UDIA State of The Land 2024

National Residential Greenfield and Apartment Market Study

Released March 2024

UDIA STATE OF THE LAND 2024

UDIA Urban Development Institute of Australia NATIONAL

2024 STATE OF THE LAND
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STATE OF THE LAND REPORTING COVERAGE

The UDIA State of the Land (SOTL) report has evolved into one of the most comprehensive annual accounts of new residential market activity across Australia's major capital cities. The core data we showcase in this publication is provided by our State of the Land Research Partners: Research4 (greenfield land), CoreLogic (multi-unit sales volumes and pricing) and Charter Keck Cramer (multi-unit supply and completions forecasts).

Between 2013 and 2023 State of the Land reporting has captured on average 62% of total national net dwelling additions.

In addition to SOTL data reporting not covering Hobart, Darwin and much of Regional Australia SOTL reporting also does not capture some development activity in national greenfield corridors (including various small-scale subdivisions <25 lots) and some activity in established urban areas (such as secondary dwellings and <5 unit incremental infill developments).

Nevertheless, the strong national coverage featured in UDIA's State of the Land, twinned with inputs from across the national development sector strongly positions UDIA to provide informed market performance forecasts for our major capital cities and recommendations for policy reform and development.

State of the Land 2024 Reporting Geographies

South East Queensland | Greater Sydney Mega Region | Greater Melbourne & Geelong | Greater Perth | Greater Adelaide | ACT

2024 STATE OF THE LAND MAJOR SPONSOR

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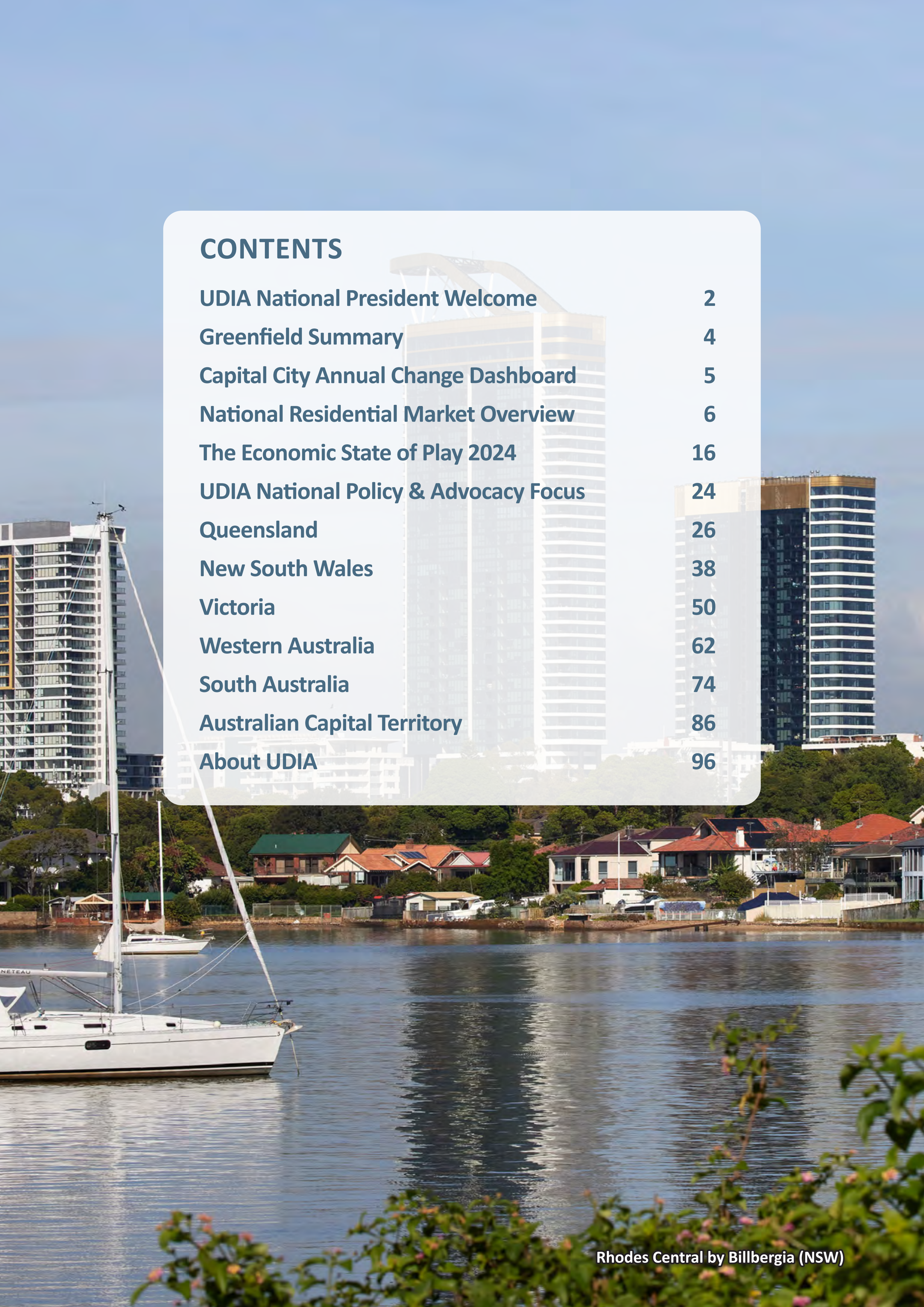


Rhodes Central by Billbergia (NSW)

CONTENTS

WELCOME TO THE 2024 ANNUAL STATE OF THE LAND REPORT

Once again the Urban Development Institute of Australia (UDIA) State of the Land 2024 report has delivered the industry's most comprehensive overview of new home markets across our major capital cities.

The 2024 State of the Land is a critical resource for industry to understand market dynamics, particularly considering the challenging economic landscape.

Housing supply shortages are the continuing concern, with aggregate annual lot sales down 28% (62% down from the peak of 2021) and multi-unit aggregate sales down 12% (51% down on the decade average).

The structural issues in the market continue to dog the industry with material costs remaining well above historical averages impacting viability, labour shortages constraining build capacity and a lack of development ready land.

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

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

The 2024 edition of the State of the Land is the Government's "report card" on its efforts to boost housing supply and affordability. It gives an unvarnished account of the traction of Government action and industry health.

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

A key insight is that the downward momentum in total housing supply, has not slowed despite improving performance in the apartment markets and flattening inflation figures. Some of the issue is the lag effects on housing, but mostly, the weight of systemic market problems at the front end of housing delivery, is pulling down supply and ratcheting up prices along with rents.

This sits in stark contrast with the ambitions of Government to build 1.2 million homes over 5 years.

Since the release of last year's State of the Land report population growth has surged to record levels, underpinned by unprecedented levels of immigration. This increased demand profile has coincided with slowing aggregate housing production across most capital city markets which is pushing dwelling prices northwards and placing enormous pressure on rental markets.

Across the past two decades Australia has significantly under delivered new dwelling supply across the nation. This undersupply has contributed to the on-going erosion of housing affordability and to driving down home-ownership rates and increasing household indebtedness.

"This report is the clear evidence that Government needs more focus on boosting development ready land supply if it is to have any hope of achieving its ambition to permanently ease housing affordability and improve dwelling delivery."

Col Dutton, UDIA National President

Despite the crucial efforts on the Housing Australia Future Fund (HAFF), the National Housing Accord target of 1.2m houses, and numerous supply initiatives, Government is not yet effectively impacting key fault lines in the market; front end problems with land supply, zoned land, skilled labour, infrastructure and planning/environmental approvals.

This report is the clear evidence that Government needs more focus on boosting development ready land supply if it is to have any hope of achieving its ambition to permanently ease housing affordability and improve dwelling delivery.

Over the past 12 months, national housing values have made a full recovery from peak to trough of-7.5% according to CoreLogic.

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

National residential annual lot releases decreased by 26% in 2023 with a total of 36,500 lots released which is the lowest volume released since 2012 and a startling 56% decline on the volume released in 2021.

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

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

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

We thank Research4 and CoreLogic who serve as our long-standing research partners for the State of the Land report. We are delighted to also welcome Charter Keck Cramer as an additional research partner for this year's report. These three leading property market analysts data points and insights underpin the comprehensive evidence base that is presented in this report. I also deeply thank the UDIA team who compile, draft and manage the project as well as the valuable contributions from each UDIA State office. We look forward to continuing our work on the critical issues facing the Australian development industry.

Col Dutton
UDIA National President

Newport by Stockland (QLD)

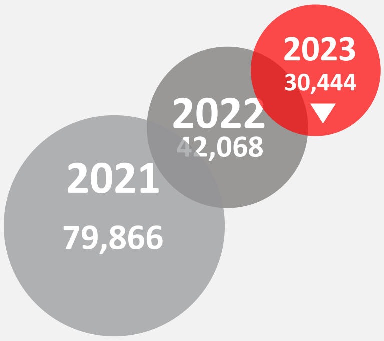
UDIA State of the Land 2024

Greenfield Summary

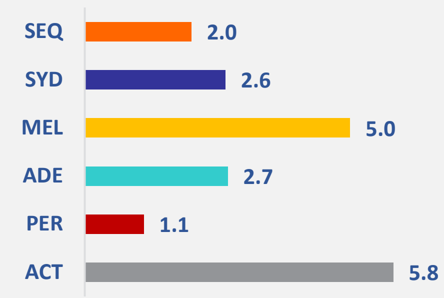
NEW RELEASES (2023)

		Annual Change
SEQ	8,652	▼ 15%
SYD	5,971	▼ 35%
MEL	8,907	▼ 50%
ADL	3,035	▼ 19%
PER	9,468	▲ 26%
ACT	415	▼ 45%

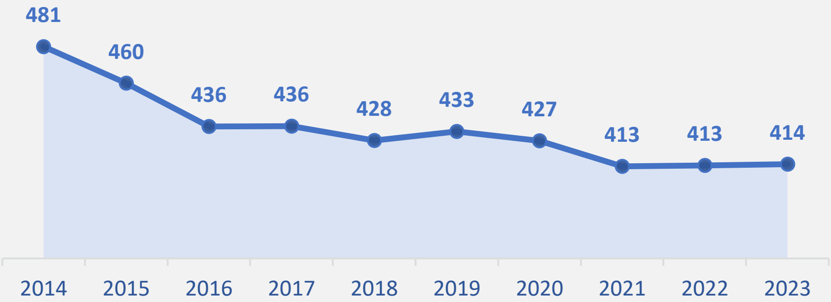
NATIONAL ANNUAL LOT SALES



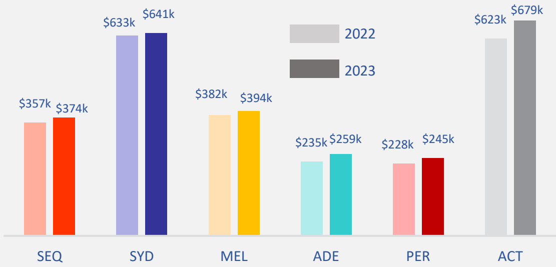
TRADING MONTHS OF STOCK (as at Q4 2023)



COMBINED CAPITAL CITIES ANNUAL MEDIAN LOT SIZE (sqm)



MEDIAN LOT PRICES (2022 v 2023)



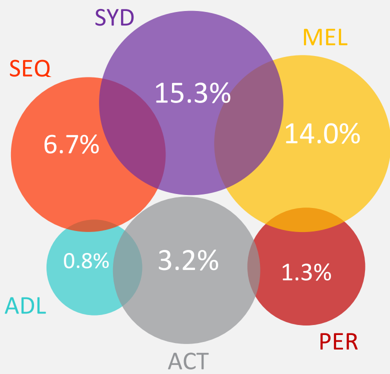
Source: Research4

Multi-Unit Summary

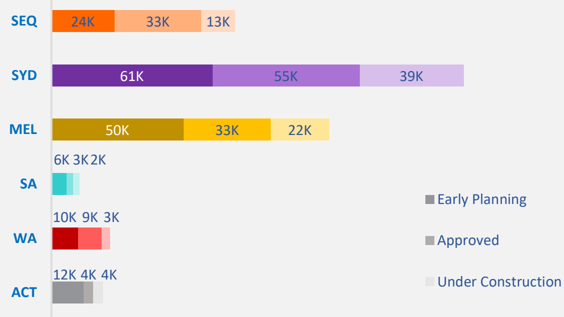
NEW UNIT COMPLETIONS (2023)

		Annual Change
SEQ	8,870	▲ 18%
SYD	17,935	▲ 2%
MEL	17,803	▲ 9%
ADL	995	▼ 49%
PER	2,097	▲ 3%
ACT	3,784	▼ 2%

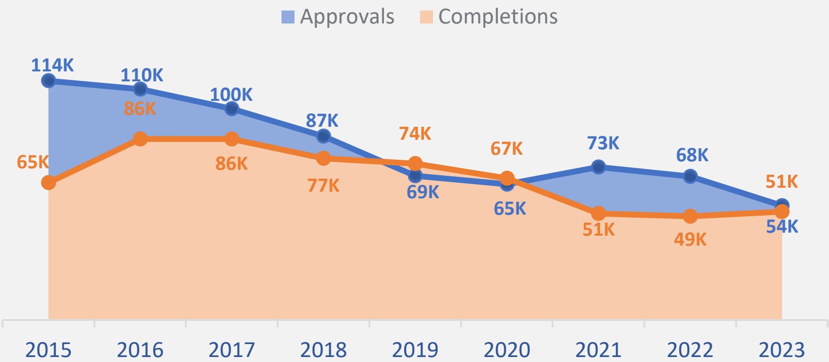
BTS COMPLETIONS SHARE (2023)



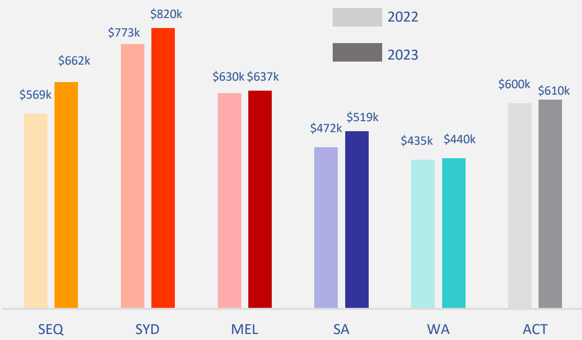
UNITS PIPELINE (as at Q4 2023)



ANNUAL NATIONAL NEW UNIT COMPLETIONS AND APPROVALS



MEDIAN SALE PRICE OF NEW UNITS (2022 v 2023)



Source: CoreLogic; Charter Keck Cramer

UDIA State of the Land 2024

Capital City Market Performance Dashboard – Annual Change (2022 – 2023)

	SEQ	Greater Sydney	Greater Melbourne	Greater Adelaide	Greater Perth	ACT
Total New Dwellings Completed	-9% ↓	-6% ↓	-7% ↓	-23% ↓	-7% ↓	-16% ↓
Greenfield Market						
Greenfield Lot Sales	-21% ↓	-41% ↓	-55% ↓	-27% ↓	55% ↑	-54% ↓
Greenfield Lot Releases	-15% ↓	-35% ↓	-50% ↓	-19% ↓	26% ↑	-45% ↓
Greenfield Median Lot Price	5% ↑	1% ↑	3% ↑	10% ↑	8% ↑	9% ↑
Greenfield Median Lot Size	421sqm ↑	426sqm ↑	353sqm ⇆	426sqm ↓	375sqm ⇆	483sqm ↑
Multi-Unit | Infill Market						
Multi-Unit Sales Volume (New)	14% ↑	-9% ↓	2% ↑	-21% ↓	-1% ↑	11% ↑
Multi-Unit Completions	18% ↑	2% ↑	9% ↑	-49% ↓	3% ↑	-2% ↓
Multi-Unit Median Sale Price (New)	15% ↑	6% ↑	1% ↑	10% ↑	1% ↑	2% ↑
Under Construction	-15% ↓	-1% ↓	-26% ↓	213% ↑	-35% ↓	-34% ↓

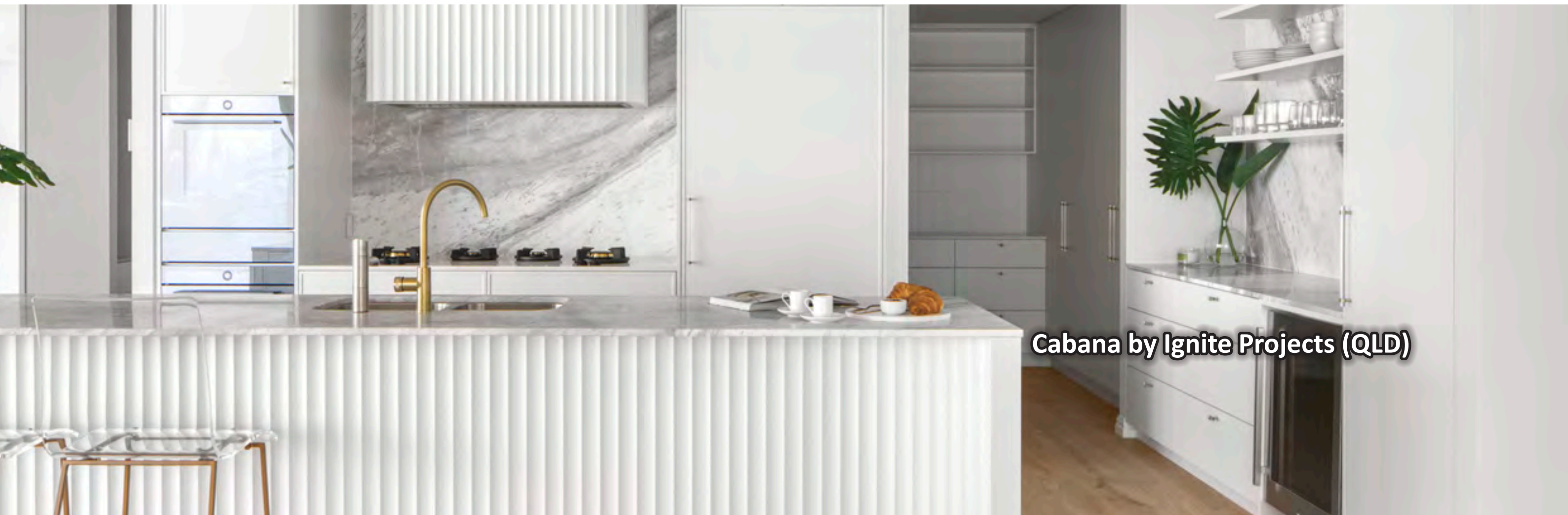
NATIONAL RESIDENTIAL MARKET OVERVIEW

NATIONAL GREENFIELD PERFORMANCE SNAPSHOT, 2023

- The national greenfield land market recorded a subdued 2023 calendar year with aggregate annual lot sales down 28% to reach 30,440.
- Soft consumer demand for greenfield lots was recorded across the nation (with the notable exception of Greater Perth) which drove the second straight year of dramatically reduced sales volumes which were the equal second lowest achieved in 15 years and down 62% from the peak of 2021.
- Responding to the greatly weakened demand profile, as well as industry-wide capacity issues, a total of just 36,450 lots were released by developers to market in 2023. This reflected a 26% reduction on 2022 releases, a 54% reduction on the peak of 2021 release volumes, and a 33% reduction against the decade average.
- Despite the drop off in new land sales all capital city markets recorded an increase in median lot pricing led by Adelaide (+10%) and the ACT (+9%) which now has the most expensive greenfield lots in the nation ($679,375).
- There was no change in the national median lot size in 2023 (which remained at 414 sqm) as developers largely held firm on inventory sizing across the year.
- The national land price grew 4.8% across the year to $1,030 per sqm which reflects a far more modest increase to the 22% growth achieved in 2022 and 14% in 2021.
- UDIA estimates that there were approximately 33,265 completions of detached houses in the nation's greenfield release areas in 2023, representing a 13% growth on 2022 completions.

