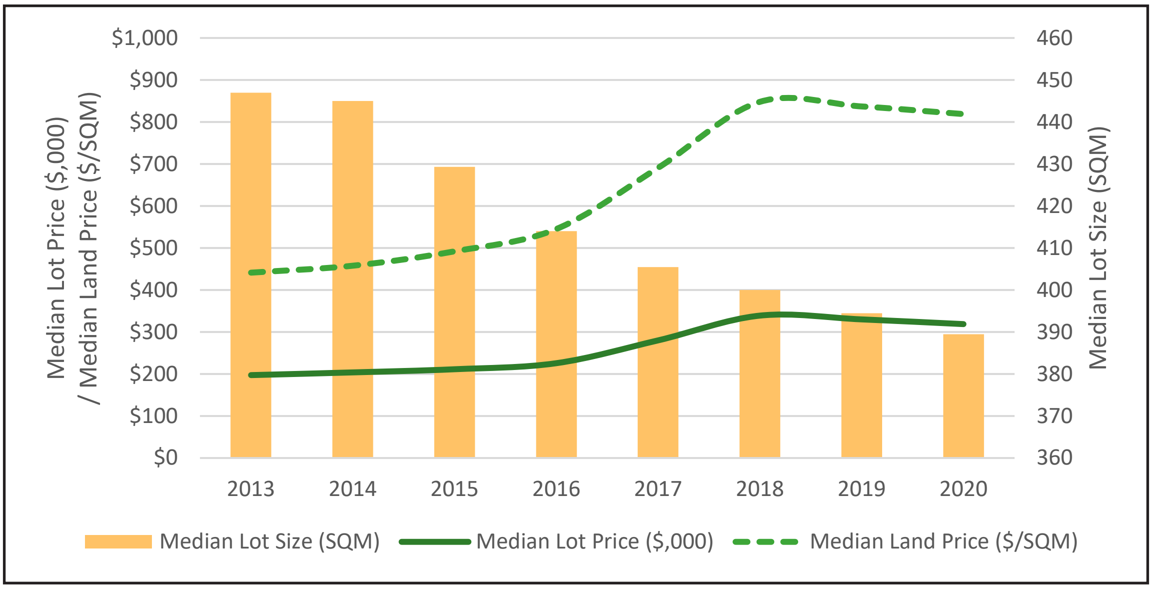
Active Estates & Industry Capacity

- The Research4 NLS assessed the 2020 calendar year as recording the highest number of active trading estates with an average of 186 for the year, and a record high 200 estates recording sales in the December quarter.
- The majority of the new estates added to the competitive Metropolitan Melbourne greenfield market place had less than 250 lots.
- The lift in the overall number of estates registering activity is a sign of improved market conditions. With expressed demand currently high, there has been a rapid ending of a number of estates. This pressure on the supply line will need to be addressed via ensuring new estates are launched in a timely fashion.

Median Lot Pricing

- Melbourne's median lot price retracted by 3% in 2020 to $319,000, despite the record sales volumes in the second half of the year. Evidence suggests the market is still digesting the steep price jumps recorded in 2017 and 2018 which saw lot prices jump from circa $230,000 to $330,000.
- The December quarter median lot price was $315,000 which represented 42% of the established market median house price of $750,000 (CoreLogic) for Greater Melbourne (as at December 2020). This is aligned with the long run average of 42% of the median house price (across 2009-2019) indicating lot pricing is in line with historical norms – in both absolute & relative terms.

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



Source: UDIA; Research4

Median Lot Sizes

- Melbourne's median lot size dropped to 390sqm in 2020 which reflected a 1.3% drop from 2019 and a continuation of the on-going lot size reduction trend witnessed across Melbourne's growth corridors since 2009.
- The December quarter saw the median lot size fall to 384 sqm which helped deliver an annual land rate of $819 per square metre, which helped off-set the fall in median pricing but was still down 4% on the series high $848 per square metre of 2018.

Greenfield Market Performance Summary Table

Row Labels	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/M)
2009	13,716	98	516	$169K	$327
2010	14,308	90	482	$203K	$421
2011	7,994	117	448	$219K	$490
2012	6,041	141	447	$207K	$462
2013	8,822	151	447	$198K	$442
2014	12,616	153	445	$204K	$458
2015	19,835	154	429	$212K	$493
2016	22,876	138	414	$226K	$546
2017	23,903	124	406	$280K	$691
2018	15,593	129	400	$339K	$848
2019	8,213	164	395	$330K	$837
2020	15,032	186	390	$319K	$819

Source: UDIA; Research4

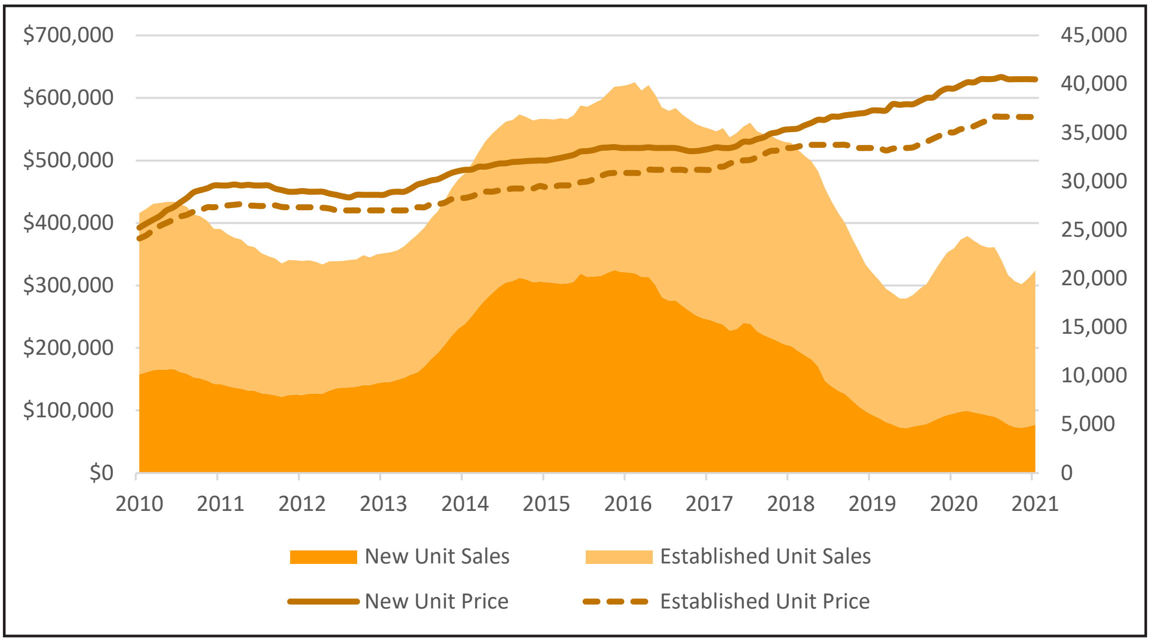
MELBOURNE

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- Settled sales of new multi-units across Greater Melbourne plunged to record lows with just 4,785 settled apartment sales across the 2020 calendar year. This is down 76% of the sales volumes achieved in the peak of 2015.
- Sales activity in the established unit market fell 9% across the year, delivering a broader whole of market correction in sales volumes of 12% from 2019.
- The retreat of investor activity, the unprecedented new supply volumes delivered in 2016 and 2017 and the resetting of consumer preferences in the COVID-19 impacted 'new world order' has created a challenging market for suppliers of new apartment products across Melbourne.

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



Source: UDIA; CoreLogic

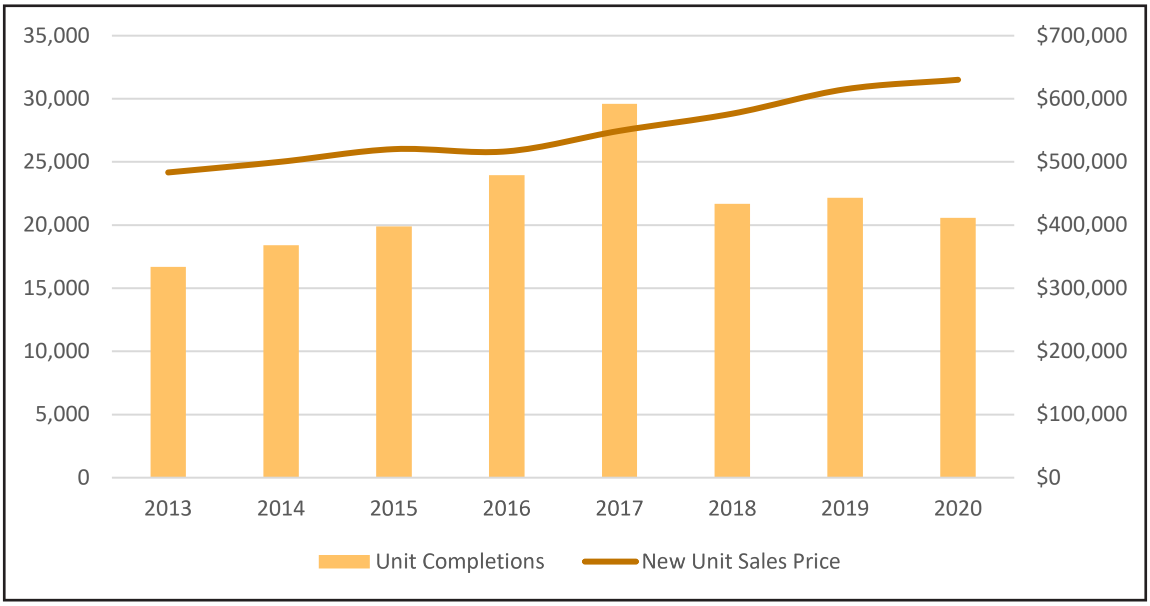
Median Unit Pricing

- The median new unit price achieved across Greater Melbourne in 2020 was $630,040, which reflected a 2% annual growth rate. The comparatively low levels of transactions, and less emphasis on investor grade products is the likely explanation for price growth in the otherwise depressed multi-unit market.
- Across the broader established market the median unit price was $570,000 in December 2020 which reflected a 5% annual growth rate.
- The median sale price of new units grew by a modest 0.7% across the year to $720,000, and is now only 5% below Sydney's peak median pricing for multi-units achieved in 2013.

Construction Activity

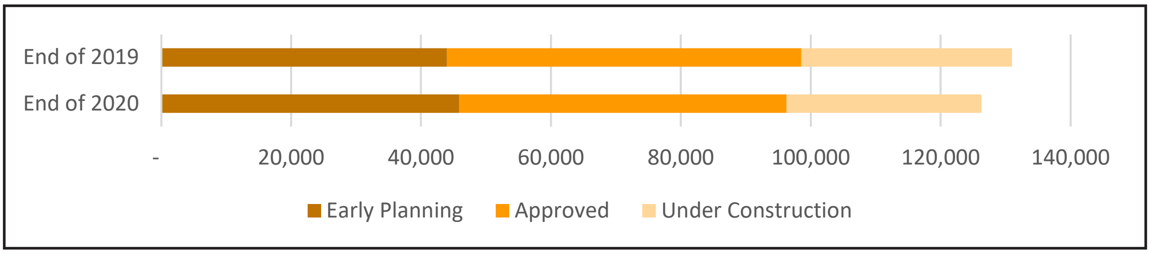
- There were 20,580 new apartments and units completed across Greater Melbourne in 2020. This represents a 7% decline in completions from 2019 and was 30% off the peak of 2017.
- Notwithstanding the on-going moderation in apartment supply, Melbourne's 2020 outputs sits commensurate with the eight year average production level – which is particularly commendable given the extremely challenging year the industry has faced through the pandemic, including considerable disruptions to construction site operations.
- The majority of new multi-unit completions occurred within the CBD and inner suburbs up to 5km from the GPO (30%), 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 3006 (Southbank) contributing the most new unit completions at 2,270.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis



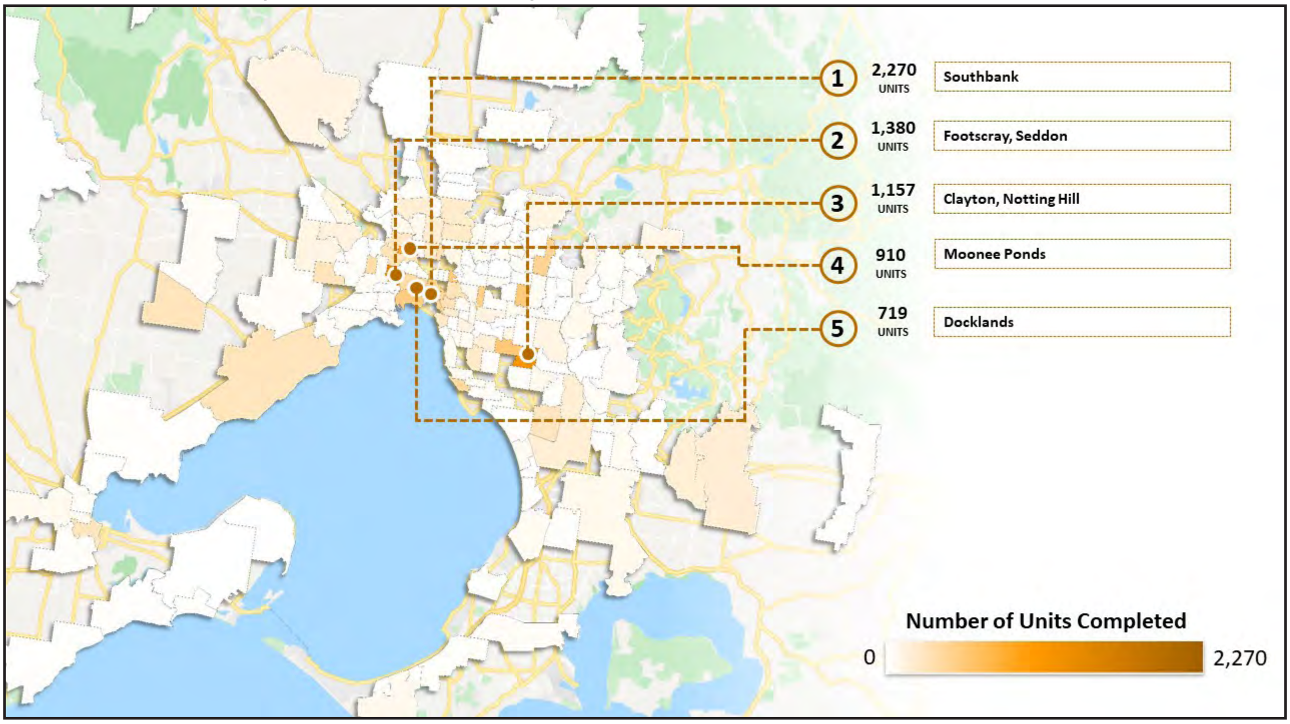
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2020 and a December 2019 snapshot of the industry leading Cordell Construction database. These estimates show that the forward supply of apartments in Melbourne continues to be under threat.

- For the third consecutive year the multi-unit pipeline has retracted across Greater Melbourne, decreasing by 4% to an aggregate of 126,280 units as at December 2020.
- This comprised of units under construction (down 8%), approved units yet to start construction (down 8%) with units in early planning up 4%, likely reflecting projects not proceeding into the approval stage across the year, with a modest addition to the pipeline of new potential non-central city medium density projects.

Multi-Unit Completions 2020, by Postcode



Source: CoreLogic; UDIA

Sub-Market Analysis

- The City of Melbourne had the most multi-unit completions of Greater Melbourne's LGAs despite a 26% retraction from 2019 volumes, with a total of 3,900 finished apartments.
- Monash (1,940 units), Maribyrnong (1,910 units), Moonee Valley (1405 units) and Port Phillip (1,380) rounded out the top five Councils by new unit completions for 2020.
- 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 $580,000, as compared to $637,500 in Port Phillip, $600,000 in Moreland, and $749,000 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
2010	9,173	$460,000	15,947	$425,000	-	-
2011	8,049	$450,000	13,833	$425,000	-	-
2012	9,212	$445,000	13,285	$420,000	-	-
2013	14,822	$483,000	15,373	$440,000	21,207	16,677
2014	19,662	$500,000	16,762	$459,000	27,245	18,402
2015	20,676	$520,000	19,105	$480,000	32,975	19,879
2016	15,910	$516,450	19,694	$485,000	30,934	23,938
2017	13,224	$549,000	20,834	$520,000	32,263	29,598
2018	6,344	$576,300	15,091	$520,000	26,716	21,688
2019	5,954	$615,000	16,719	$545,000	21,688	22,146
2020	4,785	$630,039	15,260	$569,677	21,019	20,578

Source: CoreLogic; UDIA

RESEARCH PARTNER: CORELOGIC
VIC 2021 OUTLOOK

"Victorian housing markets were impacted by extended lockdowns in response to COVID-19 through 2020. While the Melbourne market commenced a recovery trend through the December quarter, a strong surge in new listings and increased migration departures from the city may see growth rates slow in 2021. The unit segment is particularly vulnerable, as the number of apartments under construction remain elevated relative to historic averages, and the city is the most dependent on population increase from international arrivals.

Despite these headwinds, the decline in values and rents across inner city regions are starting to ease, suggesting conditions may stabilise over 2021. Regional Victorian dwelling markets may see higher increases in dwelling values over 2021, with recent migration trends confirming a higher level of departure from Melbourne, many of whom are moving to regional Victoria. A more positive outlook is expected for Victorian dwelling markets in 2021, provided COVID-19 cases remain well contained across the state."

MELBOURNE

STATE POLICY ENVIRONMENT

Current Policy Landscape Scan

- In Victoria, the industry is coming off a strong production and sales performance in the back half of the year supported by COVID stimulus in greenfield development, whilst demand dynamics in the apartment market have continued to soften. 2021 will be a critical year to deliver infrastructure contributions reform and to rebuild our land and apartment supply pipelines. UDIA Victoria is focused on ensuring that our sector is the economic bridge to recovery and that we lay the foundations for long-term success.

Biggest challenges & advocacy wins from 2020

- In May we released the Roadmap to Recovery – UDIA Victoria's Plan for Economic Recovery which set out the clear, deliberate and immediate actions the government needed to pursue to stimulate the industry, reform entrenched inefficiencies in the planning permit approval system and supercharge development-ready areas. Our Plan helped ensure that we were able to keep our construction sites open during the lock-downs, continue planning permit application and approval activities, and work on blockages in the planning permit approval system.
- In early December the Victorian Government announced the formation of the Infrastructure Contributions Advisory Committee which has a mandate to provide recommendations for reform to the infrastructure contributions system. This is a major advocacy win for UDIA as we have been campaigning for an overhaul of the inefficient, inconsistent and inequitable infrastructure contributions landscape for a number of years.

Outlook for policy development & advocacy for 2021

- UDIA Victoria is deeply engaged with the Infrastructure Contribution Advisory Committee which is overseeing a critical review into the infrastructure contributions systems which will culminate in advice and recommendations for the Minister for Planning and the Treasurer.
- UDIA Victoria is providing industry insight and recommendations to inform an infrastructure contributions system which is simple, transparent, efficient and equitable – characteristics not present in the current arrangements.
- Whilst the greenfield market has demonstrated a strong rebound in the second half of 2020, we have deep concerns about the impact of JobKeeper ending, the extent of the 'pull-forward' effect from the HomeBuilder program, and the expiration of the 50% stamp duty waiver for houses under $1m on 1 July 2021. With no clarity on when international migration and international students will start returning in substantive numbers we may need additional industry support and stimulus for the apartment market to keep the demand profile healthy through the second half of the year.
- UDIA is advocating for a broad range of industry reforms to keep the industry and the economy moving through what is likely to be another COVID-19 impacted year. This includes housing supply stimulus measures to bolster the development approval pipeline, and stimulation of urban renewal and built form development by taking a proactive approach to the development of Melbourne's key precincts. UDIA Victoria will continue to prosecute that a comprehensive, urban development led approach to Victoria's economic recovery will give Victoria the best chance at success coming out of the COVID-19 crisis.

Tom Trevaskis

Head of Development, VIC

Lendlease

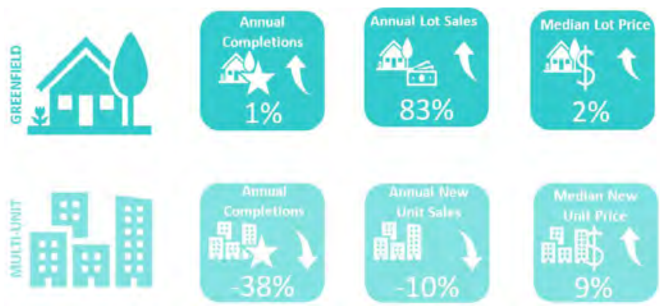
"Despite COVID-19 restrictions slowing momentum in early 2020, the Victorian greenfield market bounced back mid-year, aided by increased government stimulus including the First Home Owners Grant, HomeBuilder Scheme and record low mortgage rates. As a result, we experienced a huge surge in enquiry across our land communities, with more than four times the enquiry year on year. We foreshadowed this and were in a strong position with high levels of titled stock available and eligible for the grant, which also saw sales up 30% year on year from July-December 2020.

We also witnessed levels of increased demand following the lockdowns in October, with enquiry remaining high across December and January at almost 50% year on year. First home buyers have been more active, with contact from this group accounting for up to 70% of enquiry, an increase from the average of 40-50%. Additionally, purchaser timeframes have reduced, with more people looking to purchase within three months."

Waterford Rise by Baw Baw Developments

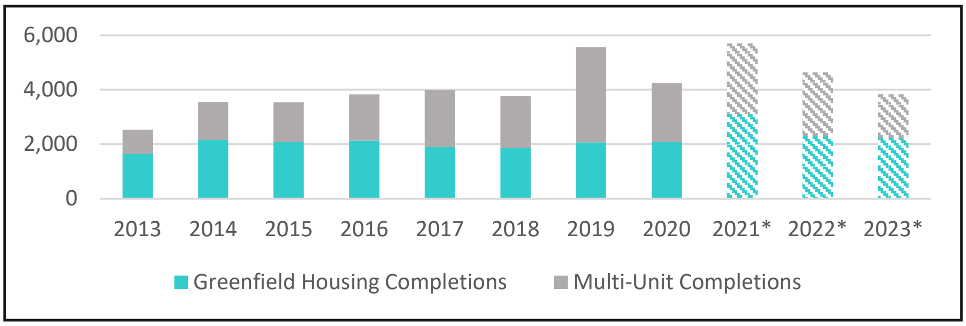
ADELAIDE

SUMMARY



- The Adelaide property market experienced a remarkable year of shifting momentum across 2020, in response to pandemic disruptions and impacts, but the big story of the year was the boom in demand for greenfield land in the second half of 2020 providing strong momentum rolling into 2021.
- The Adelaide greenfield market had a stand-out year in 2020 with an 83% lift in annual lot sale volumes, and a 30% lift in annual lot releases.
- In response to supportive government stimulus including the FHBDS and HomeBuilder, and the maintenance of record low interest rates the Adelaide market transitioned from an average of 540 sales in the March quarter to 1,020 sales in the June quarter.
- HomeBuilder has definitely pulled forward local demand, with a component of the demand profile comprised of ex-pat South Australian's returning to the State through the COVID impacted period.
- Sales activity in the new apartment and multi-unit sector remained subdued across the year, although new unit median pricing grew 9% to $450,100.
- Completions of new market supply across 2020 totalled 3,875 new dwellings which is 10% higher than the long run average, albeit 24% on 2019 completions due to a significant retraction in multi-unit dwelling completion across the year.

New Residential Market Supply[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

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

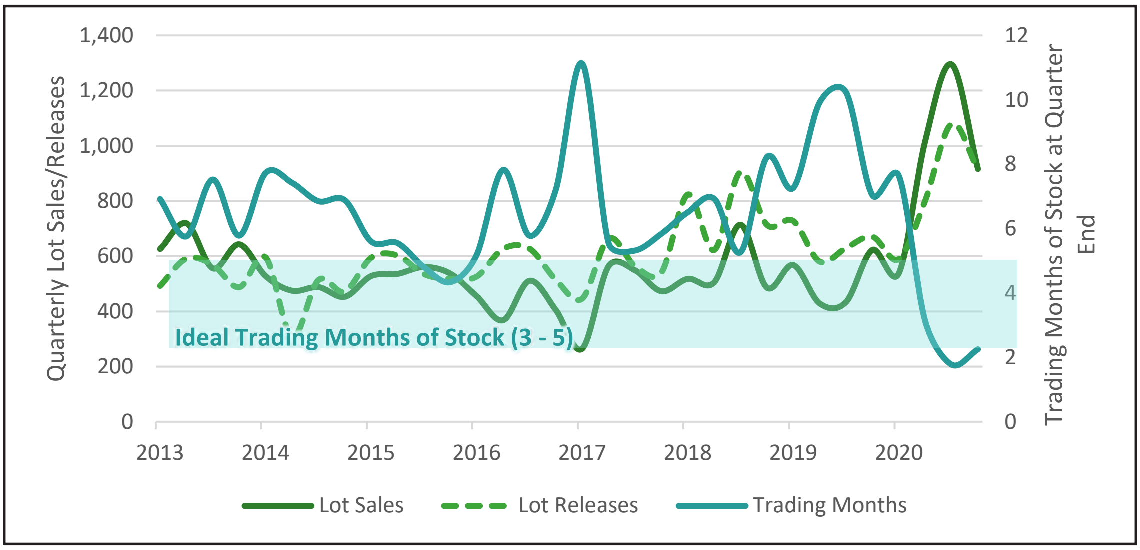
Nora Living by Forme Projex

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The Adelaide greenfield market had a record breaking year in 2020 with an 83% lift in annual lot sale volumes to net 3,765 annual sales and set a new high water mark in yearly land sales, 48% higher than the previous highest volume set in 2013.
- In the face of heightened buyer demand, the Adelaide market quickly transitioned from an average sales rate of 171 per month in the March quarter, 339 sales per month in the June quarter, 432 sales per month in the September quarter, and then 305 per month in the December quarter.
- The development industry responded to the upswell in demand for greenfield land by releasing an average of 50% more lots per month (average of 310 lots) through the June to December quarters as compared to the preceding 4 quarters (average of 206 lots per month).
- With clearance rates averaging 116% across the June to December quarters, the stockpile of unsold inventory quickly got absorbed resulting in the average trading months of unsold stock plummeting from 7.6 months of trading in March to 2.3 months of trading in December.