NATIONAL MULTI-UNIT PERFORMANCE SNAPSHOT, 2023

- The national new build multi-unit market experienced another soft year of activity with aggregate settled sales down 2% to total 19,289, which is down 50% on the decade average.
- Median pricing for new apartments and townhouses grew by 6% across the 2023 calendar year for the combined capital city regions to reach $614,741. This annual growth rate is far stronger than the 3.1% average annual growth achieved across the last decade, and is symptomatic of limited supply and a general 'flight to quality' products across most markets
- There was a total of 51,500 multi-unit completions across 2023 which reflected a 4% increase on 2022 but is 26% below the decade average and 40% lower than the volume of completions achieved across 2015 and 2016.
- The Build to Sell (BTS) apartment sector underpins national multi-unit completion volumes and this sector has exhibited the most weakness in recent years with aggregate completed supply dropping by two thirds since 2016.
- The emerging Build to Rent (BTR) apartment sector has also been impacted by the challenging conditions facing the broader multi-unit sector, including spiralling construction costs and skilled trades shortages.
- Nationally just 790 BTR units were completed in 2023 which is a 65% drop from 2022. It is however expected that there will be a upswing in BTR completions over the coming three years, which whilst positive will not counter-balance the broader retraction in unit delivery expected across the combined capital cities.



Cabana by Ignite Projects (QLD)

NATIONAL RESIDENTIAL MARKET OVERVIEW

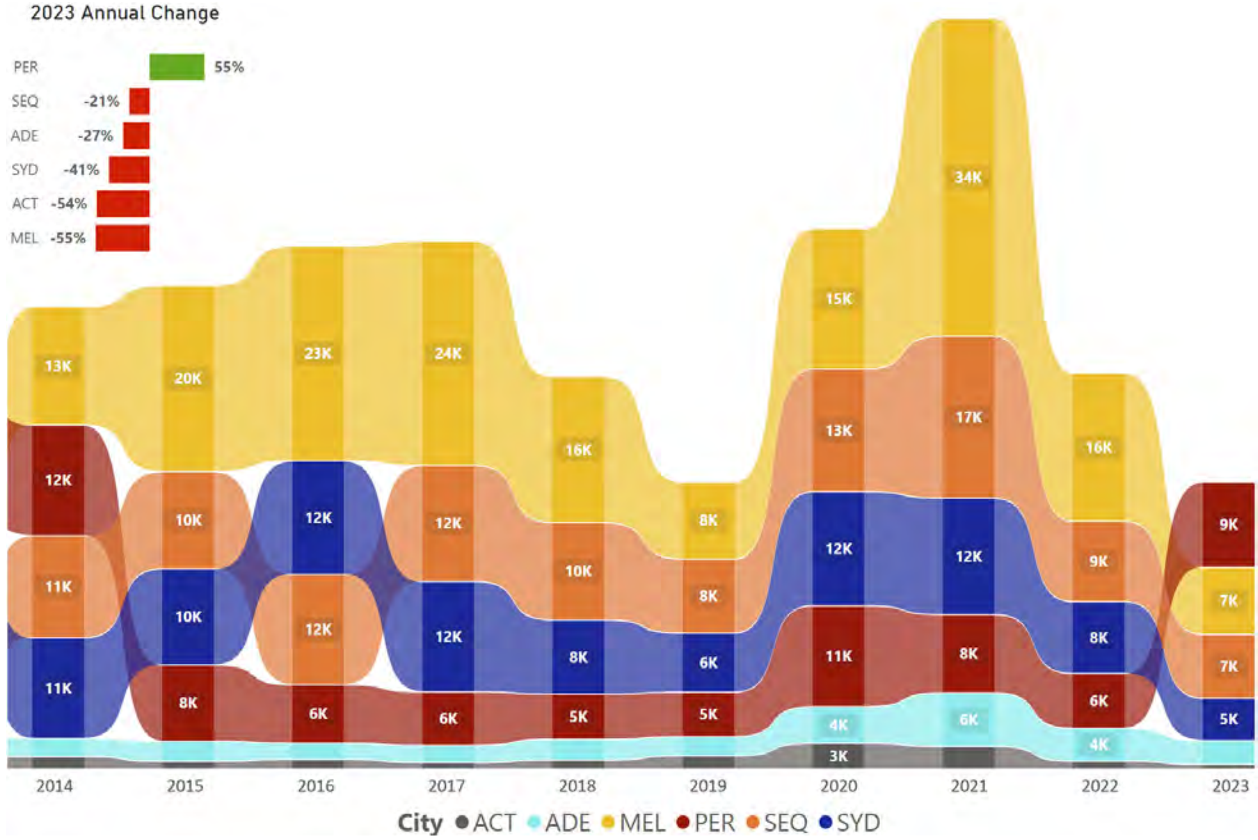
GREENFIELD RESIDENTIAL LAND MARKET ANALYSIS

DATA STATEMENT: UDIA's State of the Land reporting harnesses data from Research4's National Land Survey[1] as the principal greenfield data for reporting on market activity and for forecasting forward detached dwelling completions across the nation's greenfield release corridors.

Lot Sales

- **National** residential lot sales in 2023 across the capital city markets decreased by 28% on 2022 volumes with a total of 30,440 contracted lot sales, which was 40% lower than the decade average.
- **All markets** except Greater Perth recorded significant reductions in sales volumes to drive the equal softest (with 2019) combined capital city lot sale volume result since 2009.
- **Greater Perth** was the stand-out performer in 2023 with a total of 9,090 lot sales, which was 55% growth on 2022 and comprised the largest annual sales volume achieved by any capital city market.
- **Greater Melbourne** is historically the nation's largest greenfield market accounting for 35% of all lot sales over the 2014-2023 period. However, 2023 saw a 55% reduction in sales (following a similar proportional annual reduction from 2022 sales volumes) to place this market in second place in terms of aggregate capital city market sales.
- **South East Queensland** recorded a 21% reduction in lot sales in 2023 with a total of 6,800 annual transactions which is 38% below the decade average and the lowest sales volume achieved since 2012.
- **Greater Sydney** recorded just 4,510 lot sales in 2023 reflecting a 41% drop on 2022 volumes which was 55% lower than the decade average and the lowest annual greenfield sales quantum achieved since 2011.
- **Greater Adelaide's** lot sales were down 27% on 2022 volumes with 2,570 transactions, which is 55% lower than the peak sales volumes achieved in 2021 but only 7% below the decade average.
- The **Australian Capital Territory** saw lot sales almost dry up completely in 2023 with just 302 contracted sales. This reflected a 54% reduction on 2022 volumes and was 74% below the decade average.

Figure 1.1: Annual Greenfield Lot Sales



Source: UDIA; Research4

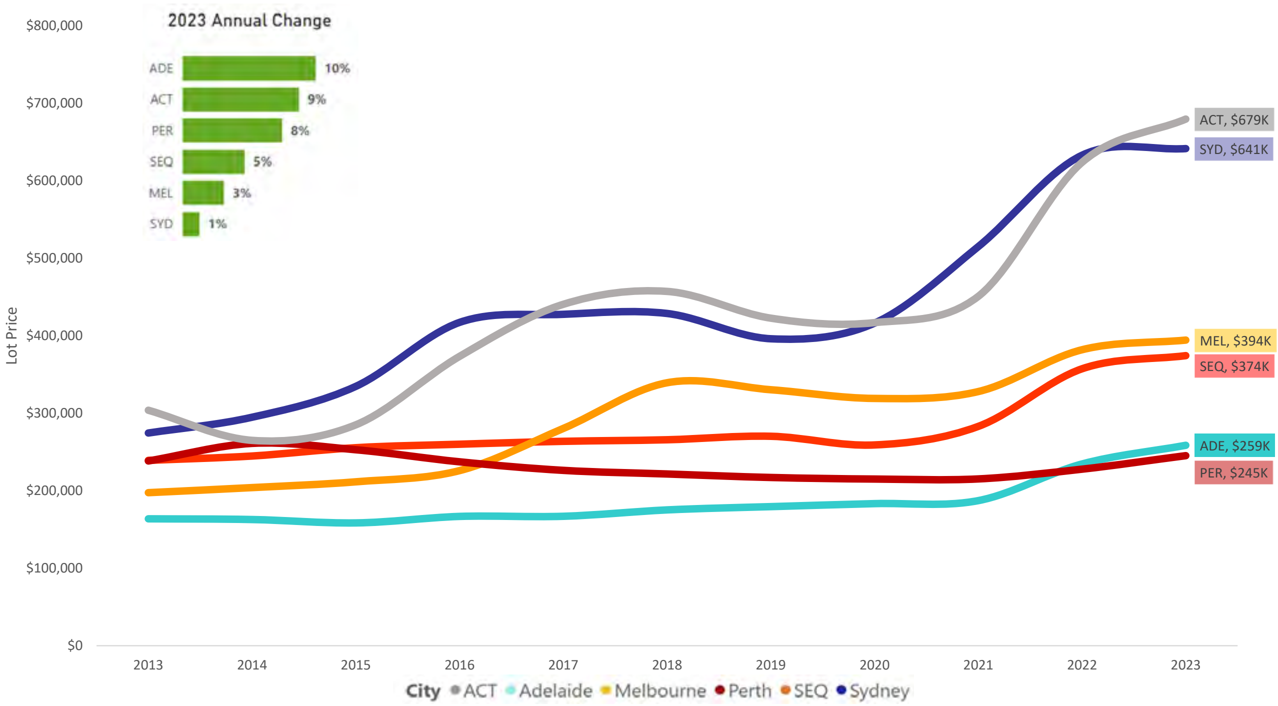
1 The Research4 National Land Survey is the most comprehensive long-running survey covering the nation's major residential greenfield markets. http//www.researchfour.com/#what-we-do

NATIONAL RESIDENTIAL MARKET OVERVIEW

Lot Prices ($)

- In 2023 the **ACT** reclaimed the title as the most expensive greenfield land market in the nation registering a median lot price of $679,375. This reflects a 9% annual growth, which whilst modest compared to the 38% uplift in pricing recorded between 2021 to 2022, still places the ACT at 82% higher than the combined capital city average ($373,240).
- **Greater Sydney's** median lot price grew by the least of any market with a modest 1.3% uplift on 2022 to reach $641,250, which still reflects a 54% increase on 2020 pricing and 72% higher than the national average.
- Despite low annual sales volumes, median price growth remained relatively muted in **Greater Melbourne** growing 3.2% across 2023 to reach $394,250- which is around a third of the average annual growth rate achieved across the last twelve years.
- **SEQ's** lot pricing grew 4.8% to $374,250 which makes this important greenfield market 42% more affordable than Greater Sydney but is now only 5% cheaper than Greater Melbourne – a pricing differential which has continued to narrow since 2018.
- **Greater Perth** recorded a 7.7% growth in median lot pricing to reach $245,250 which, while a substantial increase, still saw the retention of the mantle of Australia's most affordable capital greenfield market – a title reclaimed in 2022 after more than a decade from Greater Adelaide.
- **Greater Adelaide's** median lot price grew 10.3% in 2023 to $258,560 which reflected a 31% discount on the national average and 60% more affordable than Sydney lot pricing.

Figure 1.2: Median Lot Price

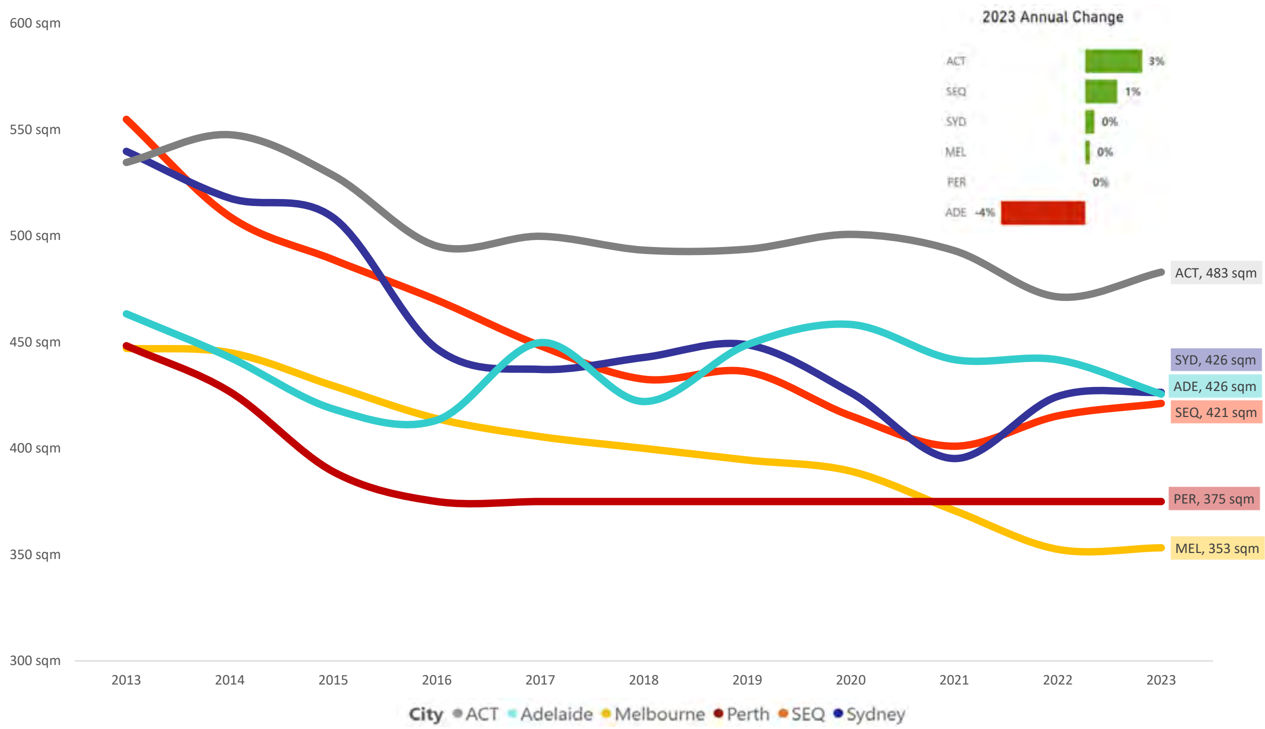


Source: UDIA; Research4

Lot Sizes (sqm)

- The **national** median lot size held steady for the third consecutive year to remain at 414 sqm[2] which counters the trend observed over the 2009 to 2020 period which saw an average lot size reduction of 2% per annum.
- The **ACT** retains it's long-held position as having the largest lot sizes in the nation with a median of 483 sqm which was boosted by a 2.5% growth on median lot sizing from 2022.
- The other market recording a notable increase in median lot size was **SEQ** which was up 1.4% to 421 sqm.
- **Greater Adelaide** was the only market to record a decrease in median lot size with a drop of 3.7% to reach 426 sqm.
- **Greater Perth** recorded a remarkable eighth straight year of median lot sizing remaining at 375 sqm, while **Melbourne** retains the smallest median lot size in the country at 353 sqm.

Figure 1.3: Median Lot Size



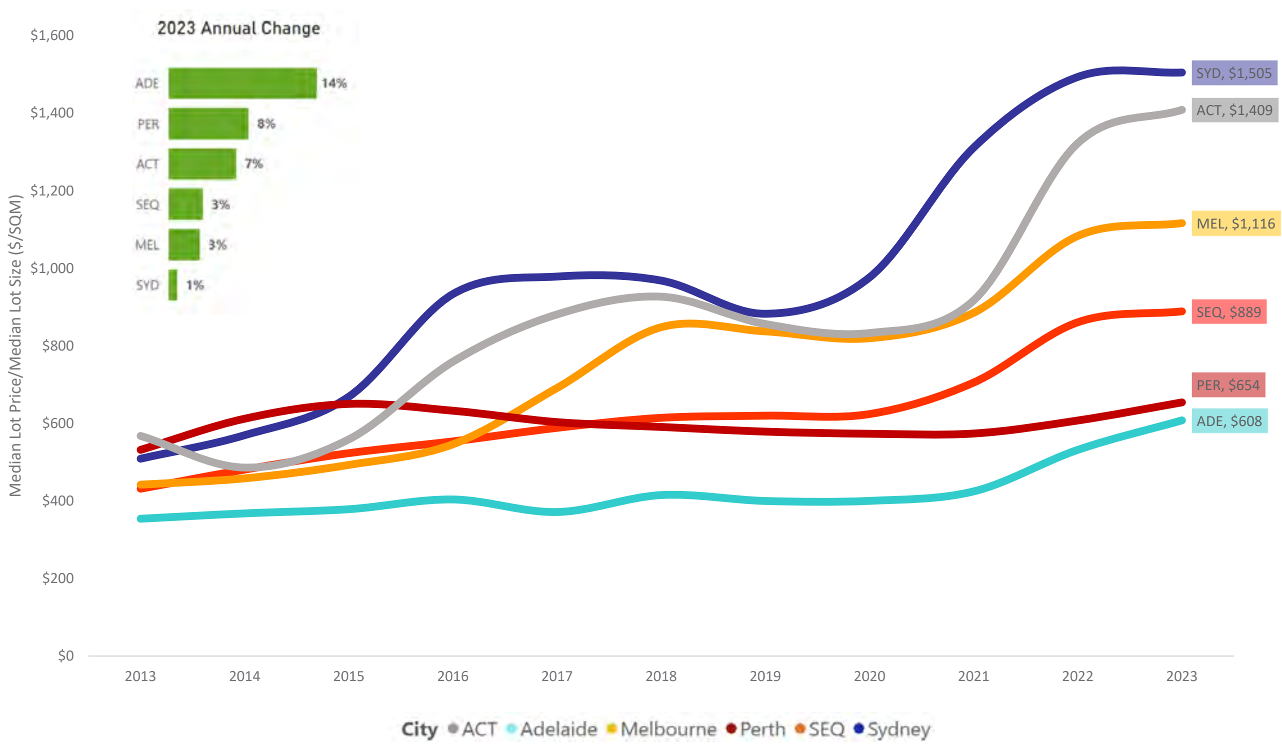
Source: UDIA; Research4

2 Note – The 2024 State of the Land report has adopted adjusted reporting geographies for Sydney and Melbourne which has impacted on various metrics reported on the 2023 report and earlier releases including median lot sizes.

Land Price ($/sqm)

- The **combined capital city** land price increased by 5% across 2023 to lift above the one thousand dollars a square metre level for the first time to reach $1,030 per sqm.
- **Greater Adelaide** recorded the strongest lift in land pricing, growing by 14% to reach $608 per sqm, but this still positioned this market as the most affordable in the nation on this $/sqm metric.
- **Greater Perth** also recorded strong growth (+7.7%) in land pricing in 2023 to reach $654 per sqm which flows on from 5.8% growth achieved in 2022.
- **Greater Sydney** remains the most expensive land market in the nation with a median price of $1,505 in 2023; however the **ACT** continues to narrow the margin in second position with annual growth of 6.5% to reach $1,409 per sqm.
- **SEQ** and **Greater Melbourne** both recorded annual land price growth of circa 3% in 2023 to reach $1,116 and $889 respectively.

Figure 1.4: Median Land Price



Source: UDIA; Research4

RESEARCH4 NATIONAL GREENFIELD OUTLOOK 2024

Colin Keane, Director, Research4

The outlook for 2024, is for demand to continue to move back toward long running averages. This pathway may be defined by short periods of over selling and then under selling, but the trend should be upward. It is suggested that this ongoing improvement in demand will highlight more the issues around not having sufficient supply and effective levels of competition. Pricing pressure will increase, driven by rising costs associated with development and tight personal budgets. This tension will in part shift demand toward smaller land product and integrated housing options, but also run the risk of simply pricing people out of the market.

Land supply remains an issue for most markets. Fortunately, most greenfield markets are currently not under any serious pressure, however it is likely that pressure will grow over the 2024 year and into 2025. If Australia is facing a housing crisis now, then what it might be facing in a years' time may need a stronger adjective. Once again, governments fail to see the urgency in ensuring adequate levels of active supply and associated development capacity. Melbourne greenfield supply has the capacity to bring on new projects for a further 4 years, before running into supply problems. Sydney can bring on new estates for a further 7 years and SEQ can bring replacement projects into the market for an estimated 5 years. The above numbers assume that long running replacement rates for new projects continue over the coming years, while also assuming that there are limited planning barriers associated with future supply. At the end of these time periods, supply will not be zero, but the number of trading projects will reduce, impacting capacity to address demand in a timely and affordable way.

Vivente in Hammond Park by Richard Noble & Company (WA)

NATIONAL RESIDENTIAL MARKET OVERVIEW

MULTI-UNIT RESIDENTIAL MARKET ANALYSIS

UDIA's State of the Land reporting harnesses a range of CoreLogic data and insights on historical and projected forward multi-unit market performance. In the 2024 reporting the CoreLogic data is complemented by supply data supplied by Charter Keck Cramer which covers the Build-to-Sell (BTS) and Build-to-Rent (BTR) apartment sectors across all major Australian mainland capital city regions.

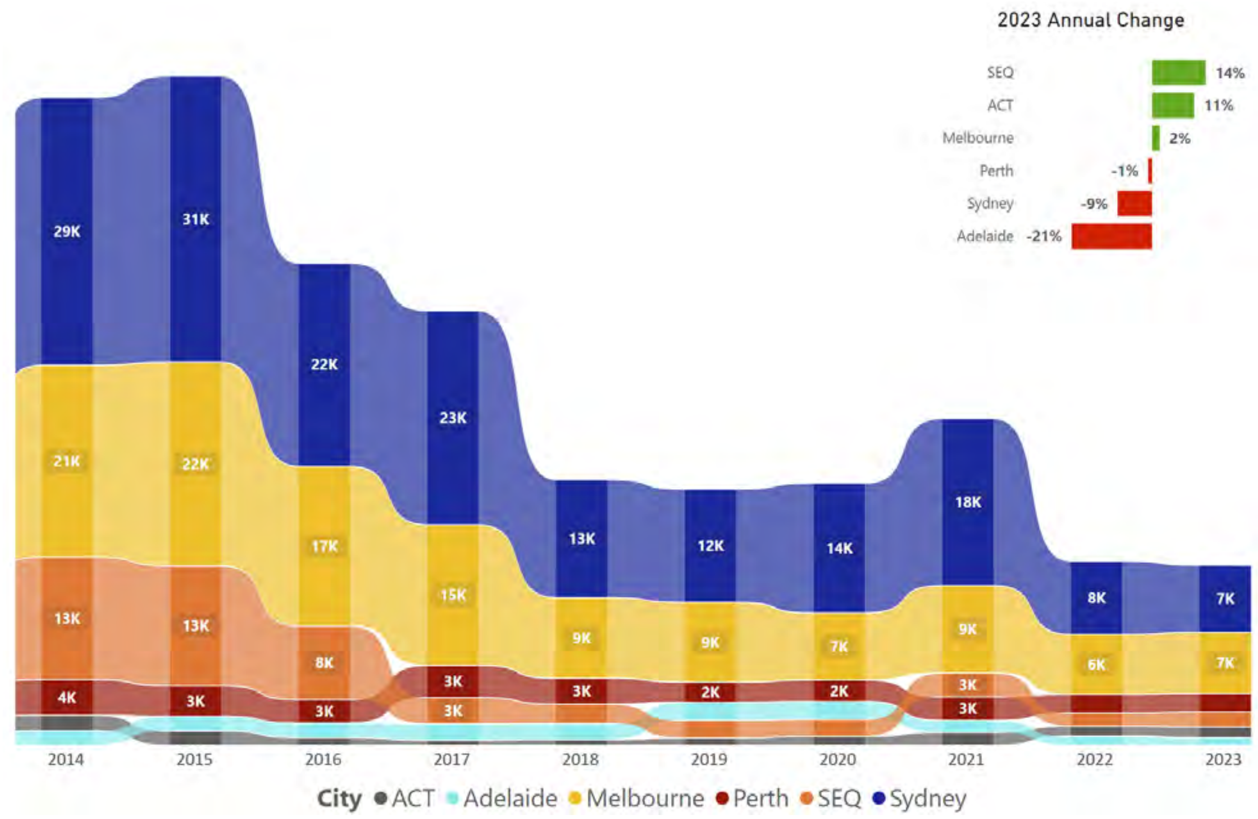
New Multi-Unit Sales Activity

- The **national** new build multi-unit market experienced another soft year of activity in 2023 with aggregate settled sales down 2% to total 19,289, which is down 52% on the decade average.
- **All markets** except Greater Perth recorded reductions in sales volumes to drive the softest combined capital city region new unit sale volume result for over a decade.
- New unit sales volumes have reduced **every year since 2015** (when transaction volumes peaked at 74,525 sales) with the exception of 2021 where there was a modest upward correction but there has been a further cliff-fall of sales in the subsequent two years.
- **Greater Sydney's** new unit sales transactions for 2023 were down 9% across the year and down 61% on the decade average with a total of 7,218 sales. This quantum of mega-region sales is 78% below the peak of activity of 2015.
- **Greater Melbourne** is comfortably the second largest multi unit market in the nation after Greater Sydney, and it recorded a relatively modest 2% growth in sales volumes to total 6,629 transactions which is 70% beneath the peak achieved in 2015.
- **SEQ's** annual new multi-unit settled sales volumes increased by the most of any capital city market with a 14% growth across the year with just 1,614 sales which is 70% below the decade average.
- **Greater Perth's** multi-unit sector recorded a marginal 1% decline in sales across the year, with 1,985 annual sales which is 50% beneath the peak achieved in 2014 and 31% below the decade average.
- **Greater Adelaide's** multi-unit new sales market further declined by 21% in 2023 to record just 688 transactions which is only 89 transactions greater than the lowest annual volume recorded in more than a decade.
- **ACT** multi-unit sales increased by 11% across the year which is 18% higher than the decade average indicating the spectacular price growth achieved in the greenfield land market is pushing a proportion of the nascent house and land demand profile into built form products.

New Multi-Unit Pricing

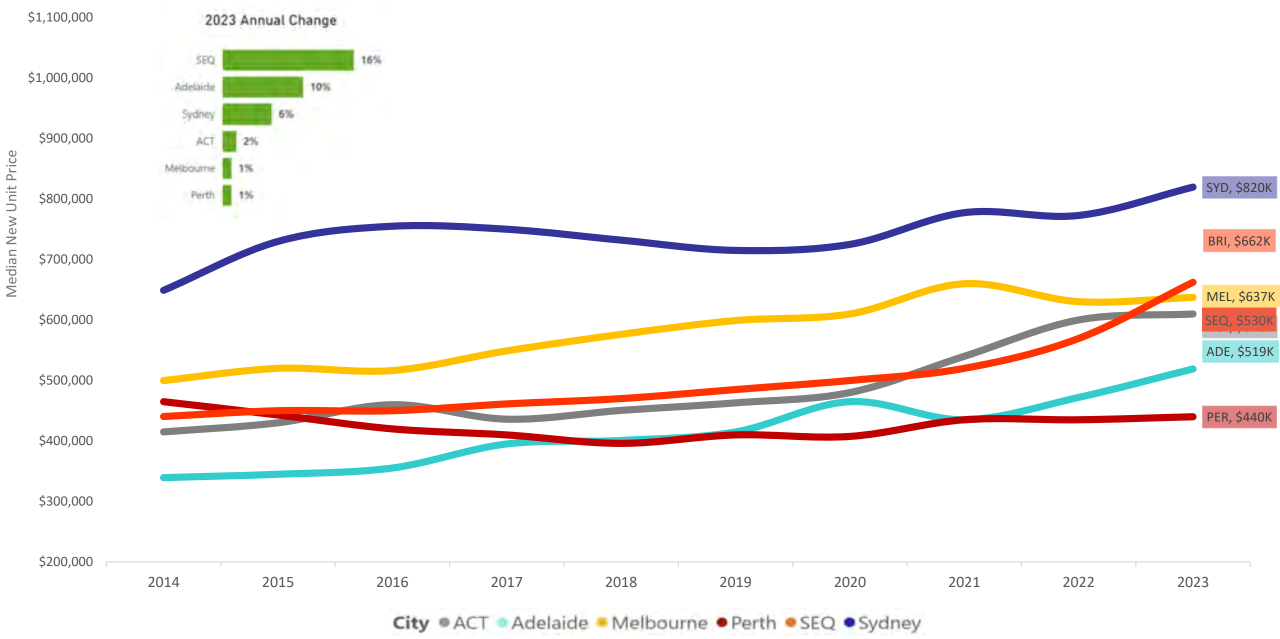
- Median pricing for new apartments and townhouses grew by 6% across the 2023 calendar year for the **combined capital city** regions to reach $614,741. This annual growth rate is far stronger than the 3.1% average annual growth achieved across the last decade.
- **SEQ** recorded the most significant median multi-unit median price uplift across the capital cities with 16.3% annual growth which was underpinned by severe undersupply of new products.
- **Greater Sydney's** median new unit price increased by 6.1% across 2023 to $819,710, which is 33% higher than the combined capital city average.
- **Greater Adelaide** new unit sector recorded a very strong 10% uplift in median pricing to $519,000, which was in part a function of historically low supply running up against normalising demand.
- **Greater Melbourne** recorded flat growth of just 1.1% in 2023 with a new unit median price of $637,345.
- **ACT** unit pricing grew 1.7% to $610,000 which is equal to the combined capital city average price point.
- **Greater Perth** new unit pricing remained flat at $440,000 across 2023, which reflects three consecutive years of no growth in median unit pricing.

Figure 1.5: Annual Median New Multi-Unit Sales Volumes



Source: UDIA; CoreLogic

Figure 1.6: Annual Median New Multi-Unit Sales Price



Source: UDIA; CoreLogic

NATIONAL RESIDENTIAL MARKET OVERVIEW

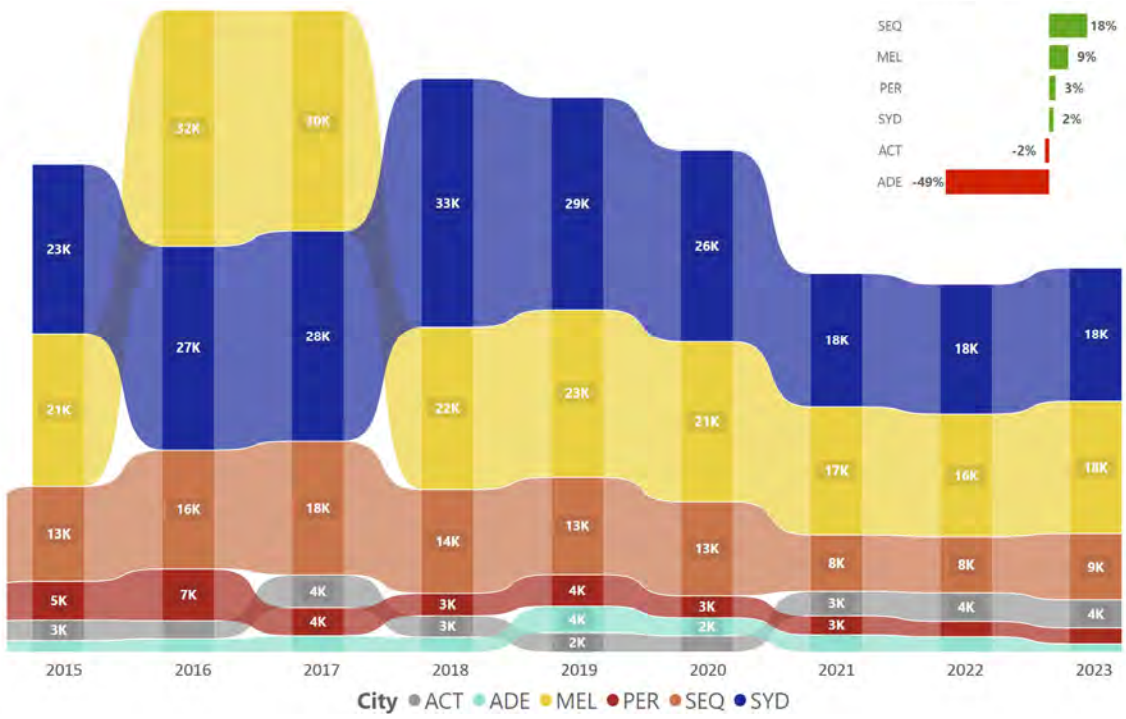
Construction Activity – Aggregate Multi-Unit Completions

- There were an estimated total of 51,484 **new multi-unit dwellings** completed across the **combined capital cities** in 2023 which while representing an annual increase of 4%, is a 12% decline on the decade average and 40% lower than historic peak supply of 80,093 completed in 2017.
- **Build to sell (BTS)** apartment projects comprised 44% of total multi-unit completions in 2023 which has dropped considerably from circa 74% of net completions in 2018. There were just 22,440 BTS completions across the **combined capital cities** which is 48% lower than the decade average.
- **Greater Sydney** and **Greater Melbourne** provided 71% of aggregate national BTS completions in 2023 which is roughly the proportion these two markets have contributed across each of the last ten years.
- Challenging project viability for apartment projects is also constraining **build to rent (BTR)** supply with only 790 units completed in 2023 across the combined capital cities with **Greater Sydney, Greater Adelaide** and **Greater Perth** recording no net additions of this highly anticipated, yet still emerging asset class.
- **Approvals** for combined multi-unit stock fell by 20% across the year to just 54,409 approvals which is 33% below the decade average, underscoring UDIA expectations of a prolonged period of reduced construction activity and output ahead.

Multi-Unit Completions Forecasts

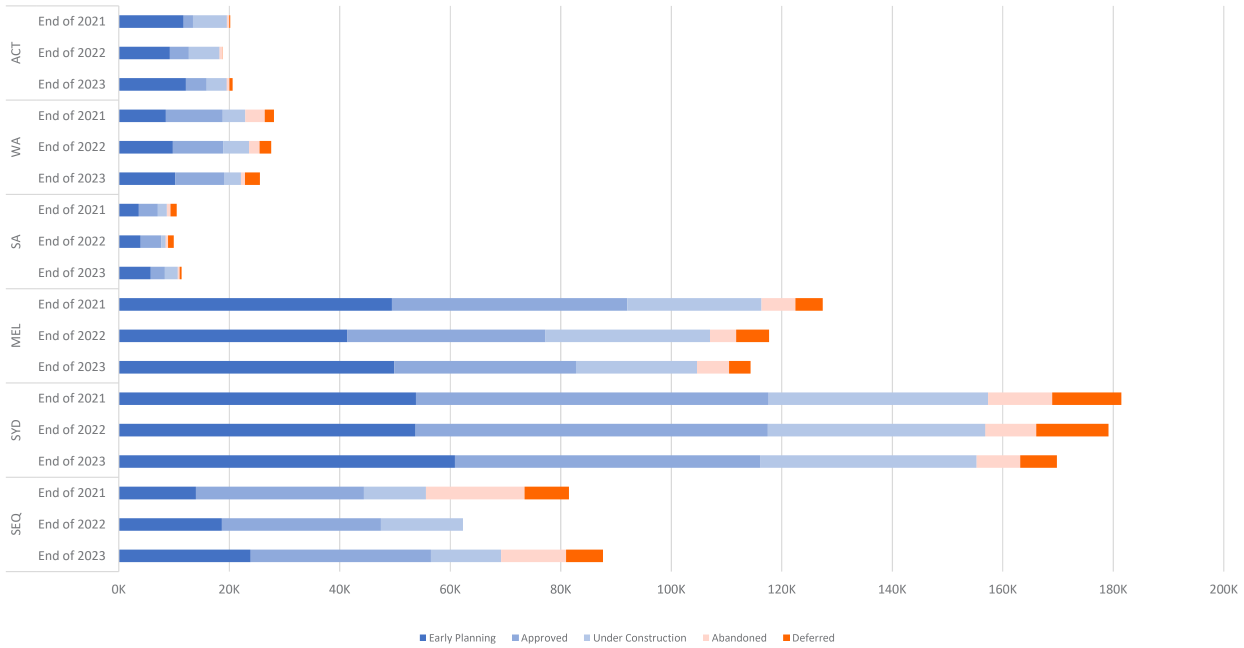
- The outlook for **multi-unit completions** over the coming three years is for a modest increase in net additions in 2024 (to total circa 54,409 units) across the combined capital cities before production levels drop over the following two years with expectations of circa 38,086 units in 2026 which would represent a fifteen year low.
- Charter Keck Cramer are forecasting a healthy 58% uplift in **BTS** completed apartment stock across the combined capital cities in 2024 reflecting a range of projects commenced across the past three years reaching lock-up and settlement stage.
- It is then expected that there will be a sharp retraction in completions over the following two years to total under 20,000 net **BTS apartments** in 2026 which would be the lowest volume completed since 2011 when the sector was still regrouping after the Global Financial Crisis.
- A more positive outlook is forecast for the **BTR sector** as various projects across the country will complete over the coming three years with a gradual uptick from 4,220 units in 2024, 6,880 units in 2025 and then 9,480 units in 2026. These forecasts are subject to projects getting sufficient pre sales and construction funding.

FIgure 1.7: Annual Median New Multi-Unit Completions



Source: UDIA; CoreLogic

Figure 1.8: Capital City Multi-Unit Pipeline by Typology (Combined Capital City 2015 – 2026)



Source: UDIA; CoreLogic

CHARTER KECK CRAMER NATIONAL APARTMENT OUTLOOK 2024

Richard Temlett, National Executive Director Research, Charter Keck Cramer

Charter Keck Cramer's view is that conditions across Australia's capital city apartment markets in early 2024 will be very similar to those of late 2023. In fact, it is going to take a lot more than interest rate cuts to stimulate the build to sell (BTS) and build to rent (BTR) apartment segments both 'back to life', but also to facilitate them to deliver the unprecedented quantum of apartments required to allow the Federal and State Governments to achieve the aspirational housing targets set out in their various housing statements.

Charter Keck Cramer's view is that the capital city apartment markets will start to turn towards the middle of 2024. Interest rates need to be cut by at least the middle of the year and several incentives need to be introduced immediately to stimulate the BTS and BTR apartment markets. These are the swing variables as to how quickly the BTS and BTR apartment markets start to turn and how quickly the housing and rental crisis can start to be addressed.

Current conditions will test the resolve and investment of many BTS and BTR developers, however not all will push through if they are purely feasibility-led. There are, however, rewards for those that are well capitalised, focus on design-led development and also focus on risk mitigation in their projects.