Annual Greenfield Activity



Source: UDIA; Research4

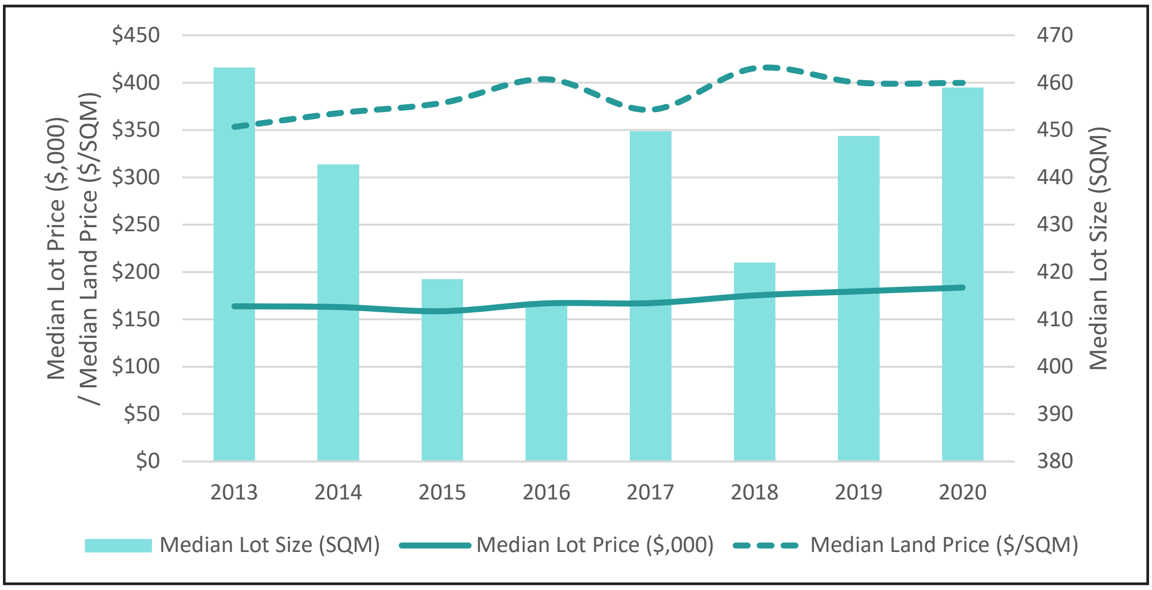
Active Estates & Industry Capacity

- There was a record annual average number of 82 active trading estates observed in Adelaide across the year. The 2020 average count of estates recording sales each quarter is up 9% on 2019 and up 38% on the long run average.
- The current capacity for Adelaide's active trading estates is around 220 sales per month, beyond which there will be sustained upward pressure on pricing. Accordingly, if sales remained elevated through 2021, it is expected that there will be price growth across all sub-markets, including in the largest volume market, and most affordable North Adelaide sub-market.

Median Lot Pricing

- The Adelaide market recorded a modest 2% median lot price growth across 2020 to finish the December quarter at a median lot price of $183,000, the highest yearly metropolitan land pricing achieved.
- Despite the significant uplift in sales activity this modest annual price growth rate is in line with long term trends, and reflects the highly competitive landscape operational across the metropolitan area, and is in line with the 2.6% annual growth rate observed in the established housing market.
- Adelaide's land market continues to offer the most affordable products across the capital cities with the median lot price 15% lower than Perth, and 29% lower than SEQ.
- The December quarter median lot price was $184,000 which represented 38% of the Adelaide's established median house price of $490,000 (CoreLogic) as at November 2020.
- This compares to the long run average of 40% of the median house price (across 2009-2019) indicating that lot pricing is currently marginally under a 'fair-value' benchmark and represents a strong affordability and retail value proposition.

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



Source: UDIA; Research4

Median Lot Sizes

- The Adelaide median lot size was 459sqm across 2020, which reflected an 2% annual growth rate. As was the case in 2019, Adelaide is the only capital city market where lot sizes increased across the year – which in part reflects the growth in sales and importance of the Adelaide Hills sub-market.
- The larger median lot sizing and more affordable median lot pricing continues to translate into Adelaide hosting the nation's most affordable land rates. The annual median land rate remained at $400psm for 2020 which represents a 69% discount on Sydney's current land rates.

Greenfield Sub-markets

- All of Adelaide's sub-markets experienced a strong up-lift in activity across the June to December quarters, with North Adelaide experiencing a 168% uptick in sales volumes since 'Pre-Covid', followed by the smaller sub-markets of Barossa, up 142%, and Adelaide and South Adelaide both recording 70% increase in sales.
- The exceptionally strong performance of the North Adelaide sub-market across 2020 suggests that the broader performance of the Adelaide market was driven by local demand being brought forward.
- The North Adelaide sub-market continues to appeal to primarily local demand and is the highest volume market, with South Adelaide and Adelaide Hills appealing to net interstate migration driven demand, with higher amenity and higher median price points.
- This is underscored by the 10% price growth achieved in the Barossa and 5% increase by the South Adelaide market across 2020, over and above Greater Adelaide's 2% annual price growth.

Greenfield Market Performance Summary Table

Row Labels	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/M)
2009	1,765	35	446	$168K	$378
2010	2,306	40	452	$161K	$357
2011	1,467	45	468	$158K	$337
2012	1,613	53	480	$156K	$324
2013	2,544	67	463	$164K	$353
2014	1,944	66	443	$163K	$368
2015	2,162	62	419	$158K	$379
2016	1,739	57	413	$167K	$404
2017	1,851	58	450	$167K	$371
2018	2,223	71	422	$175K	$415
2019	2,054	75	449	$179K	$400
2020	3,766	82	459	$183K	$400

Source: UDIA; Research4

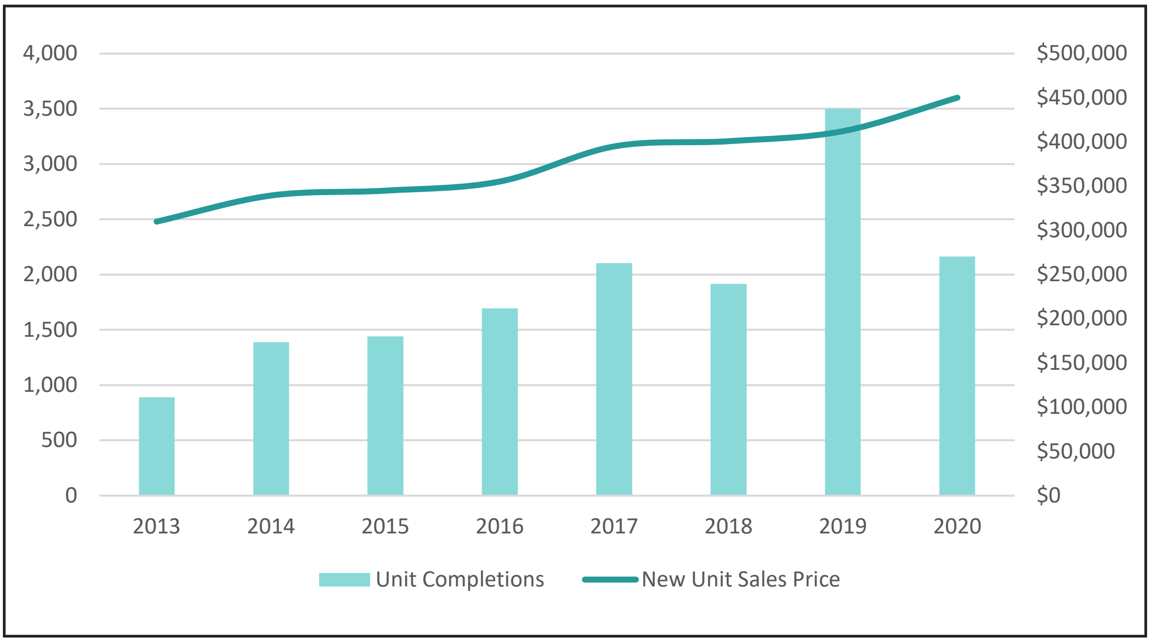
ADELAIDE

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- Sales of new apartment and town house stock remained subdued across 2020 with a total of 1,840 new unit sales transacted cross Greater Adelaide representing a 9% decline on 2019 sale volumes.
- The volume of new multi-unit sales remained steady across 2020 with an average of 155 settled transactions per month, which is 20% higher than the decade long average.
- Across the broader whole of market (new stock plus resales) for multi-units there was 5,350 settled multi-unit dwelling sales across Adelaide which is up 1% on 2019 transaction volumes and up 13% on the decade average.
- Sales of new units accounted for 34% of whole of market (units) sales for 2020 which is in line with the decade average but down from 40% of sales recorded in September quarter 2019.

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



Source: UDIA; CoreLogic

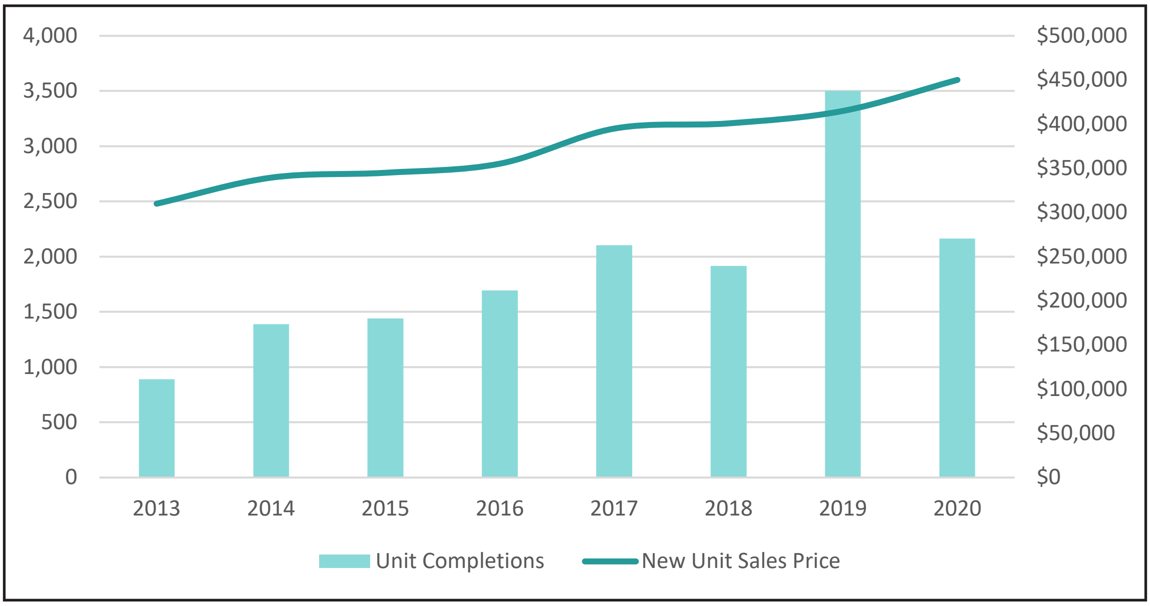
Median Unit Pricing

- The median sale price of new units grew by 9% across the year to $450,100 representing the strongest annual growth recorded over the last decade.
- Adelaide's newly constructed units remain the second most affordable in Australia (after Perth), with the current median new sale price 44% cheaper than Sydney and 36% cheaper than Melbourne.
- The median sale value for all multi-units (new and resales) across Adelaide increased by 6% across the year to $345,000, which represents a 6% annual growth difference.
- The current median sale value of new units is currently 32% less affordable than the median value for new houses, which is significantly higher than the long-term average of 20% cheaper, which represents a positive retail proposition for the market – particularly first home buyers.

Construction Activity

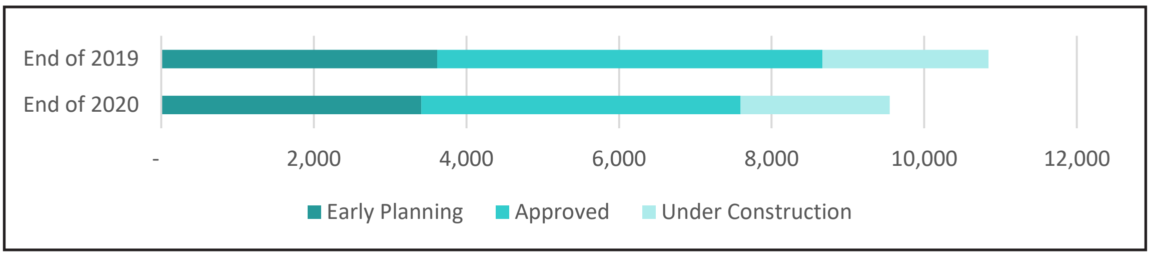
- There were 2,164 new multi-unit dwellings completed in Adelaide in 2020. This is an annual decline of 38% on 2019 completions which was an unusually high year for unit completions driven by a large volume of very small projects (less than six units) which moderated in 2020.
- The majority (52%) of the new multi-unit dwelling completions in Greater Adelaide occurred between 5km of the Adelaide GPO, followed by 40% in the 5km to 10km band. This is the highest level of unit concentration in the CBD and inner-city areas across the capital cities.
- The virtual absence of multi-unit activity outside of the 10km band highlights the on-going preference for low density dwellings in middle and outer areas, which in part reflects Adelaide's on-going house price affordability.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis



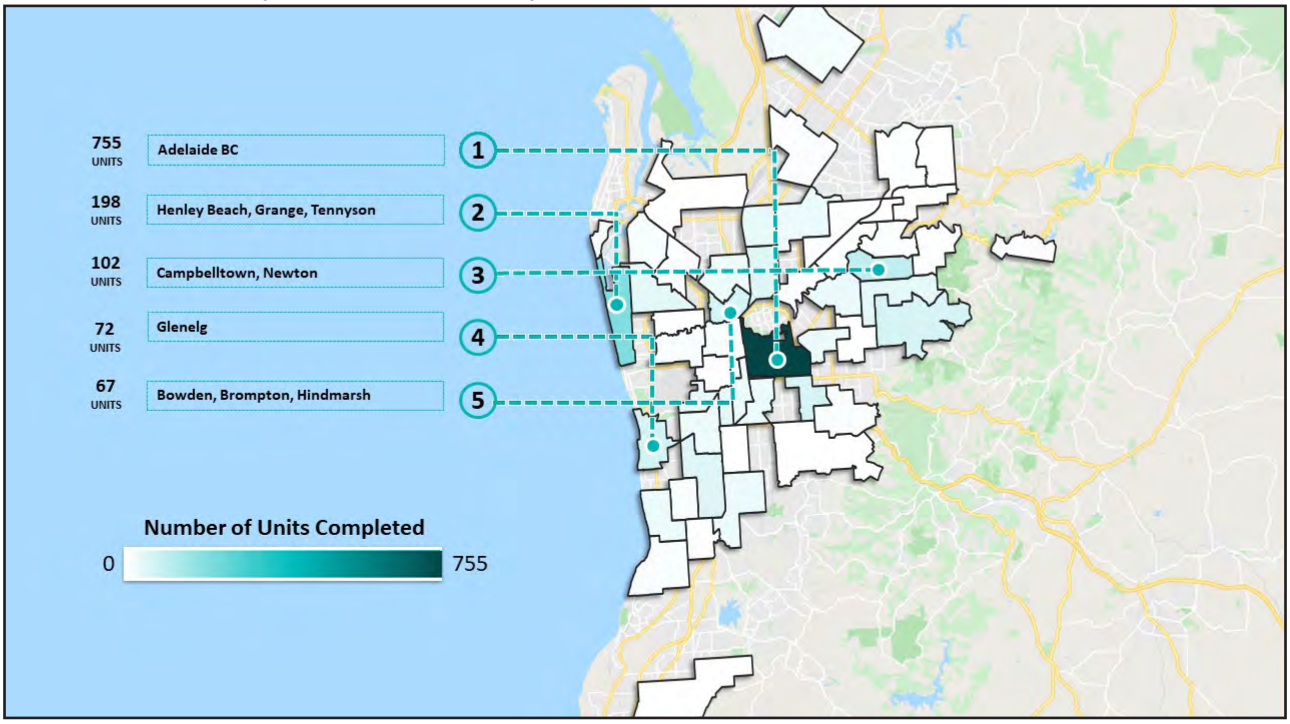
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2019 and December 2020 snapshot of the market leading Cordell Construction database.

- This data analysis reveals that there is an aggregate total of 9,550 units in the Adelaide active pipeline, which is 12% lower than the supply recorded in December 2019.
- This is made up of units in the early planning phase (down 6% from 2019), units which have received approvals (down 17% from 2019) and units under construction (down 10%).
- The multi-unit approvals further softened across the year, down 32% indicating forward unit supply will remain subdued for the coming few years.

Multi-Unit Completions 2020, by Postcode



Source: CoreLogic; UDIA

Sub-Market Analysis

- The City of Adelaide had the most apartment sales activity in Greater Adelaide with 812 units sold in the year to November 2020, a decrease of 13% on the year, and a median sale price of $450,000.
- This was followed by Henley Beach with 198 sales and Campbelltown with 102 sales.
- The LGAs experiencing the highest apartment price growth were Port Lincoln (up 11%), Adelaide (up 10%) and Holdfast Bay (up 10%).

Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2010	1,297	$337,500	3,191	$308,500	-	-
2011	1,155	$320,000	2,686	$303,452	-	-
2012	992	$307,750	2,500	$295,200	-	-
2013	1,253	$310,000	3,051	$302,000	2,506	890
2014	1,506	$339,475	3,218	$311,000	2,896	1,387
2015	1,663	$345,000	3,458	$316,000	3,395	1,441
2016	1,738	$355,292	3,359	$320,000	3,697	1,695
2017	1,882	$395,000	3,313	$326,000	3,888	2,103
2018	1,799	$400,900	3,274	$325,000	3,712	1,917
2019	2,034	$412,275	3,259	$330,000	3,339	3,501
2020	1,837	$450,098	3,512	$341,783	2,261	2,164

Source: CoreLogic; UDIA

RESEARCH PARTNER: CORELOGIC
SOUTH AUSTRALIA 2021 OUTLOOK

"South Australia saw a remarkably resilient performance over 2020, with this traditionally ‘quiet achieving’ housing market seeing higher-than-average growth rates through 2020. In the three months to January, Adelaide dwelling values increased 3.3%, while regional South Australian values rose 5.6%.

Sales volumes also increased substantially in the year to January, with Adelaide sales volumes increasing 7.4%, and regional South Australia saw a 30.2% increase. The uplift in sales volumes have largely been driven by houses over units, with high levels of owner occupier participation expected to see a preference for house stock maintained in the year ahead. Potential headwinds for dwelling demand in South Australia may be the end of fiscal incentives for housing, such as the winding down of the HomeBuilder scheme in March, and increased affordability constraints as values sit at record highs."

ADELAIDE

STATE POLICY ENVIRONMENT

Current Policy Landscape Scan

- Planning reform in South Australia is nearing completion after a significant journey for the sector, commencing with an expert panel review in 2013. March 2021 will see a major milestone in reform when the final stage of the new Planning and Design Code is implemented for Adelaide's urban areas. There are number of advantages to the new system including the overdue to transition to an electronic system, but also new planning policies and pathways for approval. South Australian members have provided significant input into the new Code and UDIA SA will continue to monitor the implementation of the new planning system, to ensure we are on the front foot to identify any issues.

Biggest challenges & advocacy wins from 2020

- The UDIA played a key role in SA's successful response to COVID with a key role on the Premier's Industry Response and Recovery Council. Following the development of the COVID-19 Action Plan for the sector, which outlined the key challenges for the development industry, our advocacy led to our very own Premier raising these important matters in National Cabinet.
- The focus in the last 12 months has also been the on the new Planning and Design Code and the implementation of the new system. We have been working closely with the Minister, the State Planning Commission and Department to help refine its implementation. We have been able to champion new additions like the Accepted Development Pathway for Greenfield developments that were originally not included.

Outlook for policy development & advocacy for 2021

- We will be relentless in pursuing the State Planning Commission and Government on providing more details on the review of the Metropolitan Growth Management plan, which is central to how and where development will take place for Adelaide in years to come.
- The UDIA will also deliver its new Grow Reform Build advocacy platform in the later part of 2021 before the March 2022 State Election. State growth, reform to minimise red tape and development costs, along with increased contributions by the State for more urban infrastructure will continue to be our focus.
- In 2021, we will also continue to work with the Government on the implementation of the Planning and Design Code, as the reforms are rolled out. We will identify and address any issues that might have an adverse effect on our members, including monitoring fees and charges directed at our industry.

Jason Green
Managing Director
Lanser

"2020 was a rollercoaster year for South Australia. The year started with optimism but as the pandemic spread across the globe, economic conditions deteriorated quickly. We were able to keep working and keeping sites open throughout the pandemic, which together with the launch of HomeBuilder, contributed to a better second and third quarter than initially expected. In addition, with the way South Australia was able to manage with fewer restrictions, we had the benefit of South Australian residents staying here and had a number of people return to Adelaide from interstate and overseas.

The year finished with astonishing demand for greenfield land, across the different Adelaide regions. Our sector is optimistic about the attractiveness of South Australia in the context of the new global environment and that the demand post-HomeBuilder will remain healthy."

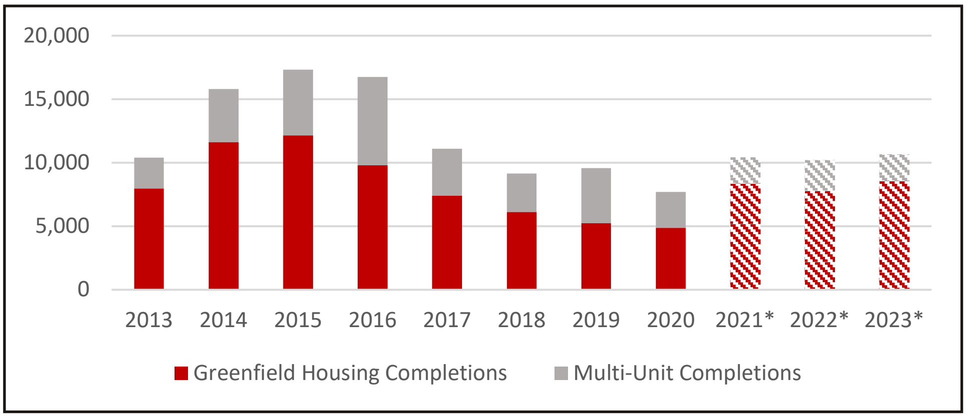
WEST by Commercial & General

PERTH

SUMMARY

- WA's robust economic conditions throughout the 2020 pandemic, including strong jobs and population growth, helped drive positive consumer sentiment and strong market performance across the year.
- The Perth greenfield market recorded the strongest rebound performance across 2020 of all the capital cities with sales up 128% from 2019.
- A significant level of pent up demand, aided by generous government incentives, plus tight bocontrols driving a a flurry of land sales activity across the June and September quarters, before moderating in the December quarter.
- The combined impacts of up to $55,000 in government incentives, the 'island within an island' travel restrictions and purchaser optimism in the economic outlook served to stimulate the strong sales performance across the year.
- The extent to which the 'pull-forward' of demand through 2020 will impact on forward sales is difficult to predict with any degree of accuracy, however it is expected that strong greenfield market performance will continue into mid-2021, before potentially moderating in the second half of the year.