Whilst the industry is currently pre-occupied with prices having to increase by +20% or more for projects to be viable, the biggest risk, and one that Government needs to address over the next decade, is the shortage of labour required to build out multi-unit projects. In this regard, the Federal migration program needs to be changed and tailored to attract key skilled workers into the Australian construction sector.

To conclude, the BTS and BTR apartment markets across Australia's capital cities will continue to improve over the course of 2024 and with the market so chronically starved of supply there stands to be a very strong and elastic response as conditions start to improve over 2024 and into 2025.

NATIONAL RESIDENTIAL MARKET OVERVIEW

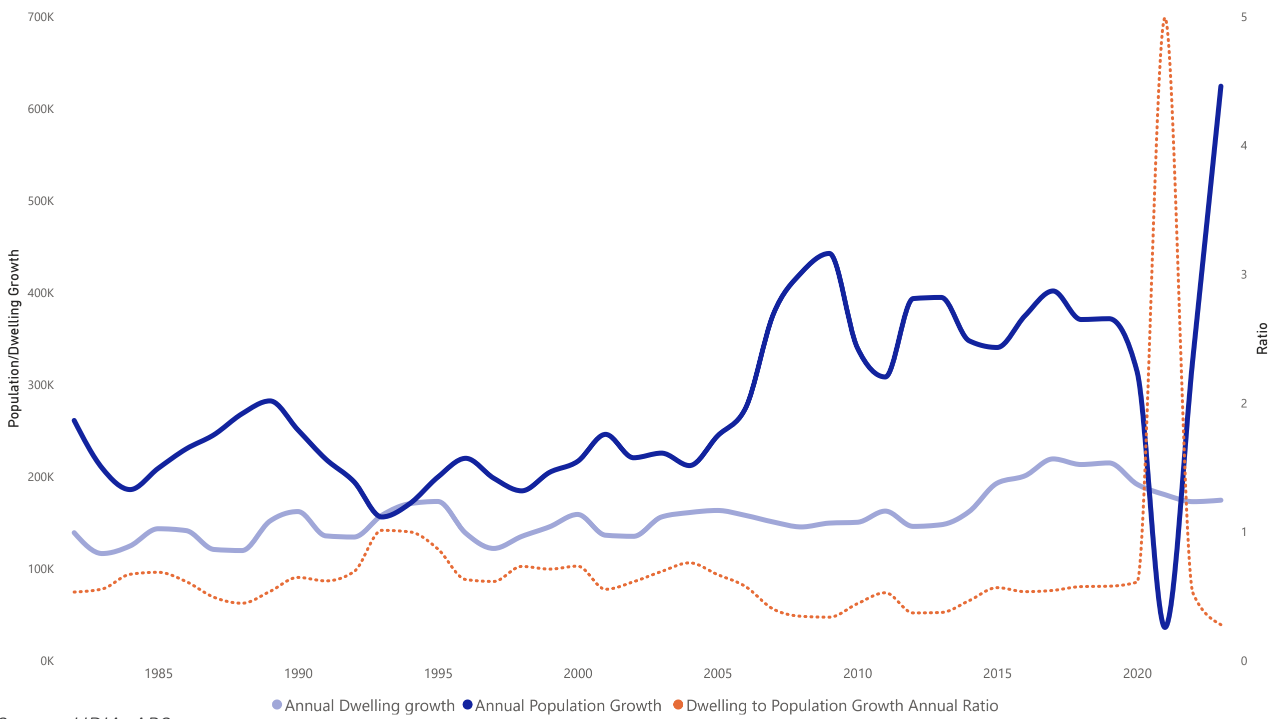
THE ECONOMIC STATE OF PLAY 2024 - SIX KEY FACTORS SHAPING FORWARD HOUSING MARKET PERFORMANCE

In recent years the UDIA State of the Land report has shone a spotlight on selected key economic factors that are expected that materially impact on Australia's new dwelling market over the coming 12 months. In this edition we focus on the following six economic features:

1. Population Growth Outstripping New Dwelling Production

- UDIA's long run analysis of national population and dwelling growth highlights a serious divergence in new dwelling supply not keeping pace with upward fluctuations in population growth.
- The long run annual average net population growth in Australia (1982 – 2023) has been around 279,000 and annual dwelling additions have averaged 156,000. This translates to a dwelling to population growth average of 0.69 per annum over the last 40 years.
- The significant inflection of population growth recorded from 2007 and maintained until the commencement of the pandemic in 2020 has now been dwarfed by the extraordinary net population growth of 624,000 recorded in the 2023 financial year.
- There were a total of 174,400 dwellings completed in 2023 which equates to a dwelling to population ratio of 0.28 which reflects the lowest level this ratio has ever been with only the Global Financial Crisis impacted period of 2007 and 2008 recording a ratio anywhere near this level when the ratio reached 0.34.
- Underpinned by an upswell in net overseas migration, the dramatic growth in population in 2022 and especially in 2023 is clearly not being met with a suitable growth trajectory of new dwelling production.
- Historically there is a significant lag between new dwelling supply ratcheting upwards to meet major upward alterations in demand. For reference there was around five years for aggregate dwelling production to elevate to a higher water mark to meet higher rates of population growth from 2007.
- The current trajectory of a significantly elevated population growth driven demand profile against a declining supply profile indicates another phase looms of extremely strong housing value growth, very low rental stock availability and broad-based erosion of national housing affordability.

Figure 1.9: Annual Population Growth v Dwelling Growth, Australia

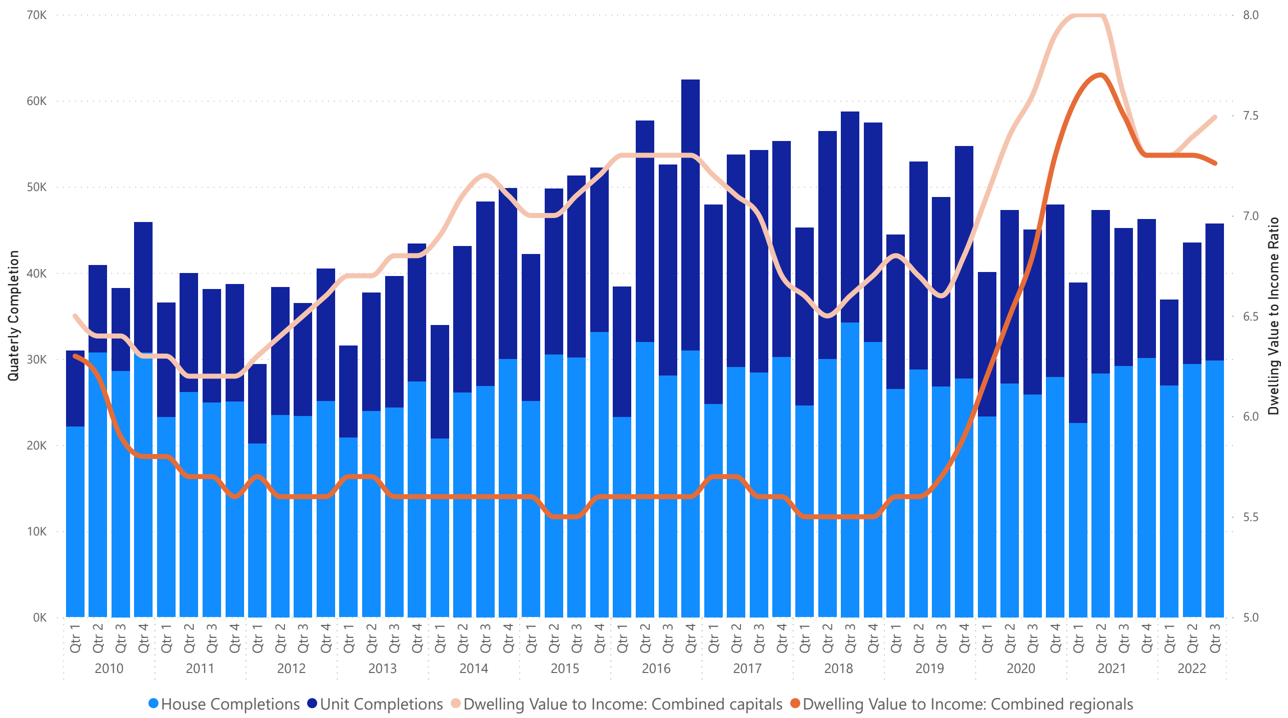


Source: UDIA; ABS

2. Home Value Growth Outstripping Household Income Growth

- National housing values staged a broad-based recovery across 2023 commencing in February with the first month of positive value growth for nine months of the CoreLogic Hedonic Home Value Index which declined by a total of 7.7% since May 2022.
- The turn around in home value growth momentum from February 2023 has been maintained through to February 2024 with a combined growth of 9.1% which means the home value lost through the downswing has been more than wiped out.
- The return to positive home value growth against relatively benign household income growth has arrested improvements to housing affordability as reflected in the dwelling value to income ratio which finished September quarter 2023 at 7.49 across the combined capital cities which is still below the high water-mark of 8.0 achieved in the June quarter of 2022 but above the reading of 7.3 from the March 2023 quarter.
- Positive momentum in dwelling value growth is directly tied to lack of sufficient supply across the capital cities with completions remaining subdued, particularly for multi-unit stock.
- While the national affordability ratio is still below the recent peak the recent escalation in borrowing costs more than cancelled out the benefit prospective home purchasers might have garnered from price declines.

Figure 1.10: Dwelling Value to Income Ratio v Dwelling Completions, Australia



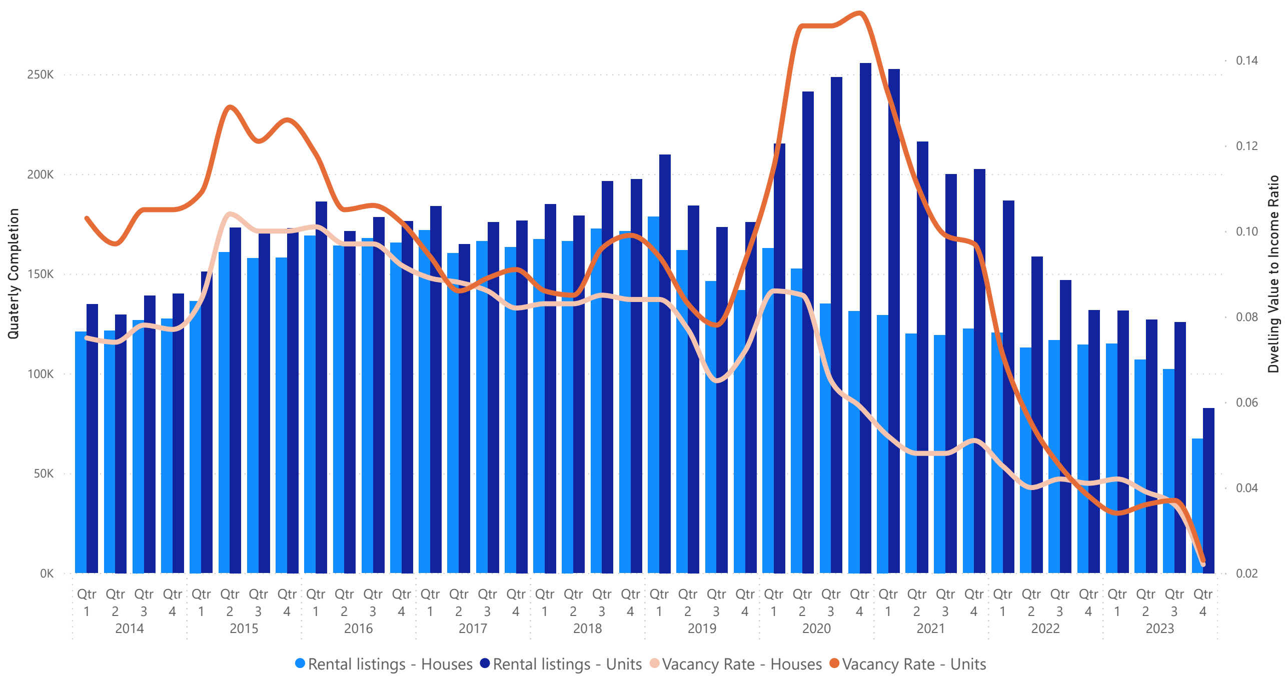
Source: CoreLogic; ANU; ABS. Note: Dwelling value to income is the 50th percentile valuation of a region, divided by the annual household income estimate

NATIONAL RESIDENTIAL MARKET OVERVIEW

3. Tightest Rental Market in Recent History

- Across various indicators Australia remains locked in a rental housing market crisis. Rental listings and rental vacancy rates are at record lows across all the major capital cities.
- A key driver of the current crisis appears linked to a high volume of investment properties being sold through the COVID-19 pandemic period when Australia's international borders were locked and international students and overseas migrants were unable to enter the country.
- The wholesale cessation of the flow of international students and migrants (a key source of rental market demand in capital cities) forced many property investors to sell their dwellings – in many cases to first home buyers and owner occupiers- which has particularly impacted the apartment and multi-unit rental pool.
- When the international and State and Territory borders then reopened across late 2021 and 2022 rental demand escalated very quickly with a greatly diminished number of rental properties available to meet the demand profile.
- According to CoreLogic data at the end of November 2023 the monthly rental vacancy rate for units across the combined capital cities was 1.1% for houses and 1.2% for units as compared to the decade average of 2.4% and 3.2% respectively.
- The 12 month volume of rental listings for houses at end of November 2023 compared to November 2019 was 26% lower for houses and 22% lower for units. Across this time period weekly average rental pricing has grown by 40% for houses and 30% for units.
- With the national population base now 6% larger than 2019, population growth remaining well above historic norms and dwelling pricing elevating to levels unaffordable for increasing proportions of households the outlook is that the rental market will remain under extreme pressure for the next two to three years.

Figure 1.11: Monthly Rental Vacancy Rate & Rental Listings, Combined Capital Cities

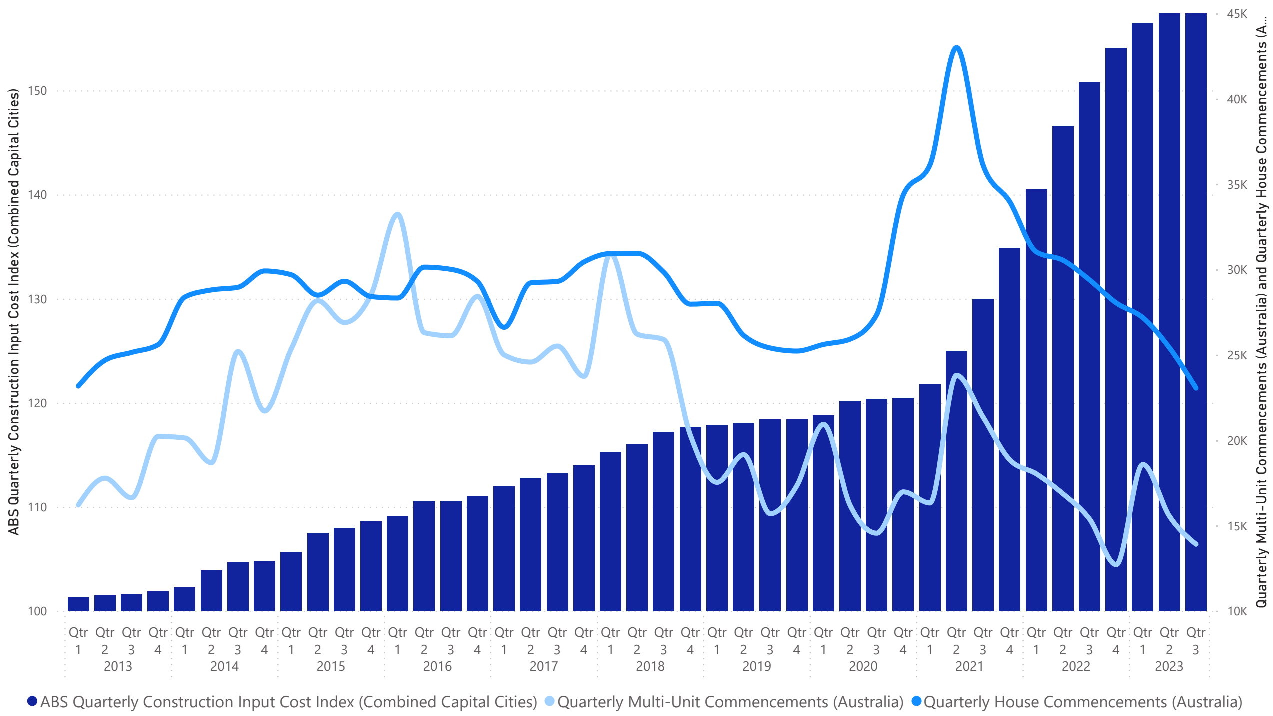


Source: CoreLogic

4. Elevated Construction Costs Driving Reduced Dwelling Commencements

- International supply chain disruptions due to the global pandemic, increasing freight costs and broad based production shortages has resulted in very significant construction material shortages which has placed upward pressure on housing construction input costs.
- At a national scale the Australian Bureau of Statistics tracking of building material pricing for housing construction rose by 33% from the start of the pandemic to December 2023.
- Growth in construction costs appears to have peaked with just 0.8% growth recorded across the 2023 calendar year. This appears to be a new high water mark with limited prospect of costs to return to pre-COVID levels meaning developers now have a new costs benchmark to work into project feasibilities.
- The ABS outline that the main contributors to positive growth in building materials across the year was electrical equipment (+2.2%) driven by switch and distribution boards (+4.8%) due to raw material prices, higher manufacturing costs and limited labour supply in manufacturing. Paint and other coating was also a contributing factor (+1.6%) due to higher manufacturing costs and recent increases in crude oil prices.
- These price rises were partially off-set by steel products (-3.7%) driven by steel beams and sections (-4.7%) due to weak demand from China and continued falls in building approvals for new homes.
- The significant increases in building costs has continued to weigh down dwelling commencements across the nation with new detached house starts down 22% and multi-unit starts down 10% across the 12 months to September 2023. Aggregate commencements are down 44% from the recent peak of June 2021.

Figure 1.12: ABS Construction Cost Index & National Dwelling Commencements

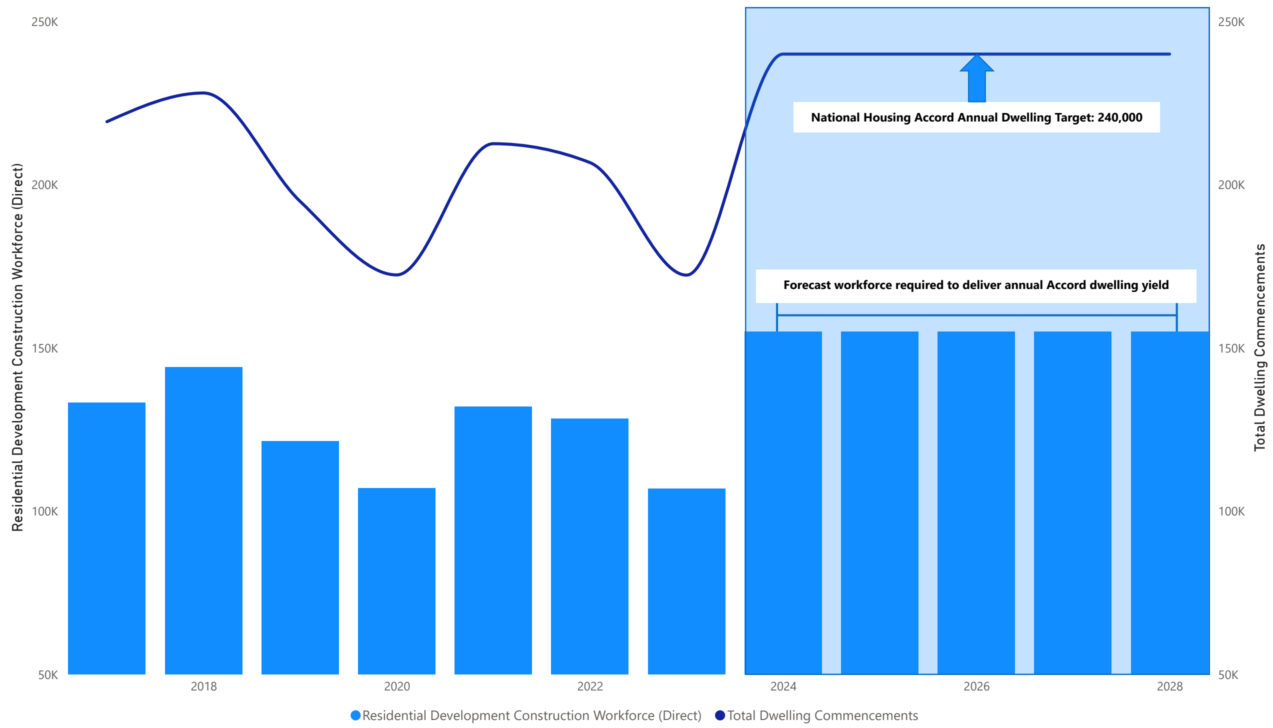


Source: *UDIA; ABS*

5. Industry Capacity & Skills Deficits

- According to the Australian Property Investor Magazine almost 1,400 building companies collapsed across the second half of 2023.
- The demise of so many small, medium and larger scale building companies across the nation is clearly having a negative drag on the capacity of the industry to deliver the stock of new housing required to meet both the current demand profile as well as also address the long standing under-supply of new homes supplied to the national market.
- There was an estimated total of 107,000 persons directly employed[3] across the country in residential development construction inclusive of builders, planners and architects. This total directly employed workforce is down 25% from 2018 when this specialised workforce numbered 144,100 and helped drive the commencement of a record 228,090 dwellings.
- The contraction of the residential development construction workforce has contributed to the decline in annual commencements which has retracted 19% over the last two financial years to register just 172,300 starts in 2023.
- The National Housing Accord has set an ambitious target of 1.2 million new homes across the nation over the next five years equating to an average of 240,000 new starts a year. Applying the long running average ratio of direct residential development construction workforce to annual dwelling commencements equates to a requirement for the worker pool to grow by almost 45% to reach 155,000 people.
- Addressing the general and specific trade persons deficits evident across industry will remain a very important focus for UDIA advocacy across the coming 12 months.

Figure 1.13: Residential Development Construction Workforce & Dwelling Commencements



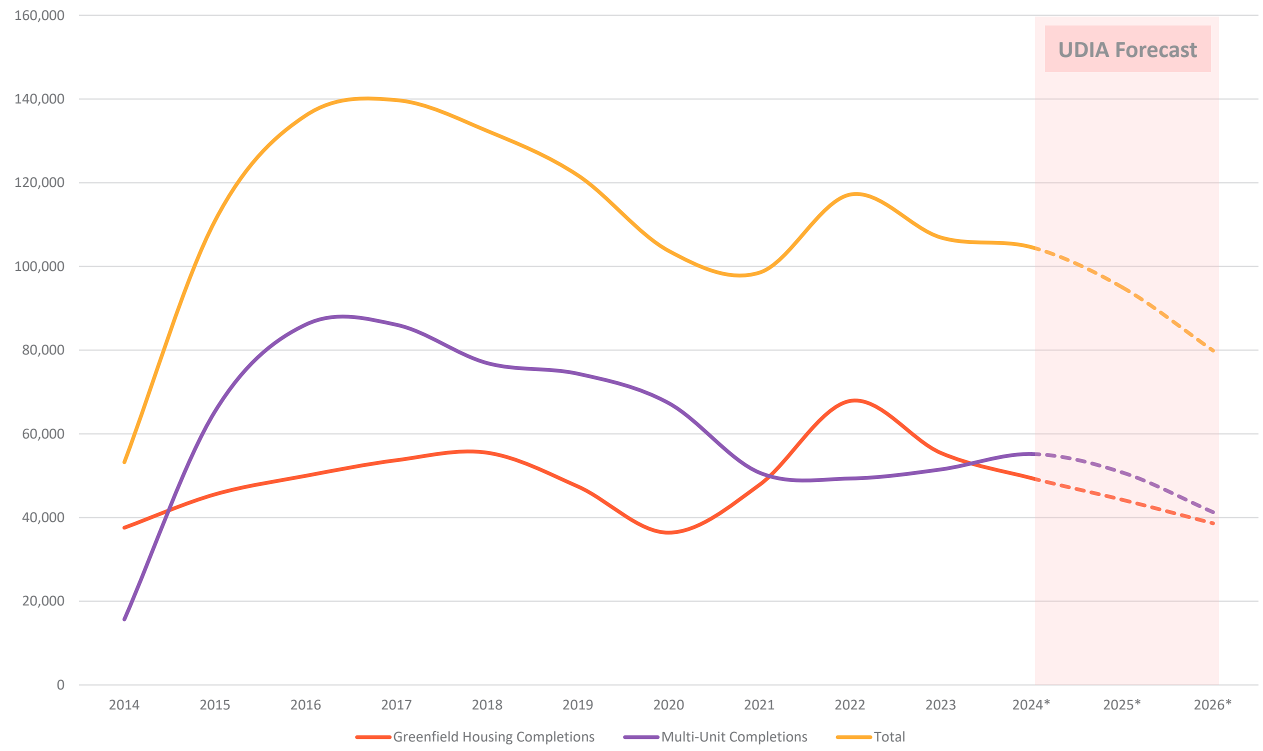
Source: UDIA; ABS

3 In 2019 UDIA engaged EY to undertake a research exercise to estimate the size of the direct and indirect workforce engaged in residential and non-residential development, in addition to the respective economic impact these two sectors make across Australia. These estimates have modelled this research to arrive at contemporary employment numbers.

6. Forward Dwelling Supply Pipeline

- UDIA modelling indicates 106,900 dwellings were completed in 2023 in our assessment of combined capital city new residential market supply.[4]
- The 2023 new dwelling supply quantum was a 9% decline on 2022 completions driven by an 18% retraction in delivery of detached housing across the nation's greenfield release corridors.
- UDIA's modelling of current and forward pipeline activity indicates there will be a similar volume of combined capital city new residential market supply delivered in 2024 as seen in 2023 with 104,580 aggregate completions with the multi-unit sector holding a rapidly softening greenfield sector.
- There will then be a more marked reduction in aggregate supply in 2025 to 95,000 dwellings followed by a 17% fall to 79,000 new homes in 2026 which would be the lowest production output in over a decade.
- The extremely strong greenfield sales activity recorded in 2020 and 2021 will have largely worked through the construction phase in the out-years of the forecast, with multi-unit completions having dropped by 60% by 2026 from 2020 production which combines to deliver a particularly anaemic forward pipeline across the combined capital cities.

Figure 1.14: UDIA Completions Forecast, Combined Capital Cities



Source: UDIA; Research4; CoreLogic; Charter Keck Cramer

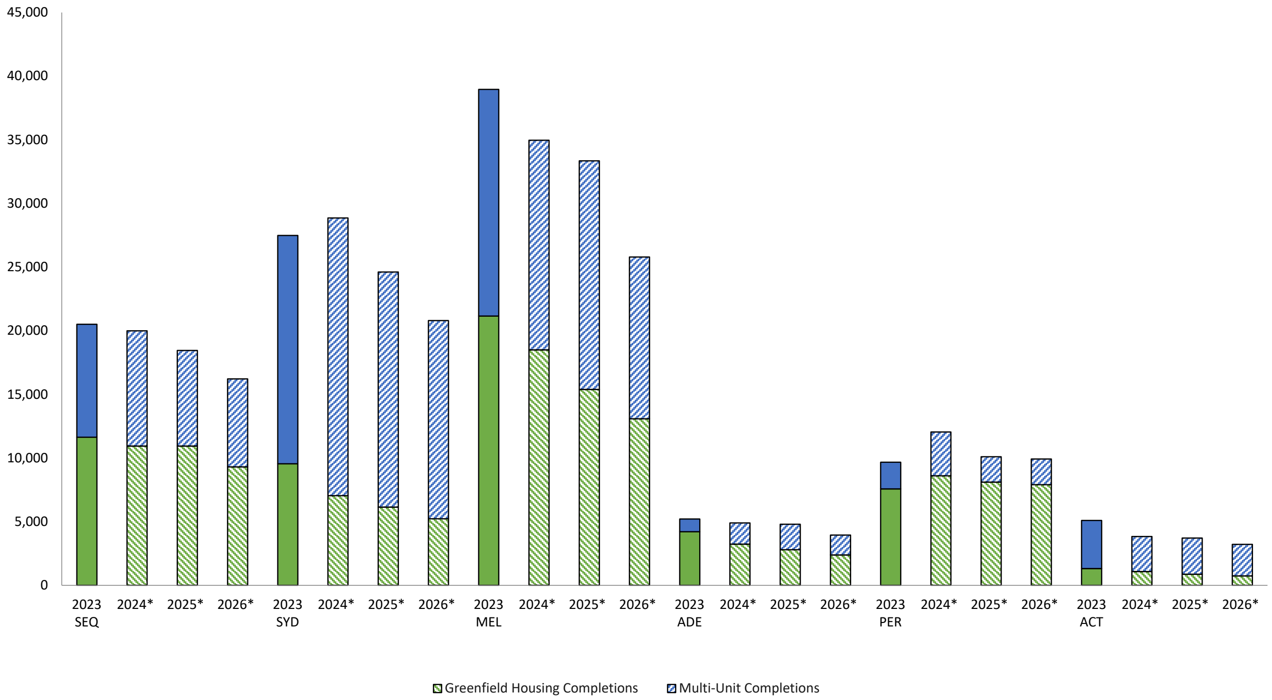
4 These forecasts include estimations of detached houses.

NATIONAL RESIDENTIAL MARKET OVERVIEW

Capital City New Dwelling Supply Annual Growth Forecasts (2024 to 2026)

- **Greater Sydney:** the forward outlook for new dwelling completions has weakened over the last twelve months with further erosion of greenfield activity weighing down aggregate production output in 2025 and 2026 to the lowest volumes to be completed in a decade across the mega-region.
- **Greater Melbourne:** dwelling production is forecast to decline by 10% in 2024, followed by a further decline of 5% in 2025 before a cliff-fall of aggregate output in 2026 to just 25,800 dwellings which is the lowest production in over 15 years.
- **SEQ:** while greenfield completions are expected to remain commensurate to current levels across 2024 and 2025 there will be a 12% reduction in 2026 to 16,200 dwellings – another decade low for a major capital city market.
- **Greater Perth:** aggregate production in 2024 will ratchet up 25% to 12,040 dwellings before a retraction over the following two years to reach 9,920 in 2026.
- **Greater Adelaide:** after out-performing in 2022 aggregate supply will follow 2023 with further retraction in production over the coming three years to total around 4,000 dwellings in 2026 reflecting a 42% decline on 2022 levels.
- **ACT:** On-going robustness in the multi-unit sector will help compensate for further retraction in greenfield production across the ACT, with overall yields to decline only modestly over 2025 and 2026 after a 25% drop in 2024.

Figure 1.15: UDIA Completions Forecast



Source: UDIA; Research4; CoreLogic; Charter Keck Cramer

CORELOGIC NATIONAL RESIDENTIAL MARKET OUTLOOK 2024

Eliza Owen, Head of Australian Research, CoreLogic

In the past year, national home values increased an impressive 8.9%, having fully recovered the short, sharp decline between May 2022 and January 2023. Despite five further increases in the cash rate over 2023, home values were pushed higher amid tight rental markets and strong population growth. There are also some indications that more wealthy buyers, who are less reliant on mortgage debt, also helped to sustain demand. This included a downward trend in low-deposit home loans reported by APRA through to September last year.

There were some signs of the recovery softening toward the end of 2023, as high interest rates and weaker economic conditions affect more expensive housing markets in particular. In the three months to January 2024, home values were flat or falling across Sydney, Melbourne, Hobart and the ACT. More affordable markets with positive migration trends, namely Adelaide, Brisbane and Perth, have continued to see extraordinary growth, rising more than 3% in value in the three months to January.

This year, home values are expected to rise once again, but at a slower pace than what was seen in 2023, suggesting a continued normalisation of housing cycles following the extremities of the pandemic. As inflation is reigned in, the main tailwind for the Australian housing market will be a potential reduction in the cash rate, that could enable more prospective first home buyers to transition from the rental market to purchases. The construction industry will also have an opportunity to work down an elevated pipeline of projects, due to dwelling approvals falling, and construction costs steadying (albeit at high levels).

Luminare by Cavcorp (QLD)

UDIA NATIONAL'S FOCUS FOR THE YEAR AHEAD

With an election only one year away, the Albanese Government need to consolidate their achievements and will very soon turn its mind to campaigning.

This will focus Government's mind on the level of success of key housing policy pillars – including boosting supply and affordability across the continuum and the five year Accord target of 1.2m homes.

The Housing Australia Future Fund (HAFF), and National Housing Accord aim to build around 40,000 of the 1.2 million homes as affordable and social dwellings.

This means the lion's share (97%) of the 1.2m target relies on private development and delivery across the entire housing spectrum.

The enormity of the task is obvious when you consider:

1. Industry is struggling to return to pre-covid productivity much less overcome historic development ready land shortages.
2. Land prices jumped 28% in the last 2 years and rentals grew 37% since 2020 and are forecast to rise.
3. To deliver 1.2 million houses in five years, an average of 240,000 new homes must be built annually to reach that target.
4. Completions will decline over 2024-25, meaning the nation will need to build an eye watering 300,000 dwellings p.a. for the remaining three years to meet targets. Basically doubling existing delivery.

The 2024 State Of The Land (SOTL) is a stark reminder to Government that there needs to be a significant refocus on initiatives that resolve market faults at the earliest stages of housing construction and delivery, these include:

1. A continued lack of development-ready land to build the dwellings needed to housing a growing population.
2. Slow and complex planning and environmental approvals, preventing progress on projects and impairing their feasibility.
3. Lack of skilled construction workers, impacting productivity and increasing direct costs and time for projects.
4. Lack of incentives to viably generate enough dwellings across the housing continuum.

Top of mind for Government over the next 12 months will be several core issues that will also impact Australians including:

1. Environmental protection and EPBC reforms – requiring an urgent need to land their promise of an EPA.
2. Initiatives to combat declining housing affordability and boost affordable and social housing through the Housing Australia Future Fund – 40,000 homes were promised and need to be delivered.
3. A boost to skilled migration, education and training – and a pipeline of houses to accommodate this anticipated migration.
4. Incentives for industry to double capacity to deliver the National Accord target – 1.2 million homes won't be built without Government incentivising private housing.

Government has initiated some 14 separate housing and supply measures since the 2022 Election.

The success of all of these housing initiatives rely on the Government developing market-wide solutions to tackle the fundamental front-end problems impacting the whole housing market.

ORA Dolls Point by HELM (NSW)

UDIA National is working with Government over the next 12 months to drive core projects that deliver on Government's housing initiatives and the Accord target of 1.2 million homes in 5 years:

More Home More Quickly

- **Incentivise accelerated approvals and provide density bonuses** for additional floor space, height or reduced lot size to deliver more housing fast across the continuum.
- **Reward States & Territories financially under the bonus for the number of dwelling approvals** issued on the 1.2m Accord target to support "front end" delivery rather than waiting for builds.
- **Unlock surplus Government land** for mixed at-market and affordable housing.

Infrastructure for Liveable Communities

- **Direct Federal infrastructure funding to projects that support new housing** – trunk infrastructure to unlock housing and key infrastructure critical for housing.
- **Accelerate Accord State & Territory infrastructure incentives** to catalyse new housing rather than pay states an incentive at the back end of the Accord period.
- **Allow industry access to Government infrastructure funding** (like local government) to maximise application of funding commitments to critical enabling infrastructure.

Effective Planning Systems

- **Incentivise streamlined planning across the continuum** including halving planning times and accelerate zoning to convert undeliverable zoned land to housing faster.

Streamlined Environmental Approvals

- **Create a state led, single, simple approval pathway assessment system incorporating Federal and state requirements** – including agreed regional plans and avoiding duplication.

Level the playing field on Climate Action

- **Align Government initiatives, NABERS & Greenstar tools for use by greenfield & small developments.**
- **Incentivise the acceleration of green credentialled products** for developments.

Population for Prosperity

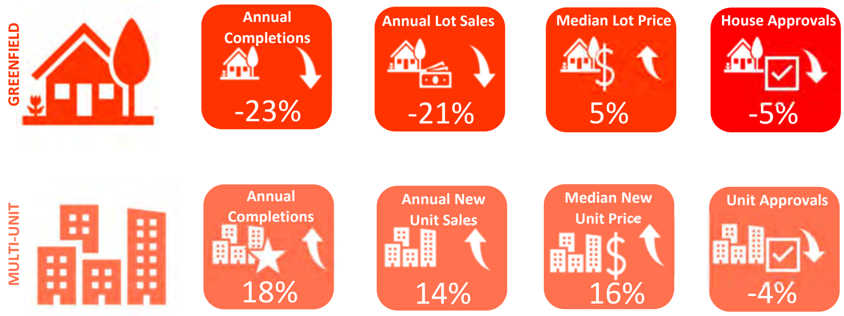
- **Prioritise migrants with house trade skills** to rebuild the capacity of the industry
- **Fund or incentivise State and Territory increases in vocational/TAFE training and apprenticeships** with targets to build our domestic skilled workforce.

Capacity and Efficiency

- **Incentivise States & Territories to strip away taxes holding back affordability** – reductions in layers of tax, charges and fees including reducing stamp duty thresholds.