New Residential Market Supply[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

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

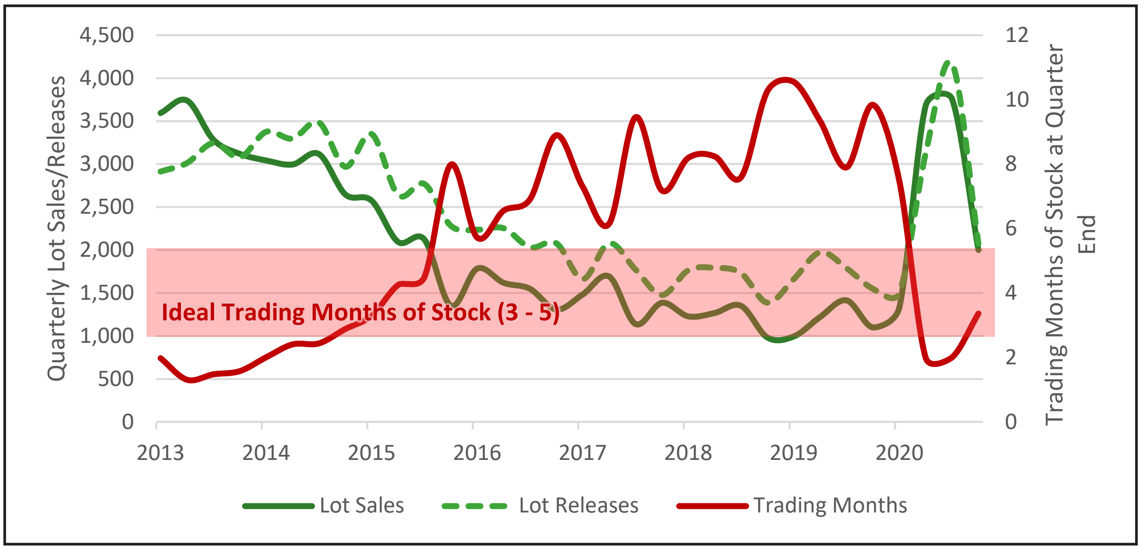
Amberton Beach Coastal Precinct by Stockland

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The Greater Perth greenfield market recorded 10,770 lot sales in 2020, reflecting a 128% annual increase. This is the largest volume of lot sales achieved in Perth since 2014 and the third highest sales result over the 12-year reporting period of the NLS.
- The strong performance was driven by a trebling of sales in the June and September quarters to circa 1,200 lot sales per month, up from 440 sales a month through the March quarter. The December quarter saw a reduction in sales activity to 660 per month, as the market digested the historically high volume of releases and began to reset to more normalised settings.
- Responding to the upswell in buyer demand, developers released 3,130 lots to market in the June quarter (up 209% from March quarter), followed by 4,170 lots in the September quarter – the highest ever quantum of lots released in a quarter in the NLS reporting period.
- The buoyant market conditions resulted in strong clearance rates and an ongoing erosion of the stockpile of unsold stock with the average trading months of unsold plummeting from 9.8 in the December 2019 quarter to 2.0 in the September quarter, before moderating to a more market balanced position of 3.4 months to close the 2020 year.

Annual Greenfield Activity



Source: UDIA; Research4

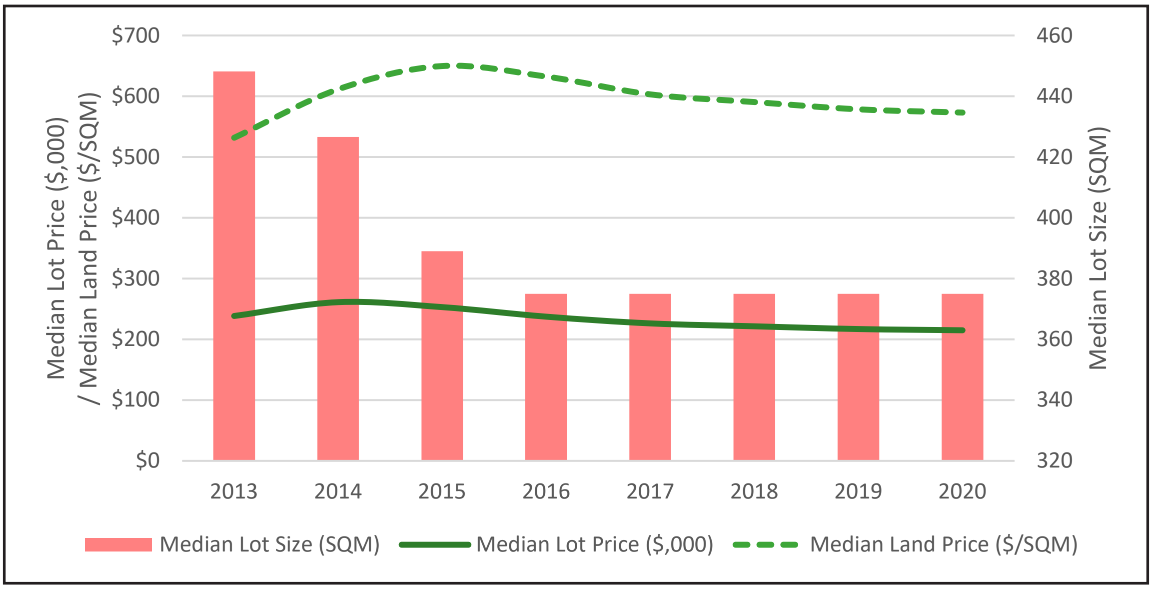
Active Estates & Industry Capacity

- There was an annual record set in 2020 with an average of 187 active land estates across the calendar year. This is up 29% on the 12-year NLS reporting timeframe.
- While the active estate count was only 3% higher than 2019, it reflects a robust industry capacity profile as the surge in demand recorded from the June quarter, was accounted for by the metropolitan spread of 'ready-to-go' trading estates.
- Research4 observes that the production capacity for the 207 estates included in the NLS reporting, is 1,816 lots per month, suggesting that a sustainable level of sales for the Perth market would be 908 sales per month. This is an activity level higher than expected to be achieved across the first half of 2021 (circa 600 lot sales per month). Accordingly, there will be limited opportunity to push prices as the sector will remain very competitive.

Median Lot Pricing

- Similar to the other capital cities (except Sydney) there was no lot price growth across 2020 with all four quarters recording a median of $215,000. This reflected a minor 1% decline from the median price achieved in 2019.
- The current cap of price growth appears to reflect the highly competitive landscape operational across all of Perth's greenfield sub-markets.
- The current median lot price ($215,000) represents 45% of the established median house price of $481,000 (CoreLogic) for Greater Perth (as at November 2020).
- This compares to the long run average of 47% of the median house price (across 2009-2019), indicating that lot pricing is currently under a 'fair-value' benchmark and represents a positive affordability and retail value proposition.

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



Source: UDIA; Research4

Median Lot Sizes

- The Perth median lot size remained at 375 sqm across 2020 continuing a five-year run with no change in median sizing.
- 2020 marks the first time in 11 years of NLS reporting that Sydney has surpassed Perth with smaller median lot size, with a 2020 median size of 372 sqm. This has resulted in Perth relinquishing the title of the smallest median lot sizes in the country.
- With negligible price growth and no change to lot sizing across 2020, the land rate remained steady at $570 psm which represents the lowest rate recorded in Perth since 2013.

Greenfield Sub-markets

- All of Perth's trading sub-markets achieved significant sales volumes growth across 2020. The extremely strong buyer demand which was expressed from late April onwards benefitted all sub-regions but in particular the Peel (+253%) and South West (+171%).
- There were 207 trading estates across 2020 with the highest number of individual estates featured in particulalry competitive South West sub-market.
- Lot Sales Volume Growth, March Q 2020 v September Q 2020:
    - North West: 156%
    - South West: 171%
    - North East: 150%
    - Peel: 253%
    - South East: 120%

Greenfield Market Performance Summary Table

Row Labels	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/M)
2009	6,354	81	502	$205K	$408
2010	6,921	105	488	$210K	$431
2011	5,421	124	479	$230K	$479
2012	9,416	140	465	$227K	$487
2013	13,741	140	448	$238K	$532
2014	11,805	141	427	$261K	$612
2015	8,144	153	389	$253K	$650
2016	6,259	162	375	$237K	$633
2017	5,700	167	375	$226K	$603
2018	4,828	164	375	$222K	$591
2019	4,728	181	375	$217K	$579
2020	10,771	187	375	$215K	$573

Source: UDIA; Research4

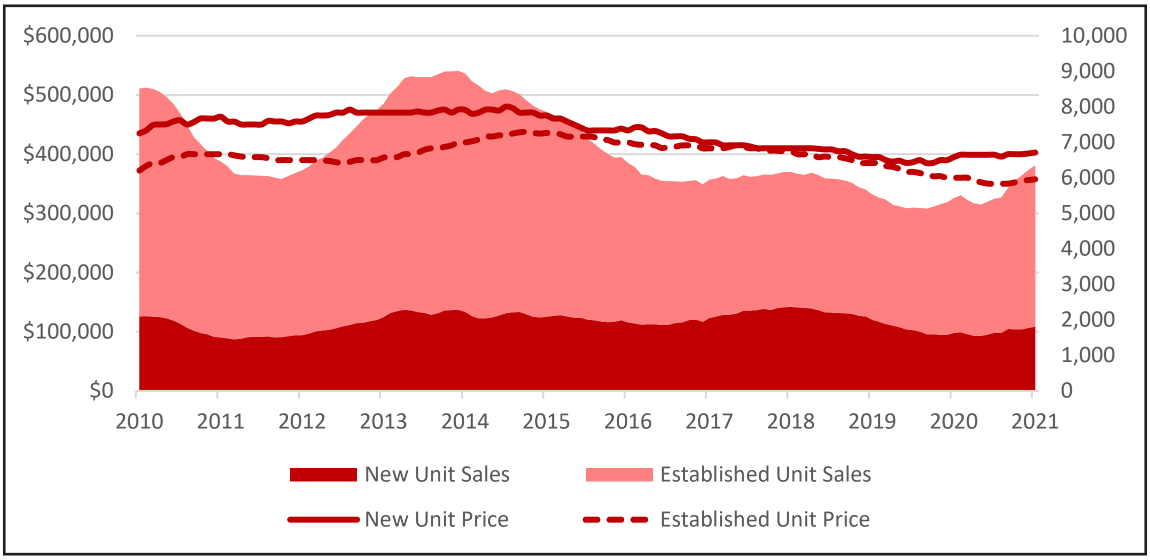
PERTH

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- Perth new unit sales transactions for 2020 were up 13%, but still down 8% on the decade average and maintains the soft sales volumes consistently recorded since the September quarter 2018.
- Despite the heightened activity in the greenfield sector across the year, sales of new apartments and multi-units in Perth remained steady throughout 2020, with a moderate lift of 5% in the second half of the year, reflecting a broader improvement in sentiment & activity across the Perth housing market.
- Despite the second half year improvement, sales activity of new multi-unit sales remained subdued for year, with the HomeBuilder program having limited applicability to the sector, and the 2020 sales volume was down 61% peak of new unit sales in 2014.
- Across the broader whole of market there were 6,230 settled multi-unit dwelling sales across Perth which was up 17% on 2019 volumes, but 31% lower than the peak of unit sales activity in 2013.
- The proportion of new build multi-units (primarily apartments) sales of whole of market activity averaged 28% cross the year, which is in line with the decade, but well down from the 38% of activity recorded in 2017.

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



Source: UDIA; CoreLogic

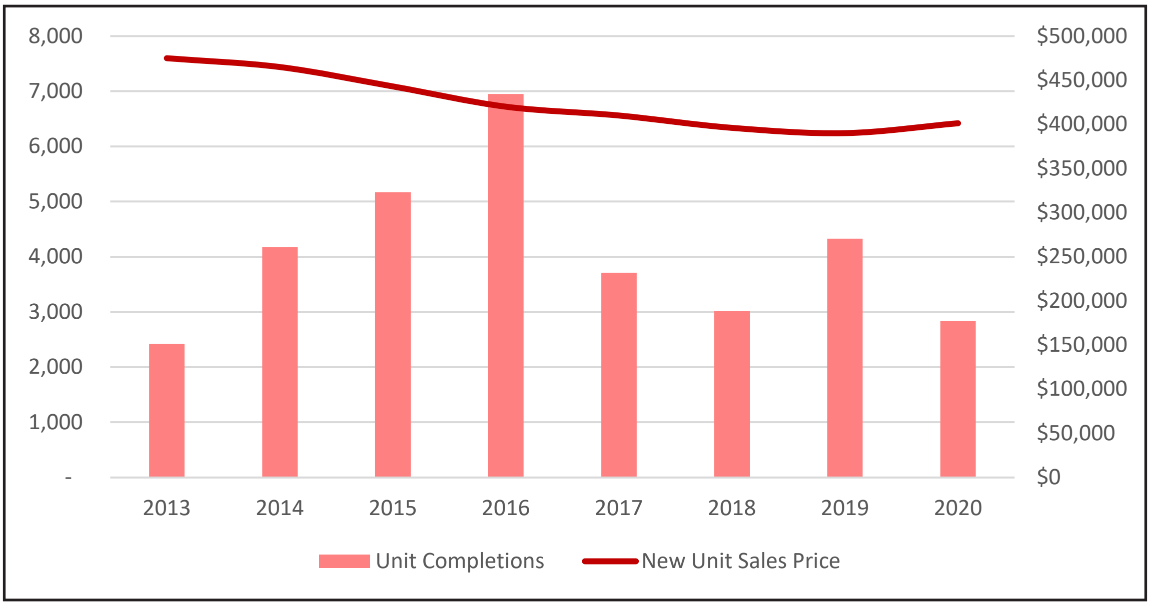
Median Unit Pricing

- The median sale price of new units grew by 2% across the year to $401,000, but is still 16% 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 11% cheaper than Adelaide.
- Median sale value for all multi-units (new and resales) across Perth rose by 4% across the year to $365,040, which continues the recovery in value growth commenced last year, but is still 20% below the peak in mid-2014.
- The current median sale value of new units is currently 27% more affordable the median value for new houses, which is significantly higher than the long term average of 20% cheaper, which represents a positive retail proposition for the market – particularly first home buyers.