QUEENSLAND

SUMMARY



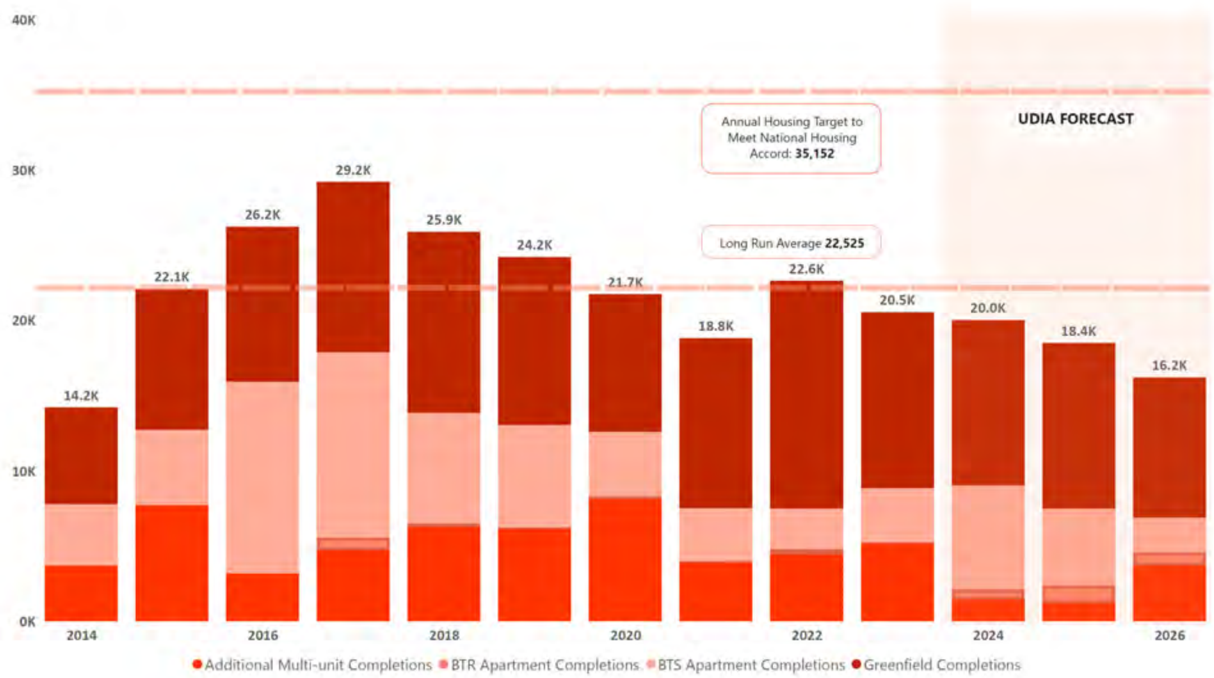
- The South East Queensland (SEQ) region recorded a subdued year of new market acitivity which although featured a 14% uptick of new unit sales was off a very low base.
- The greenfield market recorded a 21% decline in greenfield land sale volumes with lot sales plunging to an eleven year low with developers releasing half the volume of lots released two years earlier which has further eroded the forward construction pipeline.
- A combined total of 20,505 new dwellings were completed in 2023 across the SEQ's greenfield release and multi-unit sectors. This reflects a 9% decline in new dwellings added in 2022.
- New residential supply completions[1] are forecast to remain depressed for at least the next three years to 2026 driven by further contraction in both greenfield detached house and multi-unit production. Aggregate completions are forecast to undershoot the National Housing Accord's annual dwelling target for SEQ of 35,150 (based on a population based share of 1.2 million homes over the forward five years) by 54% in 2024, 61% in 2025 and 65% in 2026.

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


Newport by Stockland (QLD)

QUEENSLAND

Figure 2.1: New Residential Market Supply



Source: UDIA; Research4; CoreLogic; Charter Keck Cramer; ABS

GREENFIELD MARKET ANALYSIS

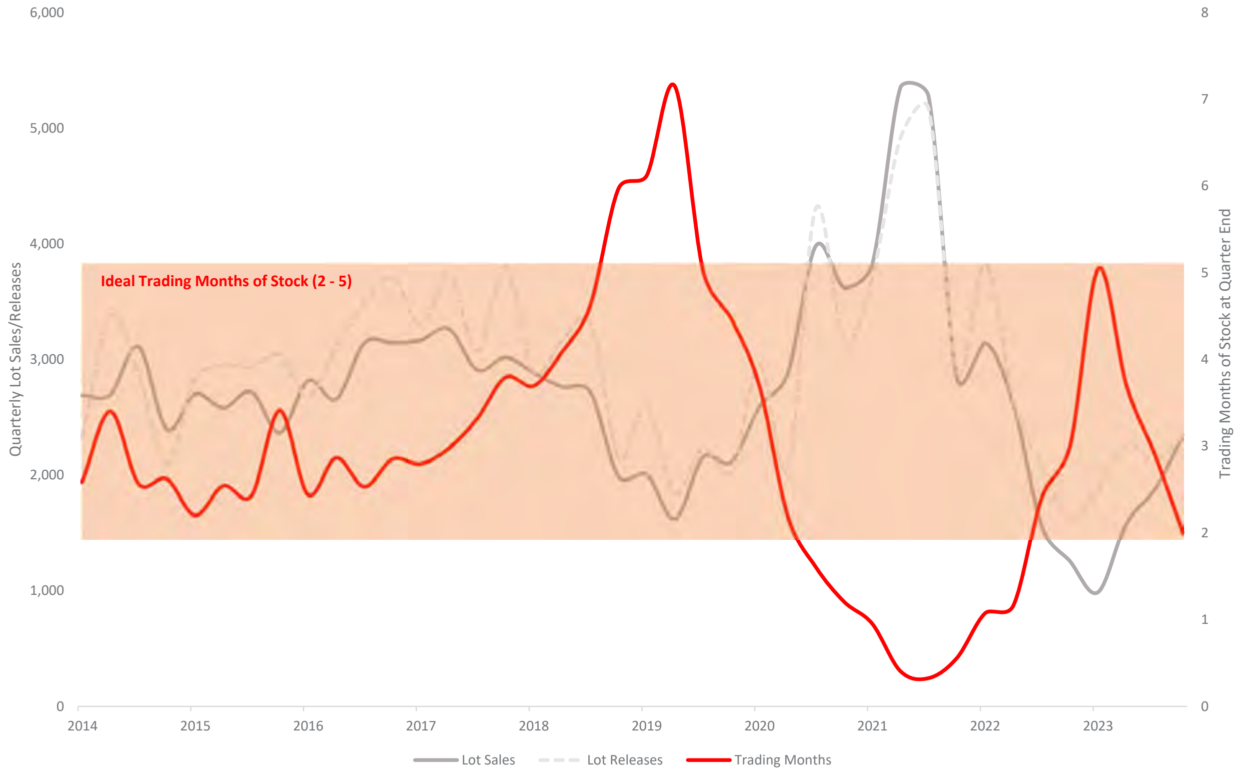
Sales and Release Activity

- The SEQ greenfield market recorded a 21% reduction in land sales in 2023 which followed a 50% decline in sales volumes from the preceding year.
- The aggregate volume of transactions in 2023 was 38% below the decade average and 61% below the peak of 2021. Despite the low annual volumes, sales picked up across the year with the December quarter recording 2,350 net sales, up from a record low 987 sales in the March quarter – the lowest level of quarterly sales activity observed since June 2011.
- The wholesale down-turn in sales activity in SEQ was broadly in line with the national trend, and accordingly SEQ still averaged 22% of total sales activity across the nation – a proportion in line with the historical average.
- Responding to the softening demand profile, developers released just 8,650 lots to market across 2023 which was down 15% on 2022 and 25% lower than the decade average.

The Avenues of Highfields (QLD)

QUEENSLAND

Figure 2.2: Greenfield Market Activity



Source: UDIA; Research4

Stock Levels

- At the close of the December quarter 2023 the number of residential lots on a price list was equal to 2.0 months of demand – slipping back outside a 'ideal trading band' of 3 – 5 months worth of stock.
- While the volume of stock for sale ended the year 24% higher than the beginning of the year, the increase in demand witnessed in the second half of the year has eroded supply lines and if maintained will led to inevitable upward pressure on land pricing.

Greenfield Projects

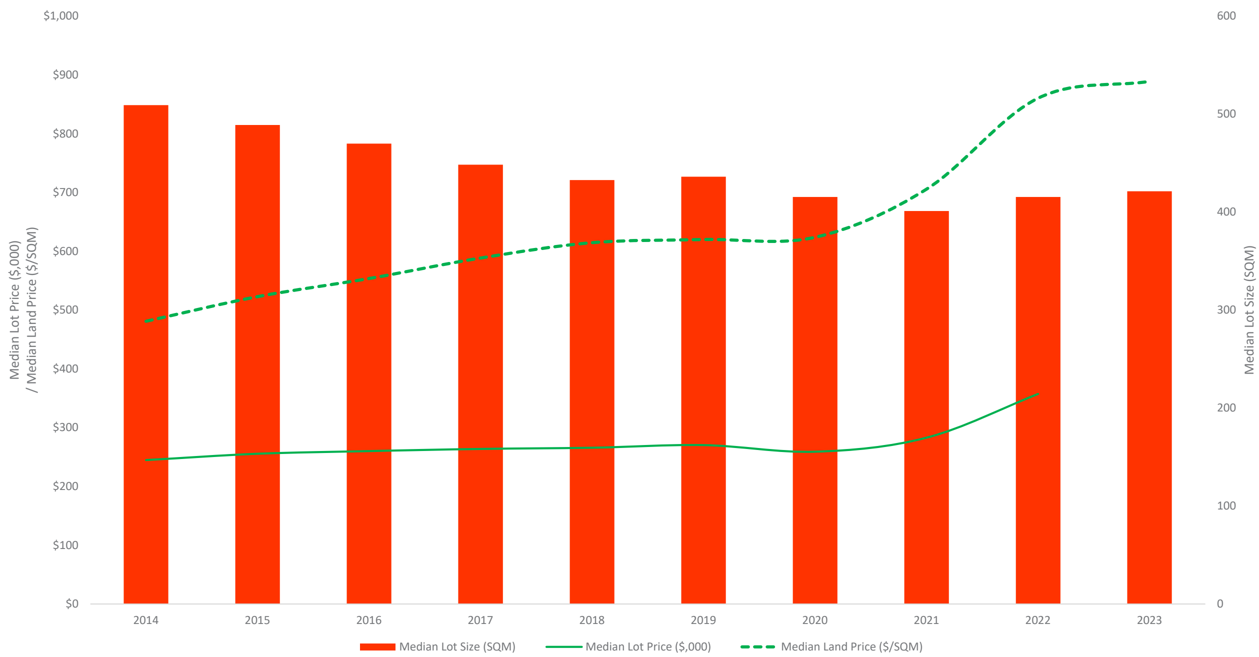
- There was an average of 132 active trading estates across SEQ for the year which represents an increase of 27% from 2022.
- While the volume of active estates increased in 2023, the aggregate production per estate dropped reflecting the softer demand profile and the scale of new estates contracting in size.

QUEENSLAND

Greenfield Land Prices and Values

- SEQ's average annual median lot price lifted by 5% across 2023 to $374,000, which compares to a 26% lift recorded the previous year.
- Most of the growth coming in the March quarter (when particularly low volumes were traded) and prices remained flat for the balance of the year.
- SEQ new land has traditionally been priced at 52% of the Brisbane median house price. Over the past 5 years the average has dropped to 47% of the median Brisbane house price.
- The median lot size lifted by 1.4% across 2023 to 421 sqm, which is 2% smaller than the lot size recorded at the end of 2022.
- In line with modest median lot price growth, land prices across SEQ remained stable across the year growing by just 3% to average $889 psm for 2023. The current land price per square metre positions SEQ as 41% more affordable than Sydney and 20% more affordable than Melbourne.

Figure 2.3: Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

QUEENSLAND

Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
2014	10,909	169	509	$245K	$481
2015	10,383	144	489	$256K	$523
2016	11,773	143	470	$260K	$554
2017	12,366	166	448	$264K	$588
2018	10,370	193	433	$266K	$614
2019	7,916	174	436	$270K	$620
2020	13,084	186	415	$259K	$624
2021	17,283	128	401	$283K	$705
2022	8,570	104	415	$357K	$860
2023	6,806	132	421	$374K	$889

Source: UDIA; Research4

RESEARCH4 GREENFIELD OUTLOOK 2024

South East Queensland

The 2023 SOTL outlook stated that the performance of the Greenfield market was being impacted by a “risk sensitive” development industry and also a cautious buyer. This mind set was being influenced by the economic setting at the time. It was stated that demand was going unmet and that it would likely resurface over the coming 24 months.

The 2023 year started with an estimated 9 months of unmet demand and land sales at the bottom of the cycle. Since January, land sales have been increasing at a steady rate and ahead of modelled underlying demand. At the close of the year unmet demand had been addressed and activity levels were tracking 19% ahead of demand.

In terms of price growth, the market has seen a modest lift in land prices in line with expectations.

The outlook for the market is for underlying demand to remain robust across 2024. The industry has experienced a slowdown in the number of replacement estates, with the 2023 replacement rate being 52% of the long running average. The average estate size was 60% smaller than the long running average. These data points suggest issues around the conversion of wholesale supply into active estates.

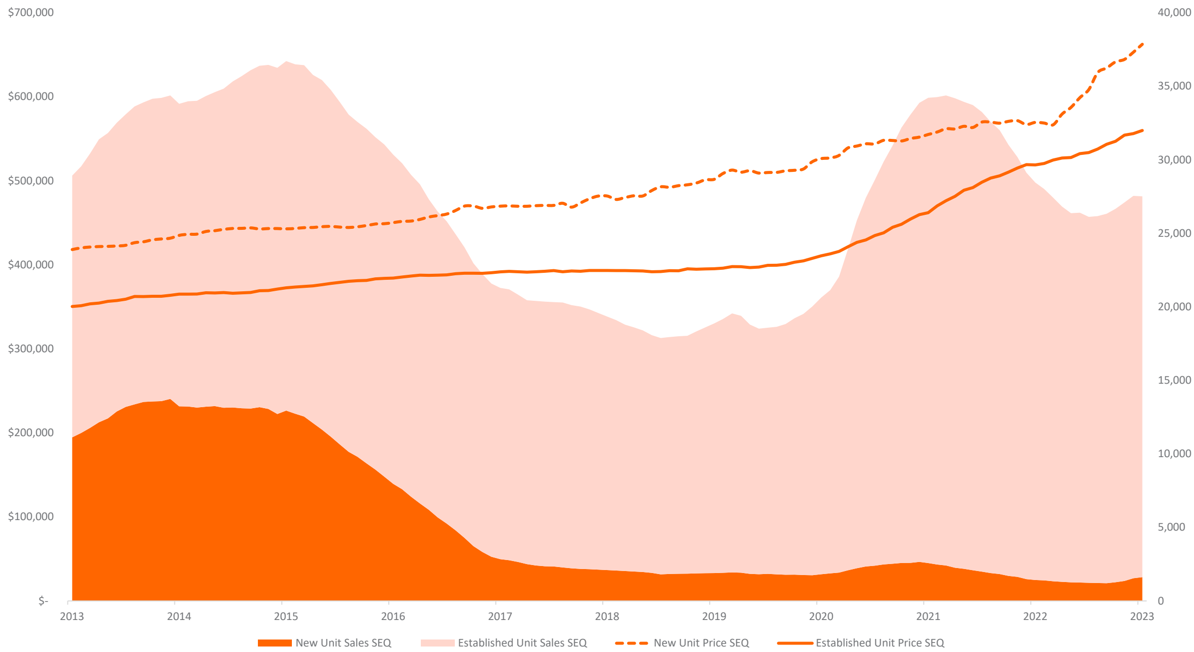
Price growth over 2024 is expected to be low. Prices may have a license to increase, due to poor levels of competition, but any serious price growth will only push away demand. Important to note that the strong price growth recorded over 2021/22 was supported by a major inflow of capital from outside the state. With NIM levels returning to normal, the market will need to rely on home grown capital/equity.

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- Sale volumes of newly built apartments and townhouses across SEQ remained at very depressed levels across 2023 with a total of just 1,614 transactions which is 70% lower than the decade average. Historically SEQ accounts for around 13% of all new unit transactions across the nation, but in 2023 the south-east corner delivered just 8.4% of national supply.
- Sales of new units represented just 5.7% of all unit sales activity across 2023, which is less than a third of the proportion of new sales activity expected from the long-term trend.

Figure 2.4: Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

Median Unit Pricing

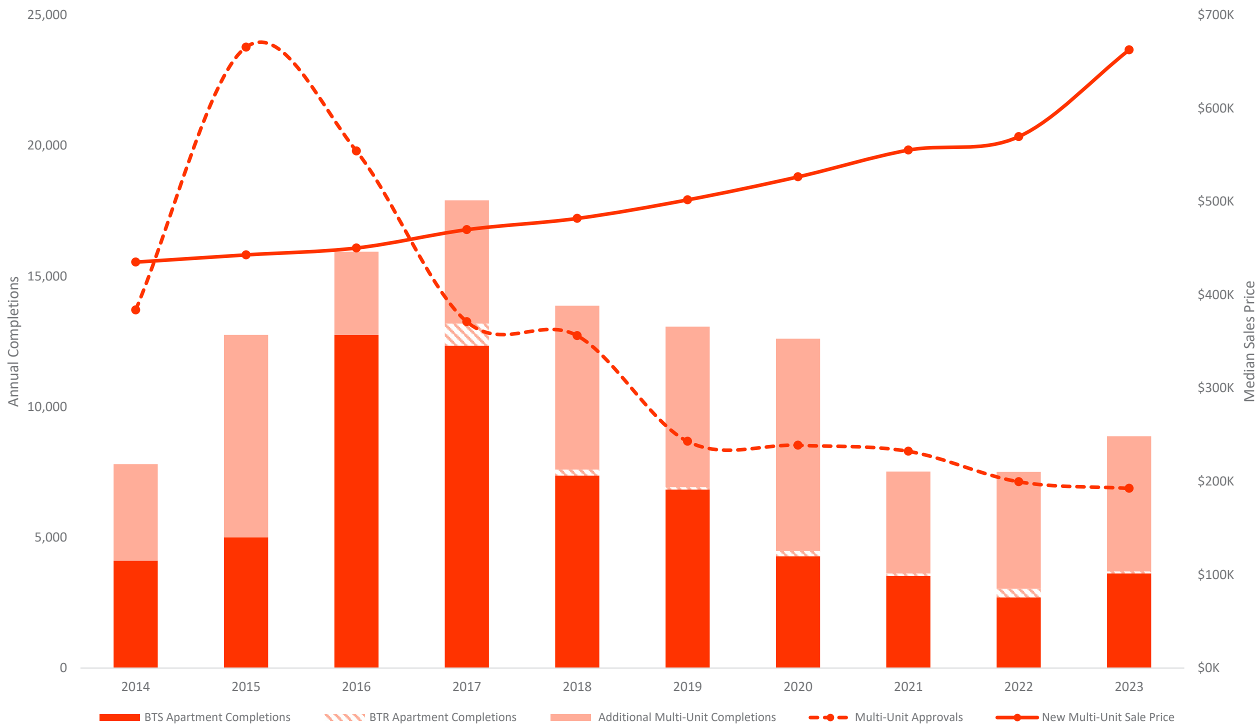
- The median sale price of new units grew by 16% across the year in SEQ to $662,393, which was double the price growth observed in the broader established unit market.
- Underpinned by very low supply and a 'flight to quality' towards new product launches the SEQ new unit market price growth in 2023 was three times the capital city average, and at year end the median new unit price had surpassed Greater Melbourne's median price point – the first time observed in more than fifteen years.
- The current median sale value of new units is currently 11% more affordable than the median value for new houses, which is marginally higher than the long-term average of 9% cheaper, which represents a positive retail proposition for the market – particularly first home buyers.

QUEENSLAND

Construction Activity

- There were 8,870 new multi-unit dwellings completed across SEQ in 2023. This is an annual growth of 18% on 2022 completions but a 50% decline on the historic high achieved in 2017.
- Build to sell (BTS) apartment projects comprised 41% of total multi-unit completions in 2023 which has dropped considerably from a peak of 80% of net completions in 2016. This signals the increased role that townhouse and smaller scale infill developments are currently playing in a subdued market for higher density multi-unit product.
- Challenging project viability for apartment projects is also constraining build to rent (BTR) supply with only 500 units completed over the past three years. However, Charter Keck Cramer are forecasting an uplift in BTR completions over the coming three years with circa 2,700 units set for completion across SEQ.
- Approvals for multi-units have continued to retract over the last five years and fell a further 4% in 2023 with just 6,876 approvals which is around a third of multi-unit approvals recorded in 2016, underscoring UDIA expectations of a prolonged period of reduced construction activity ahead.