Construction Activity

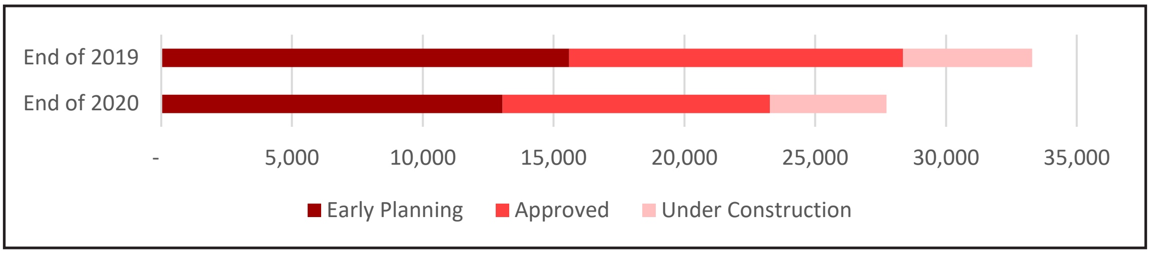
- There was a 35% annual retraction in new multi-unit completions in 2020 to 2,830 reflecting the softening apartment pipeline foreshadowed in recent State of the Land reports.
- The number of completed units is 59% lower than the peak supply achieved in 2016, and is the lowest level of new stock delivered since 2013.
- The inner-middle ring of Perth (between 5km to 10km of the city centre) received the most new unit completions in 2020, with 35% of the total completed supply for the city, with the central city and inner city (within 5km from the Perth GPO) supplying 19% of the new stock.
- On-going unit development in outer metropolitan jurisdictions such as Rockingham, Armadale and Joondalup has once again netted a high proportion of 34% of new stock in the 20km to 50km ring.
- The only capital city with a greater proportion of 2020 completions in the 20km to 50km ring than Perth was Greater Sydney.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis



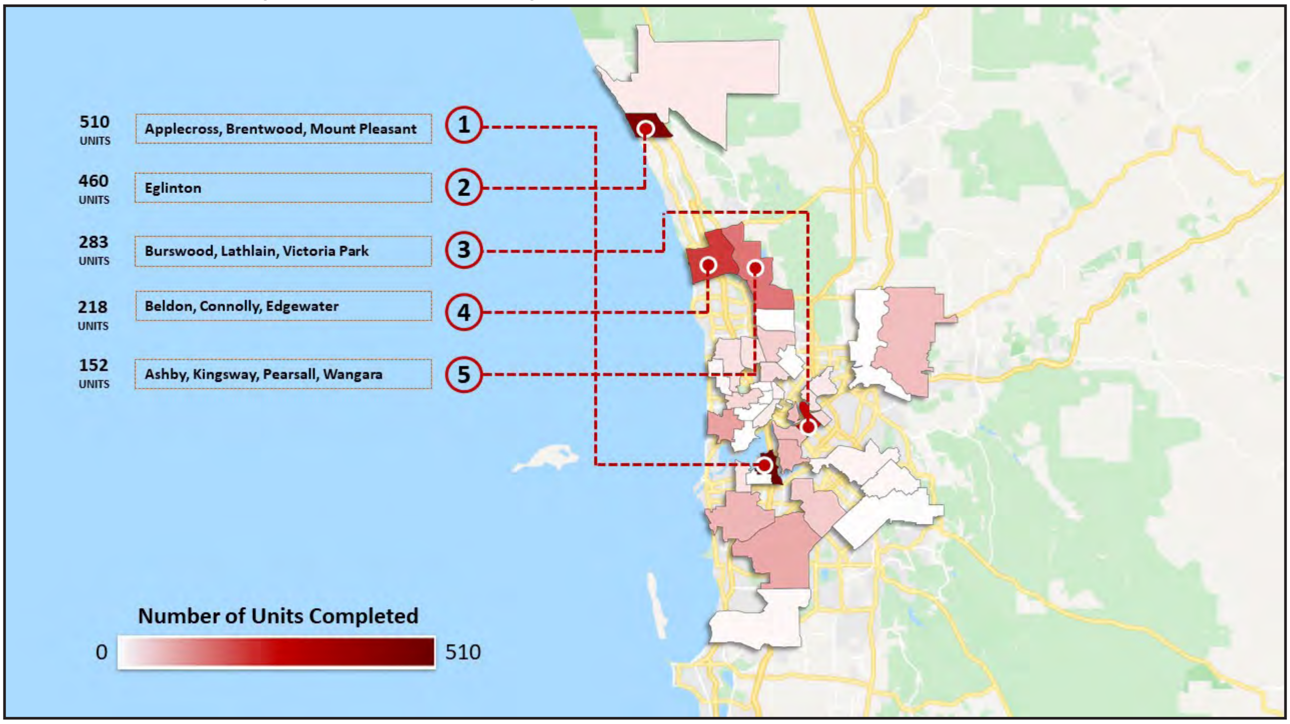
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2019 and December 2020 snapshot of the market leading Cordell Construction database.

- These estimates show that the forward supply of apartments in Perth may be under threat. The total active pipeline numbers just 27,739, down 17% from 2019. This is made up of units under construction (down 9%), approved units yet to start construction (down 20%) and units in early planning (down 16%).
- The on-going contraction of the multi-unit pipeline reflects general softness in Perth's apartment sector, with expectation that subdued activity will continue across 2021.

Multi-Unit Completions 2020, by Postcode



Source: CoreLogic; UDIA

Sub-Market Analysis

- The City of Melville recorded the most settled new unit sales across 2020 with 174 sales with a median price point of $550,000, followed by City of Perth (165 sales, median sales price $485,000) and the City of Stirling (152 sales, median sales price of $375,000).
- 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 Wanneroo led the way with 645 new apartments completed, Melville with 549 new units and Victoria Park with 283 units.

Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2010	1,524	$460,000	5,038	$400,000	-	-
2011	1,565	$455,000	4,576	$390,000	-	-
2012	2,002	$470,000	5,909	$390,000	-	-
2013	2,284	$475,000	6,729	$420,000	5,137	2,421
2014	2,067	$465,000	5,866	$435,000	7,755	4,179
2015	1,990	$443,000	4,596	$420,000	7,080	5,168
2016	1,945	$420,000	3,873	$410,000	5,982	6,951
2017	2,358	$410,000	3,808	$405,000	5,094	3,713
2018	2,096	$396,000	3,573	$385,000	2,945	3,018
2019	1,574	$390,000	3,737	$360,000	3,466	4,328
2020	1,775	$401,215	4,455	$356,079	2,964	2,833

Source: CoreLogic; UDIA

RESEARCH PARTNER: CORELOGIC
WA 2021 OUTLOOK

"The WA dwelling market has begun a long-awaited recovery trend. Perth values were up 3.8% in the three months to January, following a peak-to-trough decline in values of 28.6% between June 2014 and July 2020.

Regional Western Australian values increased 4.3% in the three months to January following a 41.3% decline between January 2008 and September 2020. The long correction across Western Australian dwelling values has meant there is a high level of affordability across the state, relative to other parts of the country.

This cyclical recovery is being supported by low mortgage rates, ongoing fiscal support for housing and a rebound in mining activity across the state. As dwelling values rise, sales and listings activity is also expected to increase over 2021.

Strong increases in rental values may also see an increase in property investment activity over the year."

PERTH

STATE POLICY ENVIRONMENT

Current Policy Landscape Scan

- Given almost all observers are expecting the re-election of the McGowen Government in March, there is unlikely to be any significant policy shift, with the Government remaining focused on delivering its METRONET rail infrastructure program whilst also continuing with its conservative approach to managing the state's finances. With the planning reform agenda accelerated as part of the Government's response to COVID-19, we anticipate the adoption of State Planning Policy (SPP) 3.6 Infrastructure Contributions following the election with the draft Medium Density Residential Design Code is likely follow later in the year. After several years, we are hopeful that land tenure reform will be delivered this year with the Community Titles Regulations scheduled to come into operation in the middle of the year.

Biggest challenges & advocacy wins from 2020

- With the onset of COVID-19 and weekly lot sales halving between March and April 2020, UDIA WA's launched its economic mitigation and recovery plan, 'Ready to Rebuild' in April. As a direct result of the State and UDIA National's recovery plan together with joint advocacy between UDIA WA and other WA based peak industry bodies, in May the State and Federal Governments announced the introduction of the Building Bonus and HomeBuilder stimulus programs.
- With the virus under control and consumer confidence returning, fuelled by the introduction of the $25,000 and $20,000 grants, housing demand surged and UDIA WA's attention turned to ensuring the delivery of the grants. Given the scale of demand and relatively low levels of titled stock available, significant efforts were spent on gaining an extension to the delivery timeframe associated with the Building Bonus scheme and expanding the 'Off the Plan Duty Rebate Scheme' for apartments to maximise the economic benefits of the stimulus programs. Similarly, UDIA also worked closely with all approval agencies to ensure the efficient delivery of titled stock to the market ahead of the closing of the grants.

- **Outlook for policy development & advocacy for 2021**

- After the closing of the WA Building Bonus, and the reduction in the HomeBuilder grant, lot sales are expected to continue to fall from the peak experienced in the later half of 2020. However, with consumer sentiment and demand for housing remaining strong, as evidenced by a rental vacancy rate below 1%, the market is expected to perform reasonably well despite the pull forward impact of the joint stimulus.
- Nevertheless, there remains considerable market uncertainty, particularly regarding the accuracy of population growth estimates immediately post Covid-19, but also regarding the longer-term implications of closed international borders. As such, a key priority for UDIA WA in 2021 will be the development of a population strategy. In addition, addressing the current rental crisis and the challenges faced by the Perth apartment market, which has remained subdued for a number of years is a key priority area for UDIA WA's 2021 Policy Priorities campaign.

Brendan Acott

Managing Director

LWP Group

"Although we saw glimpses of a market recovery that began in the second half 2019, in early 2020 COVID changed the property landscape. Tight health restrictions imposed stopped community spread enabling the WA economy to reopen quickly providing confidence to the broader community. This confidence was further buoyed by the federal Homebuilder Grant and State Building Bonus which made purchasing home and land compelling. As a result, land sales materially increased in the second half of 2020 and into 2021. WA's management of COVID has seen expats both domestic and international return home and mining companies have largely mandated an intrastate FIFO workforce turning around an extended downturn in WA's population growth. 2021 looks positive for the Western Australian land market both in terms of volume and price growth - population growth continues to trend positively, unemployment is falling materially, we have the second highest median wage in the country but the second cheapest median house prices."

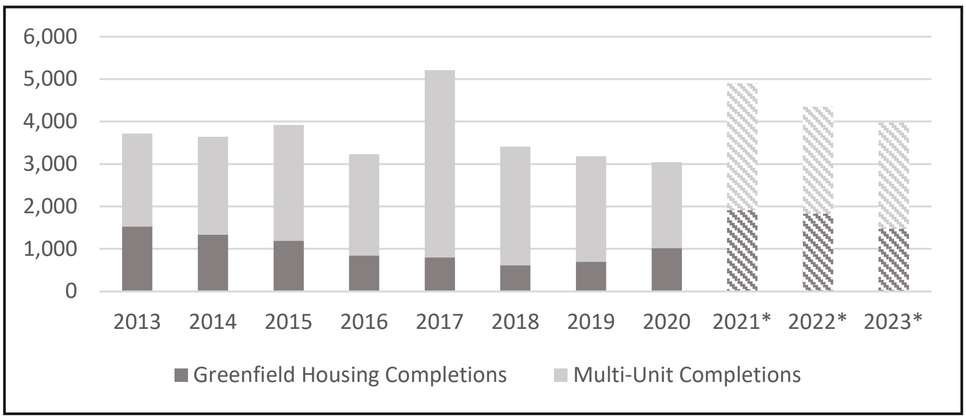
Gallery Estate by Satterley

ACT

SUMMARY

- The ACT's new housing market finished the year in a robust position, despite the on-going challenges presented by the pandemic.
- Canberra's greenfield land market enjoyed a bumper 2020 with a 57% uplift in lot release activity with 2,490 lots released to market across the year, which represents a record annual supply level.
- Underpinned by improved consumer sentiment and the HomeBuilder program, the ACT greenfield sector experienced a record year of lot sales in 2020 with a doubling of sales volumes from 2019, to average 205 net lot sales per month.
- ACT housing prices were hardly impacted through the COVID period to date, tracking 11.7% higher than the previous record high. Driven by strong momentum in the Greenfield land sales with a second half of the year
- Completion of new residential supply remained subdued in 2020, with a total of 3,040 new dwellings being added to the ACT dwelling base. This was the lowest annual quantum of new dwellings delivered over the last decade, however a ramp-up of supply output in forecast over the coming three years.

New Residential Market Supply[1]



*UDIA Estimates

Source: UDIA; CoreLogic; Research4

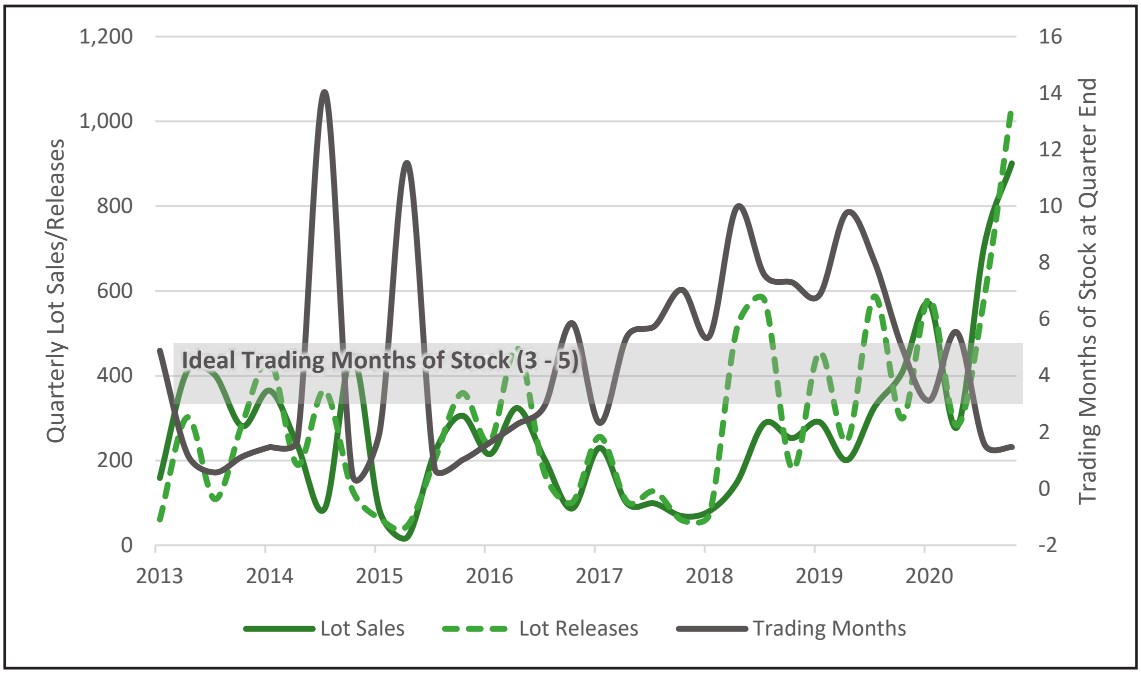
[1] This figure includes annual estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered under *State of the Land* reporting including small scale infill subdivisions and secondary/knock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

GREENFIELD MARKET ANALYSIS

Sales and Release Activity

- The ACT greenfield sector experienced a record year of lot sales in 2020 with a doubling of sales volumes from 2019, to average 205 net lot sales per month.
- This is comfortably the strongest annual trading result for the ACT since Research4 commenced the National Land Survey in 2009, and reflects a particularly productive trading period in the second half of 2020, with the September and December quarters averaging 236 and 300 net lot sales per month respectively.
- The uptick in sales performance was supported by healthy releases of stock to market by the development industry which averaged 622 new lots per quarter across 2020.
- The December quarter saw a new NLS record set for the ACT with a standout 1,040 releases, which is 91% higher than the long term quarterly release volumes.
- Clearance rates averaged 101% across the year with the September quarter netting a 121% clearance result which significantly eroded the stockpile of unsold inventory.
- At the commencement of 2020 there was 5.0 average months of unsold trading stock available, as compared to at the close of the December quarter when there was just 1.2 average months of supply available, highlighting the strong market absorption across the second half of 2020.

Annual Greenfield Activity



Source: UDIA; Research4

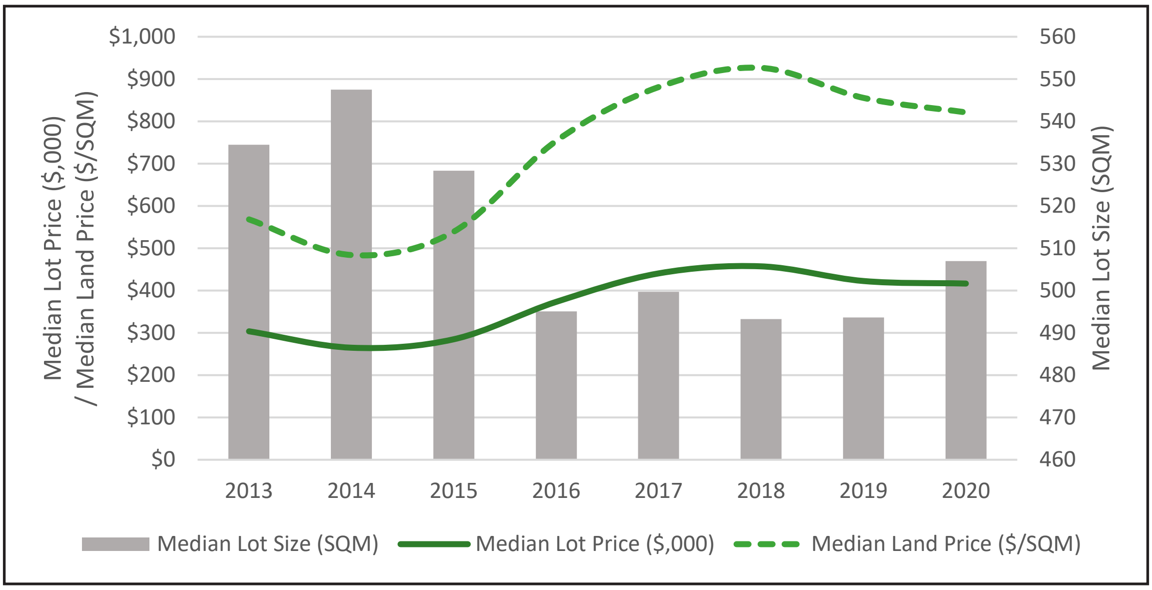
Active Estates & Industry Capacity

- The outperformance in sales activity across 2020 was supported by a record average number of 12 active trading estates. The annual average count of estates recording sales each quarter was triple the count of 2018 and continues to build as the Territory's growth corridors continue to mature and expand.

Median Lot Pricing

- The ACT median lot price contracted by 1% across 2020 to average $417,000 for the year. The moderation of land pricing is partly reflective of the heightened competitive landscape, with more active selling estates than recent years, and is also related to land pricing getting ahead of price growth in the established housing market.
- The December quarter median lot price was $403,000 which represented 56% of the established median house price of $720,000 (CoreLogic) for ACT (as at November 2020). This compares to the long run average of 58% of the median house price (across 2009-2018), indicating that median lot pricing is slightly below a 'fair-value' benchmark, and provides a competitive retail sale proposition.

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



Source: UDIA; Research4

Median Lot Sizes

- The ACT median lot size increased across the year by 3% to 507sqm. This bucked the trend of lot size reductions seen across most other capitals and helps further entrench the nation's capital as continuing to comfortably hold claim to the largest lot sizes across the capital cities.
- The modest shifts in pricing and lots sizes resulted in the annual median land rate retracting by 4% to average $821 psm – representing the most affordable rate recorded since 2016.

Greenfield Market Performance Summary Table

Row Labels	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/M)
2009	1,165	6	506	$222K	$439
2010	1,927	7	467	$259K	$556
2011	1,828	7	481	$264K	$550
2012	1,314	7	499	$266K	$533
2013	1,254	7	535	$304K	$568
2014	1,136	5	548	$265K	$484
2015	625	4	528	$285K	$539
2016	829	4	495	$373K	$754
2017	497	3	500	$441K	$881
2018	771	4	493	$457K	$927
2019	1,225	8	494	$423K	$856
2020	2,457	12	507	$417K	$821

Source: UDIA; Research4

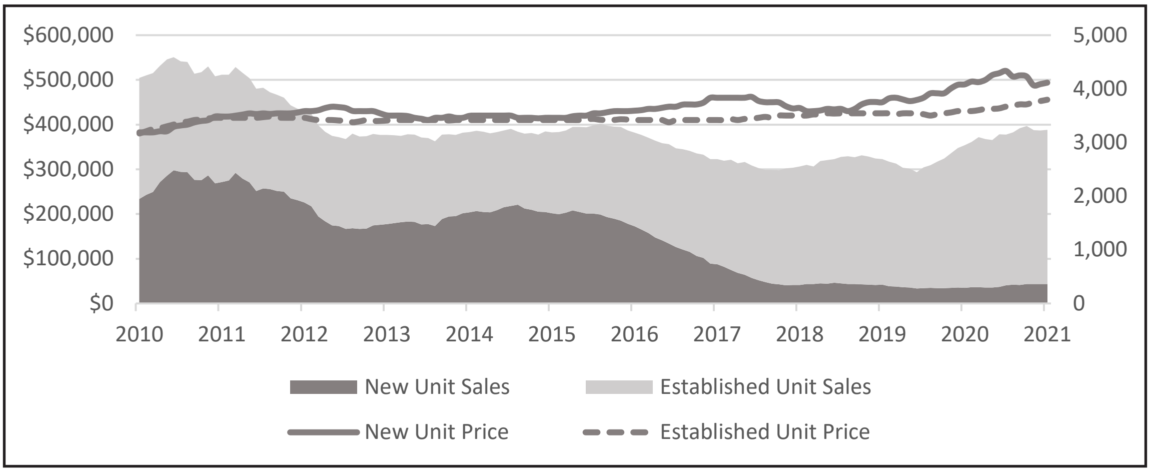
ACT

MULTI-UNIT|INFILL ANALYSIS

Sales Activity

- New unit sales across the ACT for 2020 remained subdued with just 359 settled sales transacting across the year, which was 70% below the decade average and maintains the soft sales volumes consistently recorded since mid-2016.
- Sales activity of new apartments and multi-units across Canberra remained relatively consistent across the year, in contrast to the heightened activity experienced in the greenfield sector – stimulated by the HomeBuilder program.
- With the HomeBuilder program having limited applicability to the multi-unit sector, sales volumes remained subdued, and down 84% to the peak of new unit sales in 2010.
- Across the broader whole of market there were 3,222 settled multi-unit dwelling sales across the ACT which was up 11% on 2019 volumes and represents the most annual unit transactions across the last decade.
- Over the last decade new build multi-units (primarily apartments) have averaged 34% of total annual unit sales activity. In 2020 new units sales accounted for just 11% of total sales highlighting the current softness of the multi-unit sector.