Figure 2.5: Median New Unit Price & Annual Unit Completions



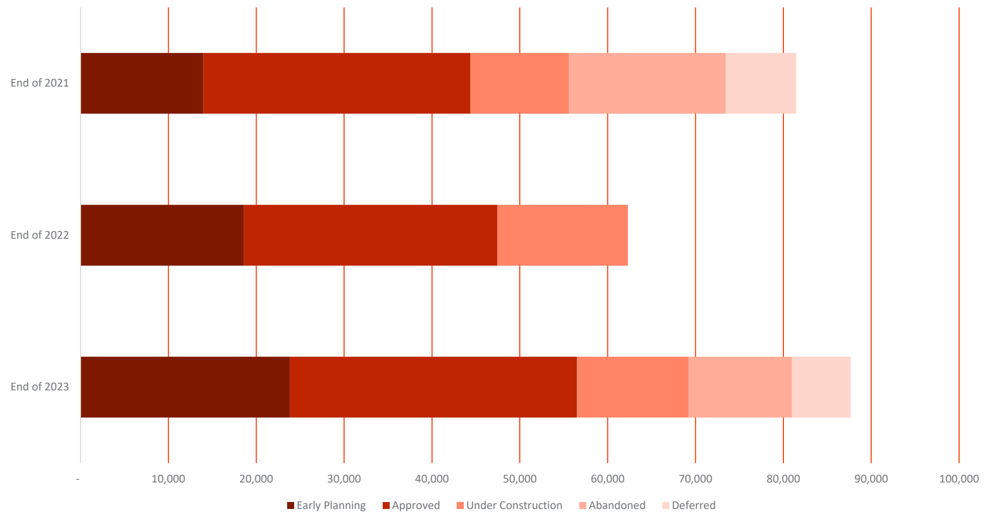
Source: UDIA; CoreLogic; Charter Keck Cramer; ABS

Multi-Unit Pipeline Analysis

CoreLogic has produced point-in-time estimates of the multi-unit pipeline based on a end of year snapshot of the market leading Cordell Construction database.

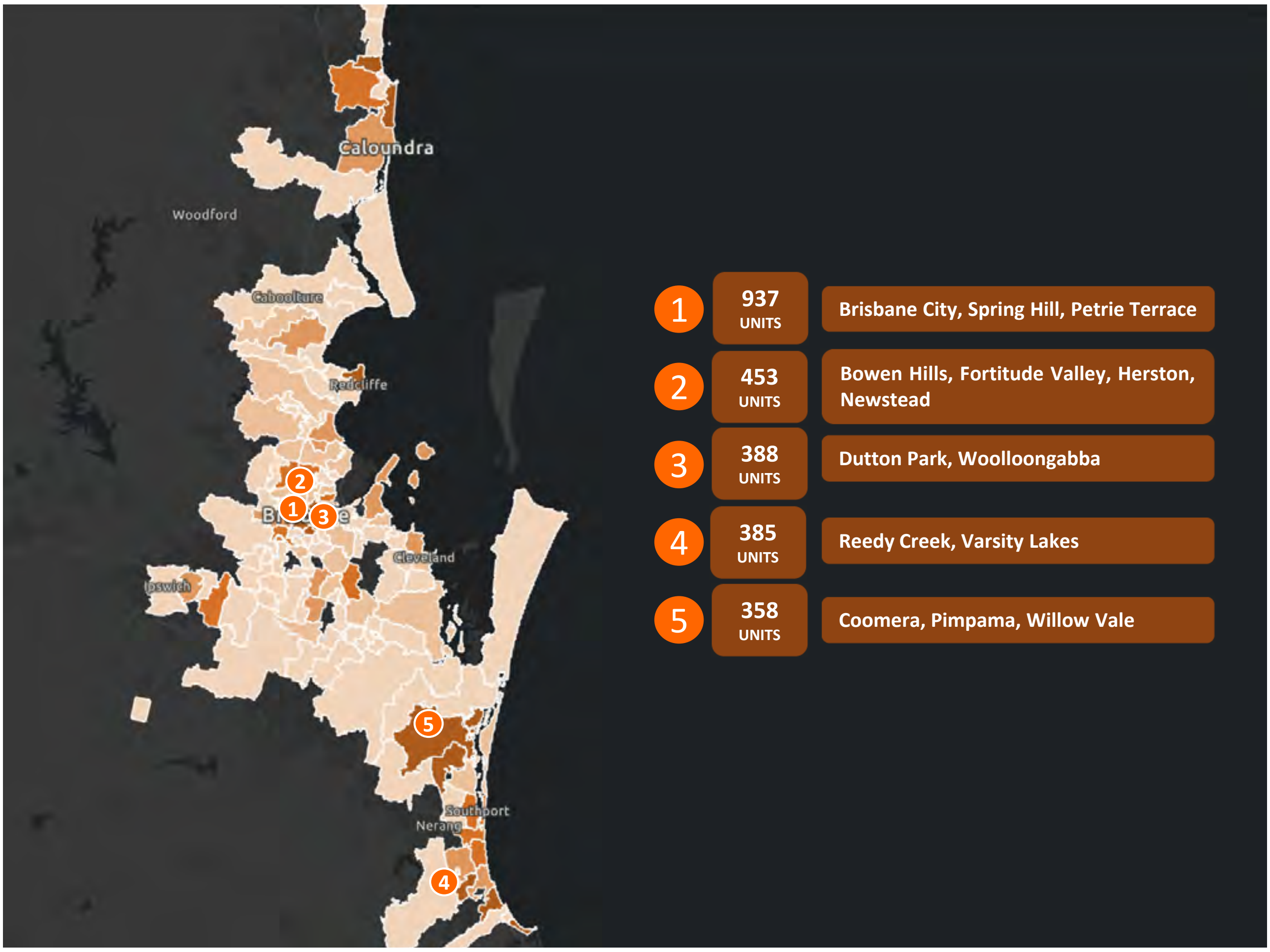
- This data analysis reveals that there is an aggregate total of 69,221 units in the SEQ active pipeline, which is 11% higher than the supply recorded in December 2022.
- This active supply is made up of units in the early planning phase (up 28% from 2022), units which have received approvals (up 13% from 2022) and units under construction (down 15%).

Figure 2.6: Multi-Unit Pipeline



Source: UDIA; CoreLogic

Figure 2.7: Multi-Unit Completions by Postcode



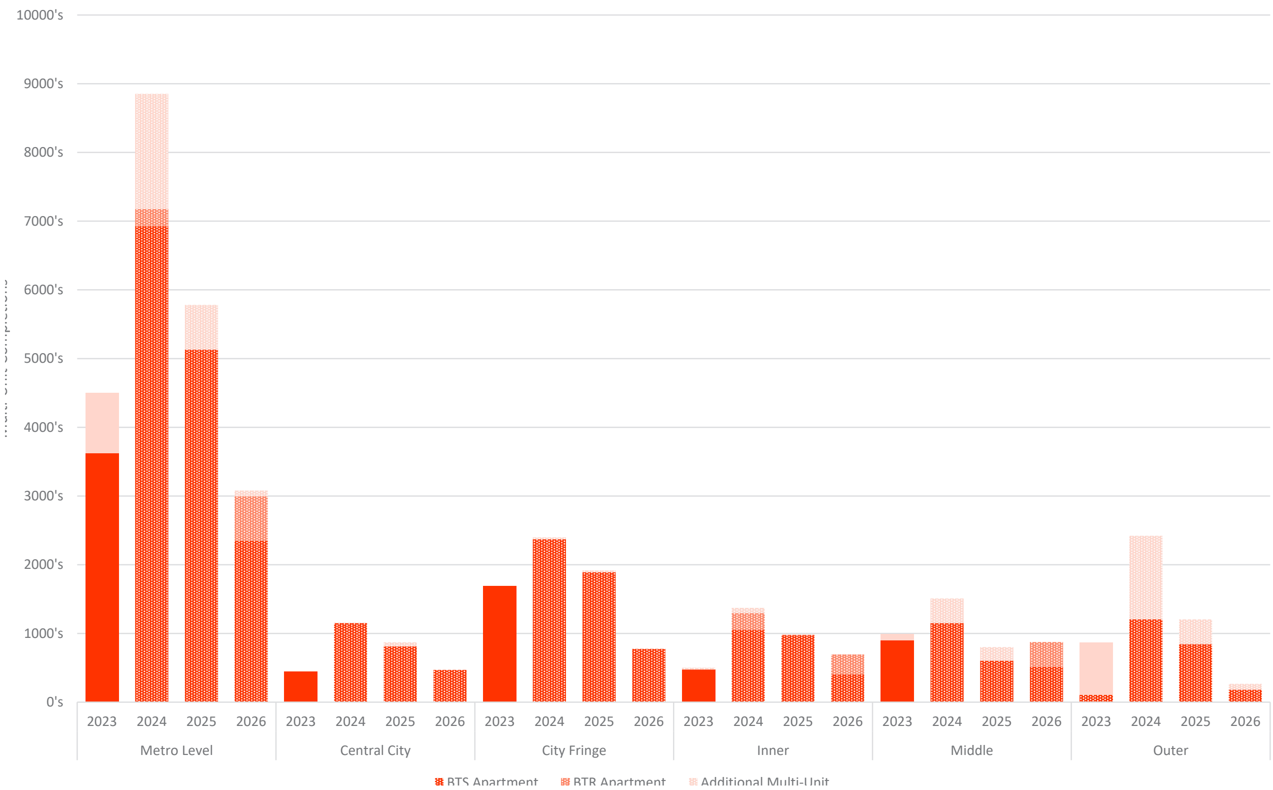
Source: UDIA; CoreLogic; Charter Keck Cramer

QUEENSLAND

Sub-Market Analysis

- The major hot spots for 2023 apartment completions across South East Queensland occurred in the Brisbane CBD and city fringe locations such as Spring Hill and Fortitude Valley, which collectively accounted for 20% of completions.
- Solid volumes of completions were also recorded in various locations on the Gold Coast including Varsity Lakes and Coomera.
- Higher density apartment completions were focussed around the Brisbane CBD with smaller scale townhouse and attached product more prevalent in middle and outer ring locations.

Figure 2.8: Multi-Unit Active Supply by Subregion



Source: UDIA; Charter Keck Cramer

QUEENSLAND

Multi-Unit Market Performance Summary Table

	New Unit Sales[1]	Median New Unit Price[1]	BTS Completions[2]	BTR Completions[2]	TH Completions[1]	Unit Approvals[3]	Unit Completions[1]
2014	13,232	$435K	4,108	0	3,695	13,703	7,803
2015	12,935	$443K	5,003	0	7,748	23,760	12,751
2016	7,961	$450K	12,753	0	3,180	19,786	15,933
2017	2,836	$470K	12,338	845	4,719	13,254	17,902
2018	2,101	$482K	7,363	233	6,269	12,720	13,865
2019	1,889	$502K	6,829	93	6,142	8,675	13,064
2020	1,815	$526K	4,280	200	8,125	8,526	12,605
2021	2,573	$555K	3,528	89	3,902	8,295	7,519
2022	1,420	$569K	2,704	328	4,475	7,129	7,507
2023	1,614	$662K	3,622	77	5,171	6,876	8,870

Source: UDIA; CoreLogic[1]; Charter Keck Cramer[2]; ABS[3]

CORELOGIC 2024 OUTLOOK

CoreLogic

Queensland

Through the COVID period, Queensland dwelling values saw one of the strongest uplifts of the states and territories, increasing 52.3% between March 2020 and January 2024. Values saw a short, sharp decline of -7.3% between May 2022 and January 2023 in the state, but had recovered to new record highs by September. Over the year, Queensland dwelling values increased 12.9%, comprised of a 15.6% rise in Brisbane and a 10.0% rise in the rest of the state. Despite price gains, sales volumes were down -21% year-on-year, where a lack of available stock may have constrained transaction activity.

In the year ahead, Queensland dwelling values are expected to rise once again, although at a slower growth rate than in 2023. This is largely due to increasing affordability constraints, where the rolling quarterly growth rate has already slowed to 2.6% in the three months to January, down from a recent high of 3.6% in the three months to October. However, record levels of net interstate and overseas migration in recent years could keep a floor under growth and sales volumes in 2024.

Luminare by Cavcorp (QLD)

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

The Queensland community grapples with an affordability crisis characterised by soaring home prices and historically low rental availability. The approved lot supply falls significantly short of meeting the demand in the Southeast Queensland (SEQ) region. Labour shortages persist within the industry, exacerbated by escalating material costs which, while stabilising at unprecedented levels, undermine the feasibility of projects, notably impacting the construction of high-rise multi-residential apartments. Builders, developers, lenders, suppliers, and contractors face mounting pressure due to insufficient staffing, with the recruitment of new personnel often hindered by the lack of available accommodation, particularly in regional areas. Extensive construction programs strain overall productivity, while record-low rental vacancy rates exacerbate competition for resources, further compounded by staffing shortages in relevant agencies.

Simultaneously, a slew of regulatory reforms looms, posing challenges to the efficient delivery of housing. These include revisions pertaining to works in waterways, seller disclosure requirements, Sunset Clauses, the National Construction Code, inclusionary zoning policy, and planning scheme alterations. Manufactured Home Park arrangements, Management Rights, the Home Warranty Scheme, and the Environment Protection and Biodiversity Conservation Act add to the industry's regulatory burdens. The spectre of additional regulatory changes looms large, with the impending Review of the Role of the Property Developer.

State Policy Priorities

In these dynamic circumstances, UDIA Queensland remains vigilant, advocating for a pause on regulatory changes that impede the industry's ability to expeditiously deliver ongoing and forthcoming projects. UDIA Queensland has successfully advocated for State Government intervention through the Homes for Queenslanders initiative, which encompasses infrastructure charge reductions for select housing projects, proposed state-facilitated developments, enhanced easement delivery, a finalised SEQ Regional Plan with housing targets, and endorsement for a shared equity scheme. These measures aim to align housing delivery with population growth and mitigate current undersupply challenges.

Future Prospects

UDIA Queensland remains committed to collaborating with both state and local authorities to advance initiatives facilitating housing delivery and addressing the multifaceted challenges hindering housing provision statewide.

DEVELOPER INSIGHT

Anthony Demiris

General Manager QLD, AVID Property Group

In 2023, the world faced challenging economic headwinds that had a direct impact on local economies, causing inflationary pressures to rise. This prompted the continuation of RBA cash rate hikes creating ongoing cost of living pressures. We saw a continued diminution of borrowing capacity and almost all economists predicting double digit housing price falls across the sector earlier in the year. This uncertainty saw many market participants downgrading their targets.

The resilience of our market though was evident as, whenever the RBA held the cash rate, buyer enquiry activity spiked. As the year progressed, early green shoots were evident across a lot of the greenfield market particularly in the affordable (<$750k H&L) space. This saw some groups revising lot typologies to create a smaller, more affordable product – a complete 180-degree shift from the post COVID boom where interest rates were low, borrowing activity was high with a desire for larger spaces. In addition, we saw a surge in demand for fixed contract completed homes, as this tangible style of product enabled peace of mind for both buyers and lenders.

The back end of the year, however, saw demand start to rise – not quite like the post COVID boom of 2021/22, but still noticeable – with the rhetoric shifting once again to the housing crisis and a hyper focus on accommodating the near two million additional people who will call Queensland home by 2046.


Harmony by AVID
Property Group (QLD)

NSW

SUMMARY

	Annual Completions	Annual Lot Sales	Median Lot Price	House Approvals
GREENFIELD	-19%	-41%	1%	-17%

	Annual Completions	Annual New Unit Sales	Median New Unit Price	Unit Approvals
MULTI-UNIT	2%	-9%	6%	-16%

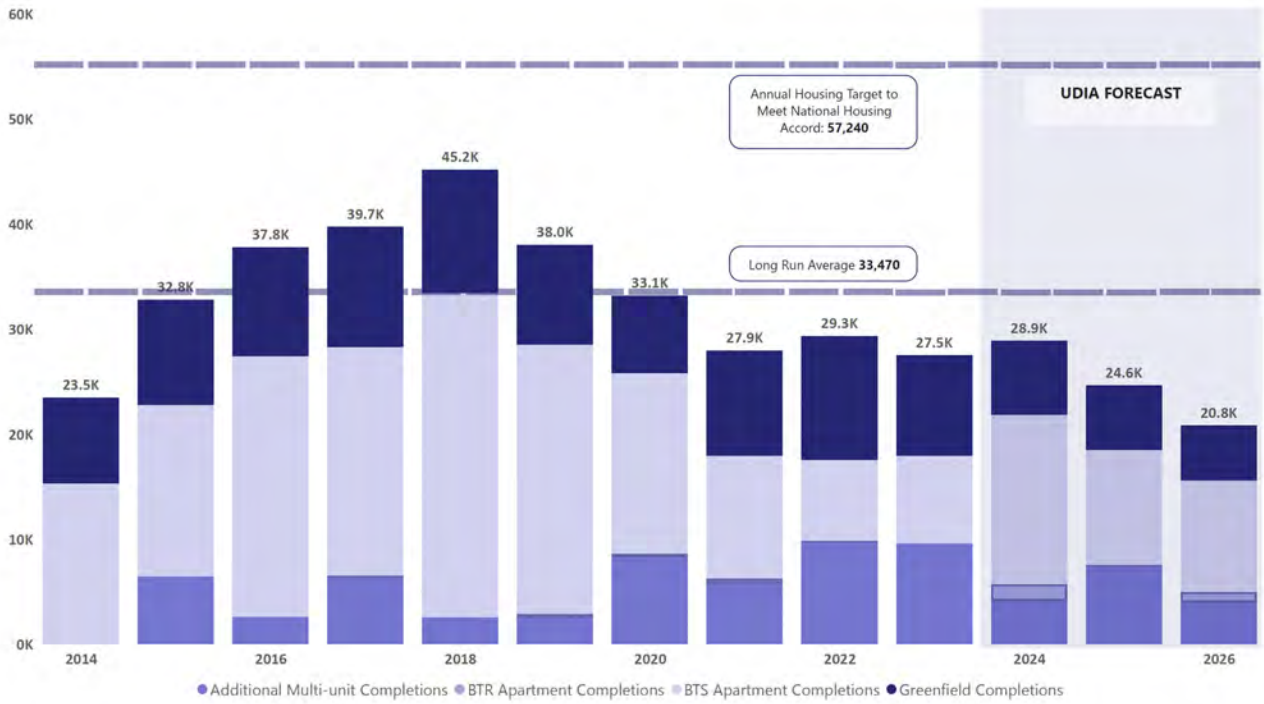
- The Greater Sydney Megaregion[1] (Greater Sydney) new home market trended sharply down across various metrics in 2023 led by a cliff-fall in greenfield land sales (-41%) and a further weakening in multi-unit sales which brought both segments to decade low levels of transactions.
- Consumer sentiment remained fragile for the new build dwelling segment across much of the year driven by on-going cost of living pressures, record high retail pricing and increasingly constrained new product supply.
- The moderation of dwelling sales performance also relates to an on-going market normalisation phase following the significant pull-forward of demand due to the government stimulus across 2020 and 2021.
- A combined total of 25,380 new dwellings were completed in 2023 across the greenfield and multi-unit (infill) sectors. This reflects a similar quantum of completions from the preceding two years but is 23% below the decade average.
- UDIA's new residential supply completions[2] are forecast to remain depressed for at least the next three years to 2026 driven by further contraction in multi-unit production. Aggregate completions are forecast to undershoot the National Housing Accord's annual dwelling target for the Greater Sydney Megaregion (which is 57,240 based on a population based share of 1.2 million homes over the forward five years) by 51% in 2024, 58% in 2025 and 64% in 2026.