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



Source: UDIA; CoreLogic

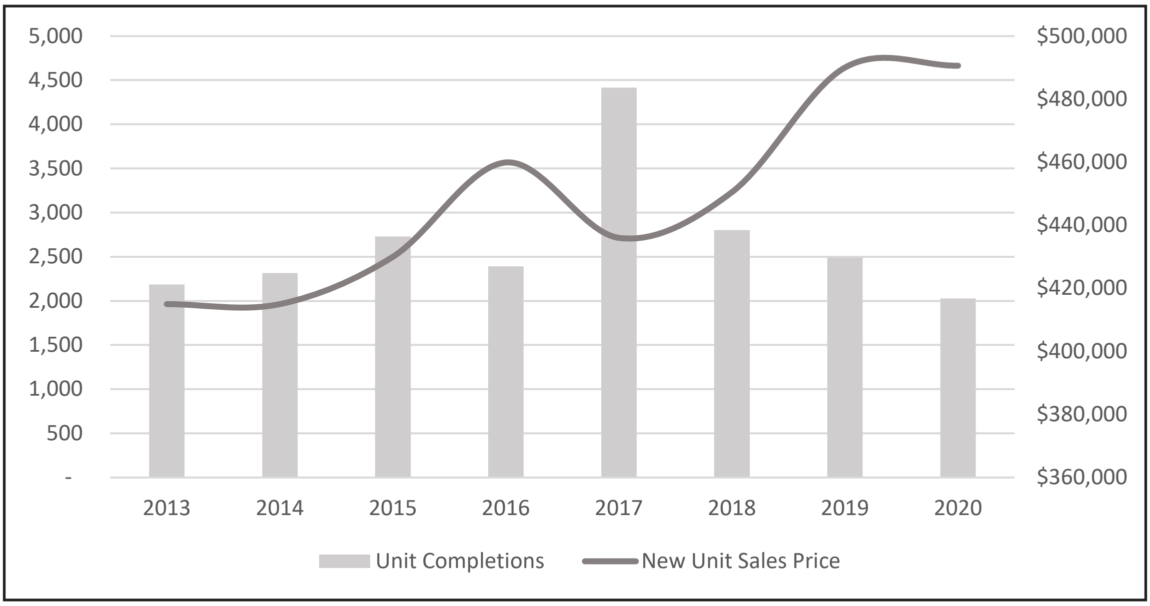
Median Unit Pricing

- There was no growth in the annual median sale price of new units for 2020 which remained at $490,000, however there has been a 13% growth in pricing since 2017.
- The median price for the ACT's newly constructed units is currently 32% more affordable than median pricing for Sydney's units and 22% more affordable than Melbourne's. For the third year running Canberra's unit pricing was higher than SEQ.
- The median sale value for all multi-units (new and resales) across the ACT increased by 4% across the year to $468,000, which represents the peak value achieved for the unit sector.
- The current median sale value of new units is currently 32% more affordable the median value for new houses, which is significantly lower than the long term average of 22% cheaper, which represents a positive retail proposition for the multi-unit market – particularly first home buyers.

Construction Activity

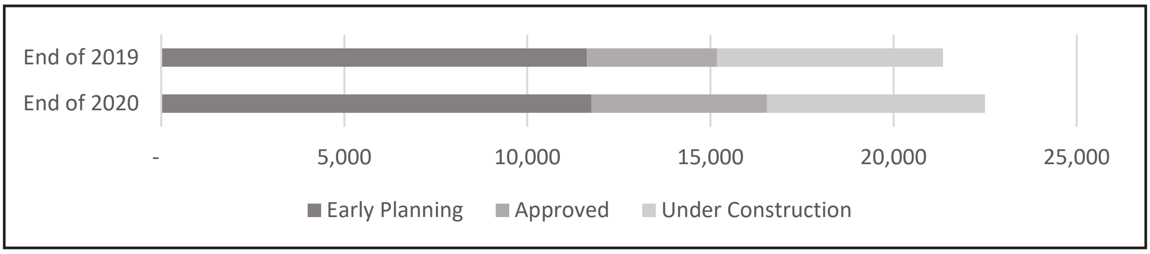
- Completions of new multi-unit dwelling completions in the ACT were tempered further in 2020, returning to 2016 levels. In total there were 2,026 multi-unit dwellings completed in the ACT in 2020, a year-on-year decline of-19%, and-54% below the peak of 4,415 units delivered in 2017.
- The largest supply of completed multi-units were delivered in Canberra's outer metropolitan areas, more than 10km from the GPO, where 971 units were completed across the year, equating to 48% of new supply. This reflects strong unit completion in Gungahlin, postcode 2912, with 522 units which was the most of any postcode for the year, and postcode 2611 in Canberra's West with 227 units which includes Weston Creek, Fisher & Coombs.
- The postcode which contributed the second most to new multi-unit supply was 2612 (Turner, Reid, Campbell, Braddon) which had 503 new unit completions in 2020.

Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic

Multi-Unit Active Pipeline Analysis



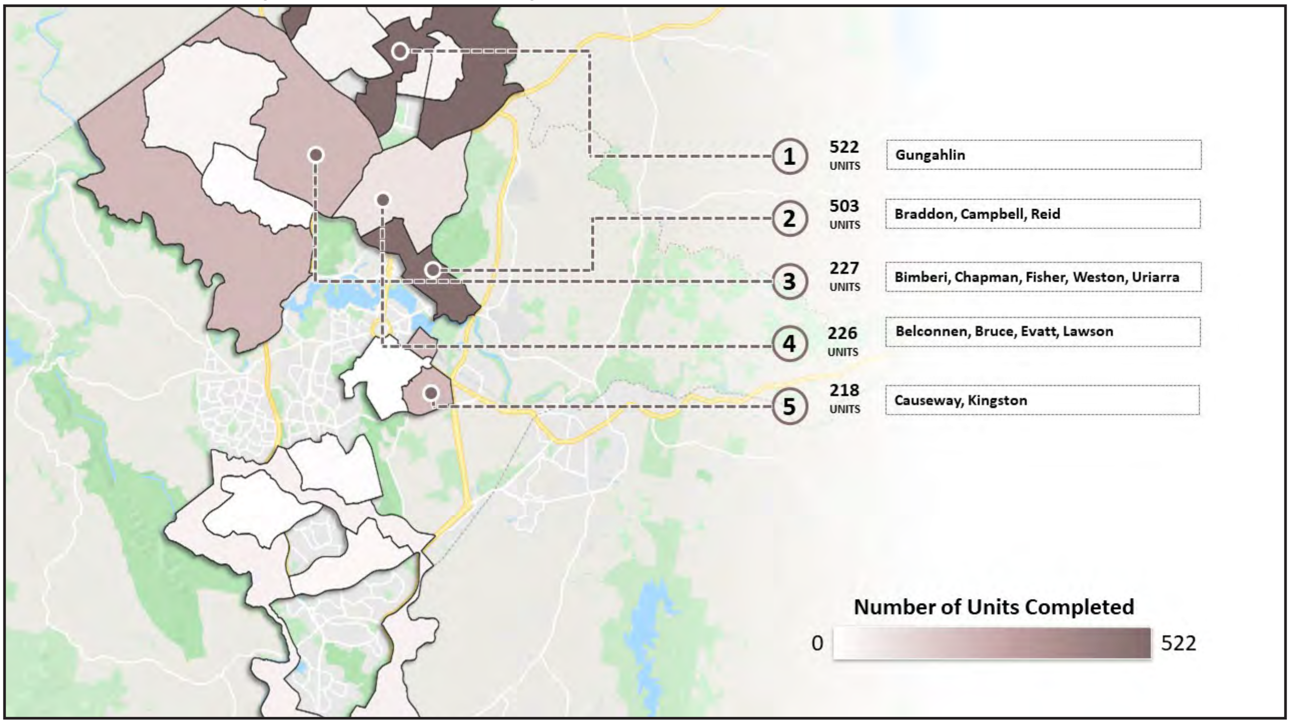
Source: UDIA; CoreLogic

Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on a December 2019 and December 2020 snapshot of the market leading Cordell Construction database.

- The total active pipeline in the ACT numbered 22,500 units, which is a 5% increase on 2019. Canberra is the only Capital City to record an aggregate increase in units in the pipeline across the year, signalling industry confidence in forward demand.
- The pipeline recorded a 35% increase of units which have been approved in 2020, which has driven the aggregate growth of the ACT multi-unit pipeline, while units in the early planning phase remained stable at circa 11,700 units, and there was a 4% reduction of units in construction as at December 2020.

Multi-Unit Completions 2020, by Postcode



Source: CoreLogic; UDIA

Sub-Market Analysis

- Kingston once again recorded the most multi-unit sales for the year with 213 settled transactions which represented a 20% increase on 2019 sales, followed by Braddon with 188 sales, Belconnen with 163 sales and Bruce with 132 sales.
- The strongest annual median unit price growth of suburbs recording more than 100 sales in the year was Turner with 16% price growth, followed by Griffith with 12% price growth and Franklin with 10% price growth. Kingston as the leading suburb by new sales recorded a 2.4% pricing retraction to end the year with a median unit sale price of $548,500.

Multi-Unit Market Performance Summary Table

	New Unit Sales	New Unit Sales Price	Established Unit Sales	Established Unit Sales Price	Unit Approvals	Unit Completions
2010	2,240	$417,900	1,995	$415,000	-	-
2011	1,924	$427,000	1,706	$415,000	-	-
2012	1,468	$425,000	1,673	$408,000	-	-
2013	1,678	$415,000	1,507	$410,000	3,216	2,186
2014	1,703	$415,000	1,502	$410,000	2,229	2,316
2015	1,487	$430,000	1,737	$411,000	3,160	2,729
2016	742	$459,900	1,947	$410,000	4,898	2,390
2017	345	$436,000	2,187	$420,000	3,385	4,415
2018	345	$450,500	2,356	$425,000	5,785	2,800
2019	297	$489,000	2,601	$430,000	3,583	2,488
2020	359	$490,580	2,863	$452,379	3,569	2,026

Source: CoreLogic; UDIA

RESEARCH PARTNER: CORELOGIC
ACT 2021 OUTLOOK

"ACT dwelling values had among the highest increases in Australia over 2020, with dwelling values up 7.5% in the year. The ACT dwelling market has been additionally buoyed with strong labour market conditions amid record-low interest rates, and low levels of stock on the market (total listings levels are currently sitting around 30% below the 5 year average). Dwellings are more affordable than in Sydney and Melbourne, at least relative to local incomes, suggesting affordability will not be as much of a constraint on growth.

The unit segment gained momentum through the December quarter, coinciding with a 13.8% jump in the value of investor finance commitments. However, with the amount of units under construction well above the decade average, the rate of growth may soon be tempered. Houses are expected to remain in high demand, supported by a refresh of the first home loan deposit scheme midway through 2021."

ACT

TERRITORY POLICY ENVIRONMENT

- The re-election of the Labour/Greens coalition government in August 2020 provided an important frame for the various reform and strategic policy development initiatives underway of relevance to the Territory's property sector. UDIA applauds the various government agencies in managing to execute forward policy & strategy works through the COVID-19 disrupted year relatively unabated.

- The ACT Planning Review and Reform process continued across 2020 and has now moved from the Strategic Directions Settings phase – which involves the development of preferred approaches for the reform for the future ACT planning system – into the Implementation phase.

- UDIA is supportive of the spirit of the review to be holistic and reform to deliver more 'spatially-led' and 'outcomes focussed' planning system. This will place more emphasis on strategic planning and spatial policy setting, at different scales – from the city-level to the local-area and site levels of planning, whilst also striving for improved planning & built-form outcomes. These are all directions supported by industry, and we look forward to engaging with the implementation stages of the review across 2021.

- The Review of the Territory Plan continued across 2020 with a focus on correcting the balance between certainty and flexibility. Industry is eagerly awaiting the release of the Review in mid-2021 with the focus on simplicity and facilitation of greater housing diversity.

- The 2020/21 Indicative Land Release Plan (ILRP) sets out a fouryear outlook for urban development across Canberra with a delimitation of all the government's land releases of residential, mixed-use, commercial, industrial and non-urban lands. The latest 2020/21 ILRP foreshadowed capacity within the forward release schedule for 13,290 dwellings from a mixture of greenfield estates and urban renewal projects, with a heavy weighting to infill projects in line with the Government's stated strategy of deliver a more compact and sustainable city. The program for 2020-21 land release reflects a total of 3,043 dwellings comprising 1,626 units, 223 compact/medium density dwellings and 1,194 single residential blocks.

- Whilst the UDIA supports the governments compact and sustainable city objectives it will need to continue to carefully monitor and consider the appropriate balance between infill and greenfield development and changes to support the diverse housing needs and preferences of a growing population.

- Longer term the Labour/Greens coalition government continues with its gradual implementation of tax reforms to do away with stamp duty to be replaced by increases in general rates. The ACT continues to lead the way in adopting these type of tax reforms which ultimately should provide a much more efficient and fairer system for both government and the property industry.

Nick Georgalis
Founder and *Managing Director*
Geocon

"Canberra has once again proven that job security is a driving force behind a stable housing market with growth across all property indicators, midway through the FY. For Geocon, this has meant record settlements for the financial year, which will top almost 1500 by July 1.

With Canberra very much in recovery mode, we expect to see more growth in 2021-22. Although, a greater pipeline of work is required to meet demand in both greenfields and urban-density development."

Midnight by GEOCON

Montego Hills by
Villawood Properties

ABOUT UDIA

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

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

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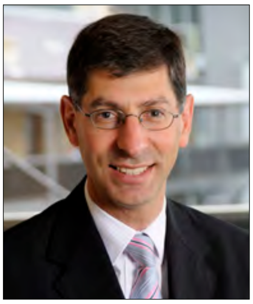

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Gallery Estate by Satterley

UDIA STATE OF THE LAND 2020

Southpoint, South Bank by Anthony John Group

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