1 The reporting coverage for Sydney has expanded for the State of the Land 2024 to encompass the Greater Sydney Mega-Region which includes Metropolitan Sydney, the Lower Hunter, Central Coast and Illawarra. As such certain market performance reporting metrics will differ to the 2023 State of the Land report and earlier releases.
2 These forecasts include estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered by State of the Land reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely to be lower than total realised new supply.


Rhodes Central by Billbergia (NSW)

NSW

Figure 3.1: New Residential Market Supply



Source: UDIA; Research4; CoreLogic; Charter Keck Cramer; ABS

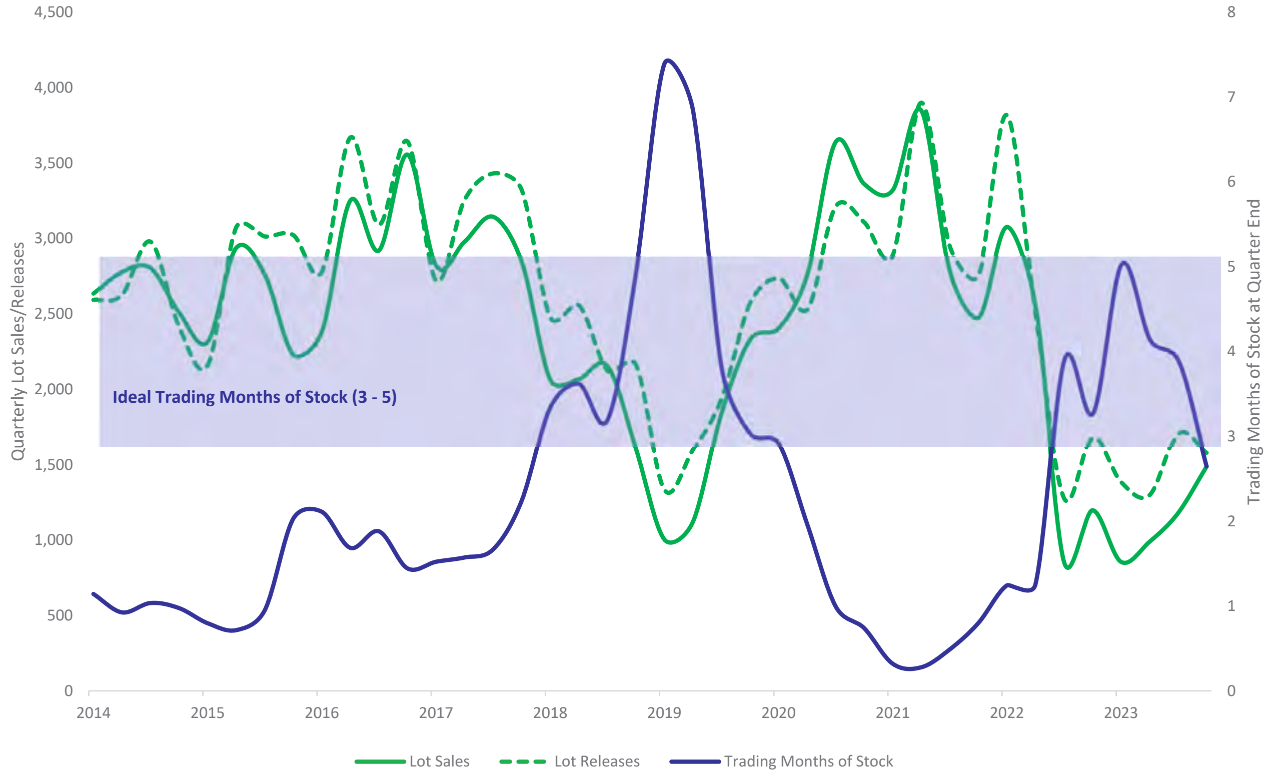
ANNUAL GREENFIELD ACTIVITY

Sales and Release Activity

- The Greater Sydney megaregion's greenfield market recorded a significant 41% decrease in annual land sales in 2023 to 4,510 contracted sales.
- Although sales volumes steadily improved across the year (from 855 quarterly sales in the March quarter to 1,490 sales in the December quarter) aggregate annual sales were the lowest achieved since 2010.
- Sales volumes across 2023 were 55% lower than the decade average, and Greater Sydney's national share of greenfield sales was 15%, well below the 20% averaged across the last decade.
- Reflecting the reduced demand profile, there was a 35% reduction in lot releases across 2023 with a total of 5,970 releases, which was 44% lower than the decade average and 52% beneath the stock volume released in 2021.

NSW

Figure 3.2: Greenfield Market Activity



Source: UDIA; Research4

Stock Levels

- At the close of the December quarter 2023, the number of residential lots on a price list was equal to 2.6 months of demand. This is slightly below the ideal trading volume of 3 to 5 months' worth of supply.
- The volume of stock ready for sale ended the year at the same level it started, and according to Research4 analysis the current stock levels are well suited to current activity. However, with demand expected to increase, stock levels will need to lift too.

Greenfield Projects

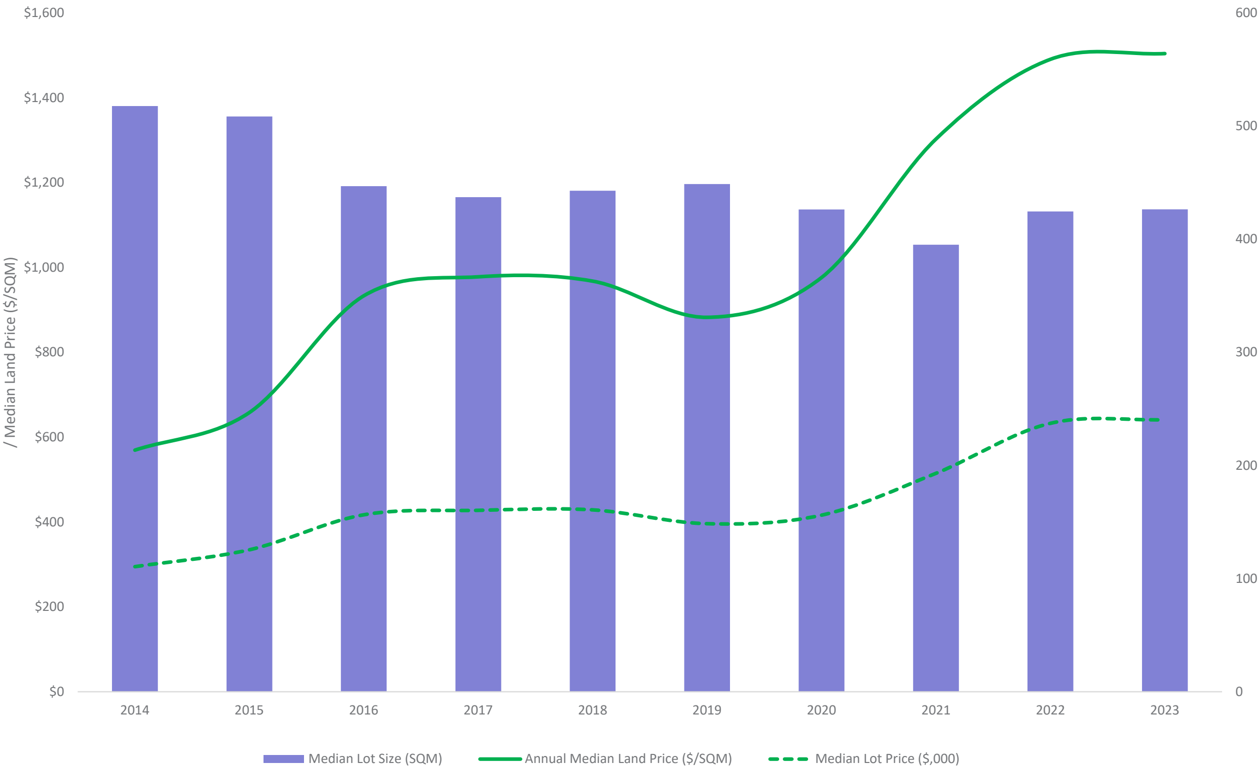
- Despite the down-turn in sales volumes there was an average of 126 active trading estates across the year, which represents an uplift of 15% on 2022. However, most of these new estates were small in scale, with the majority of new estates entering the market only around 60 lots in size.

NSW

Greenfield Land Prices, Lot Sizes and Values

- After two consecutive years of circa 23% growth in the Sydney megaregion’s median lot price, 2023 saw prices edge up a modest 1.3% to average $641,250.
- The moderation in median lot prices in 2023 enabled the ACT (with 9% annual growth) to leap-frog the Sydney megaregion as the most expensive lot pricing in the nation.
- Greater Sydney’s median lot price across 2023 represented 47% of the established market median house price of $1.375m, which compares to an average ratio of 43% across the last decade. This indicates that with median house pricing having reached a ceiling (in the near term at least) it is likely there will only be modest forward price growth for residential land as well.
- The median lot size across the megaregion remained stable at 426 sqm across 2023. This median lot size is inflated by the larger lots being produced in the Lower Hunter and Illawarra markets compared to the Metropolitan Sydney median lot size of 375 sqm– the same size recorded for the last three years.
- The average land rate across the megaregion also remained stable growing by just 0.8% in 2023 to $1,505 per sqm. This land value is 46% higher than the combined capital city average and 35% higher than Greater Melbourne – the nation’s largest land market.

Figure 3.3: Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

Catherine Park by Harrington Estates and The Fairfax Group (NSW)

NSW

Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
2014	10,730	88	518	$295K	$569
2015	10,248	91	508	$335K	$658
2016	12,110	121	447	$417K	$933
2017	11,786	123	437	$427K	$978
2018	7,901	126	443	$429K	$968
2019	6,307	128	449	$396K	$883
2020	12,175	132	426	$416K	$976
2021	12,421	91	395	$515K	$1,303
2022	7,667	110	424	$633K	$1,491
2023	4,509	126	426	$641K	$1,504

Source: UDIA; Research4

RESEARCH4 GREENFIELD OUTLOOK 2024

Sydney

The 2023 SOTL outlook stated that the Sydney Greenfield market was facing an affordability issue and that competition across 2023 would be focused on meeting a price point. This forecast played out across 2023.

The 2023 year was defined by a correction in demand arising from a strong period of selling across the COVID years. Although COVID is now in the past the consequences from government actions during this period are still impacting the broader economy and the Greenfield market. The challenge is to be aware of the time needed to move the market back toward a "normal" setting.

The current inflated cost of living is a direct result of government spending during COVID. The high property prices which have pushed customers to the limit were driven by low lending rates which were dictated by the federal government. The rental issue, a direct result from over stimulating the housing sector during COVID which in turn placed enormous pressure on the supply and production sectors. This pressure meant that the time needed to develop land and then to build a home was lengthened, meaning that people were occupying rental properties longer than normal, hence the current rental problem.

The Sydney Greenfield market is "fully priced," under supplied and poorly equipped. People desire to call Sydney home, but pricing and product suitability prevent this from happening, hence the net interstate loss.

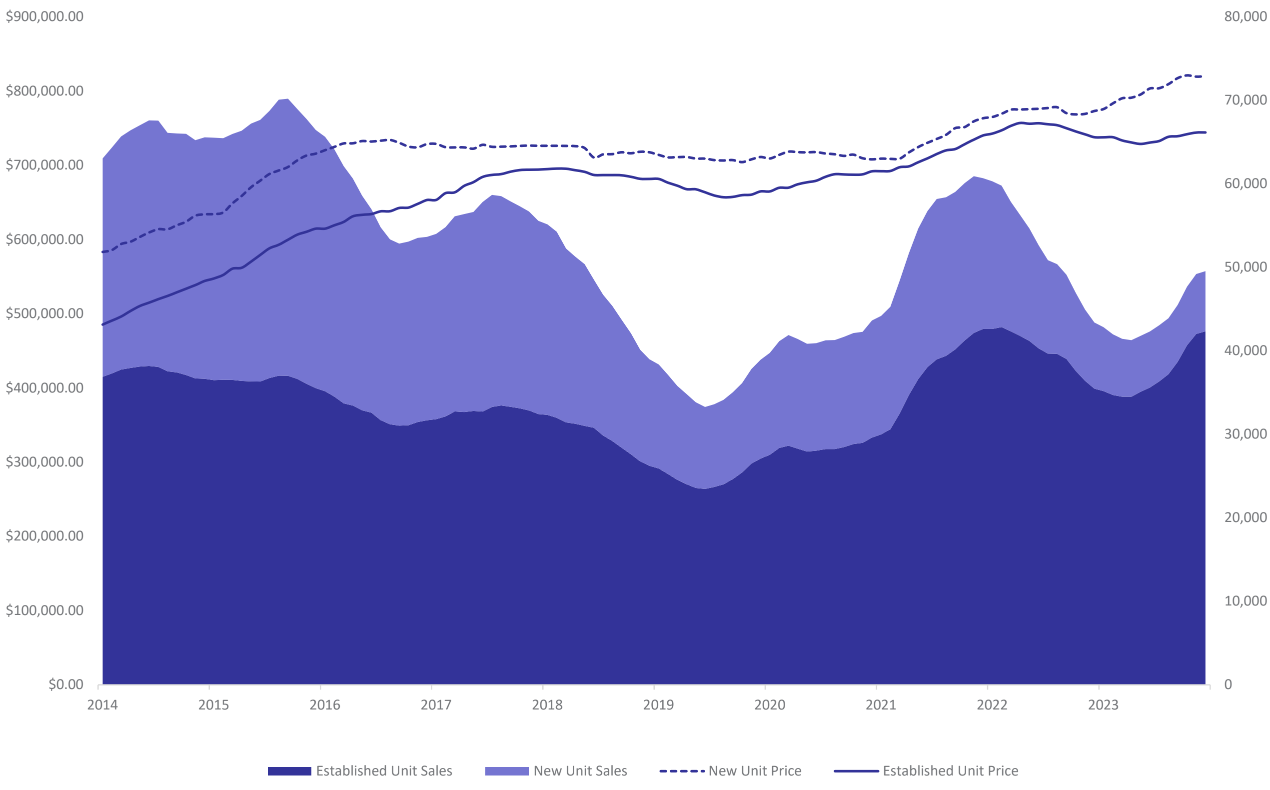
Across 2024, land prices will experience little movement, while underlying demand continues to improve. Customers will be seeking product that can align with a tight budget i.e., smaller land product or medium density product. For the market to experience strong price growth, additional household liquidity will need to be found.

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- Settled sales of new multi-units across Greater Sydney dropped by 9% in 2023, averaging just 601 a month. The total annual volume of ~7,000 sales reflected an annual output down 61% on the decade average, and was the lowest level of new unit sales transactions in over fifteen years.
- There have now been two consecutive years of record low new apartment sales, which in part reflects the low levels of available new apartment and medium density supply (as the construction pipeline continues to retract).
- There was a notable recovery across 2023 in established market unit sales, which saw aggregate sales increase by 19%. This indicates a current consumer preference for finished stock, and the robustness of overall underlying demand for attached and semi- detached stock across the Sydney Basin.

Figure 3.4: Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic (Note: Chart depicts rolling 12 month volumes and pricing)

NSW

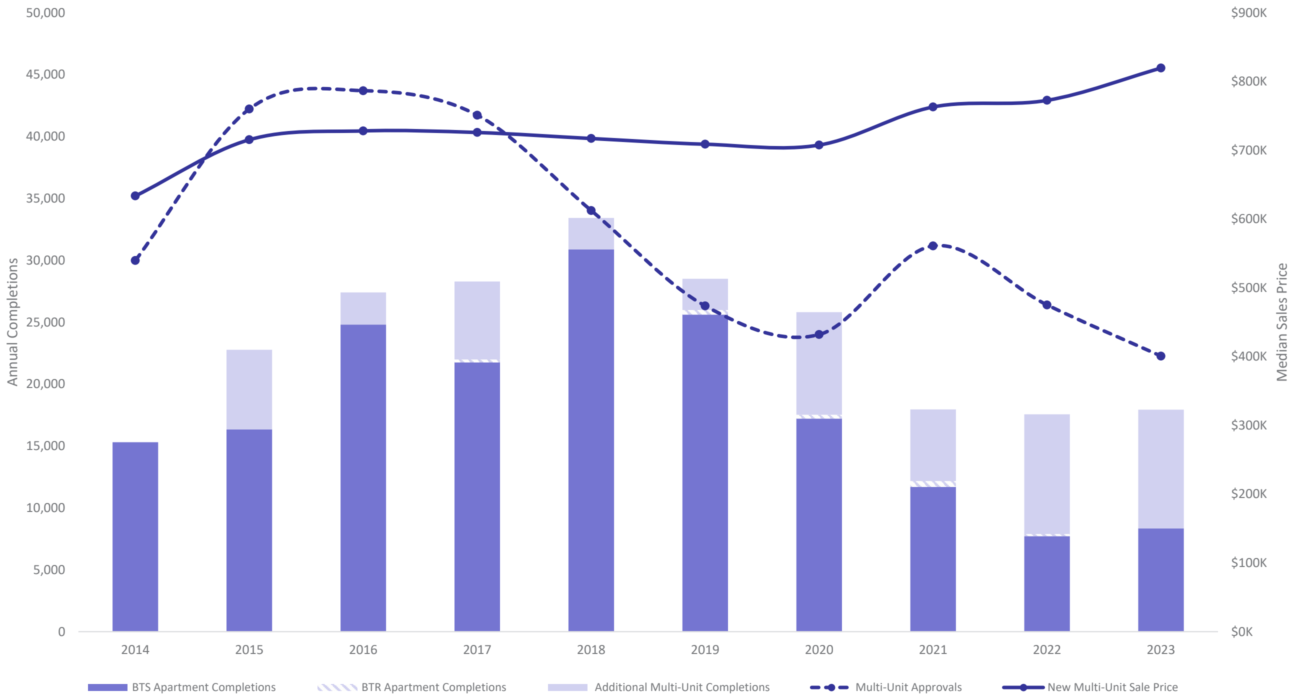
Median Unit Pricing

- Constrained supply and a 'flight to quality' towards new product launches underpinned a 6% growth in median new unit pricing across Greater Sydney in 2023 to finish the year with a median price point of $819,710.
- Sydney's newly constructed units remain the most expensive in Australia by some margin, with the median new sale price currently 33% higher than the combined capital city average and 19% higher than SEQ – the second most expensive new unit market in the nation.
- The current median sale price of new units is 35% more affordable than the median value for new houses, which is a significantly higher ratio than the long-term average difference of 18%. This represents a major positive retail proposition for the multi-unit market – particularly for first home buyers.

Construction Activity

- There were 17,935 new multi-unit dwellings completed in Greater Sydney in 2023, which while representing a modest annual increase of 2%, is a 27% decline on the decade average and 46% lower than historic peak supply of 33,429 completed across the megaregion in 2018.
- Build to sell (BTS) apartment projects comprised 46% of total multi-unit completions in 2023 which has dropped considerably from circa 90% of net completions in 2018 and 2019. This signals the increased role that townhouse and smaller scale infill developments are currently playing in a subdued market for higher density product.
- Challenging project viability for apartment projects is also constraining build to rent (BTR) supply, with only 650 units completed over the past three years. However, Charter Keck Cramer are forecasting an uplift in BTR completions over the coming three years with circa 2,700 units set for completion across Greater Sydney.
- Approvals for multi-units fell by 16% across the year with just 22,264 approvals, which is half of the approvals recorded in 2016, underscoring UDIA's expectations of a prolonged period of reduced construction activity ahead.

Figure 3.5: Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic; Charter Keck Cramer; ABS

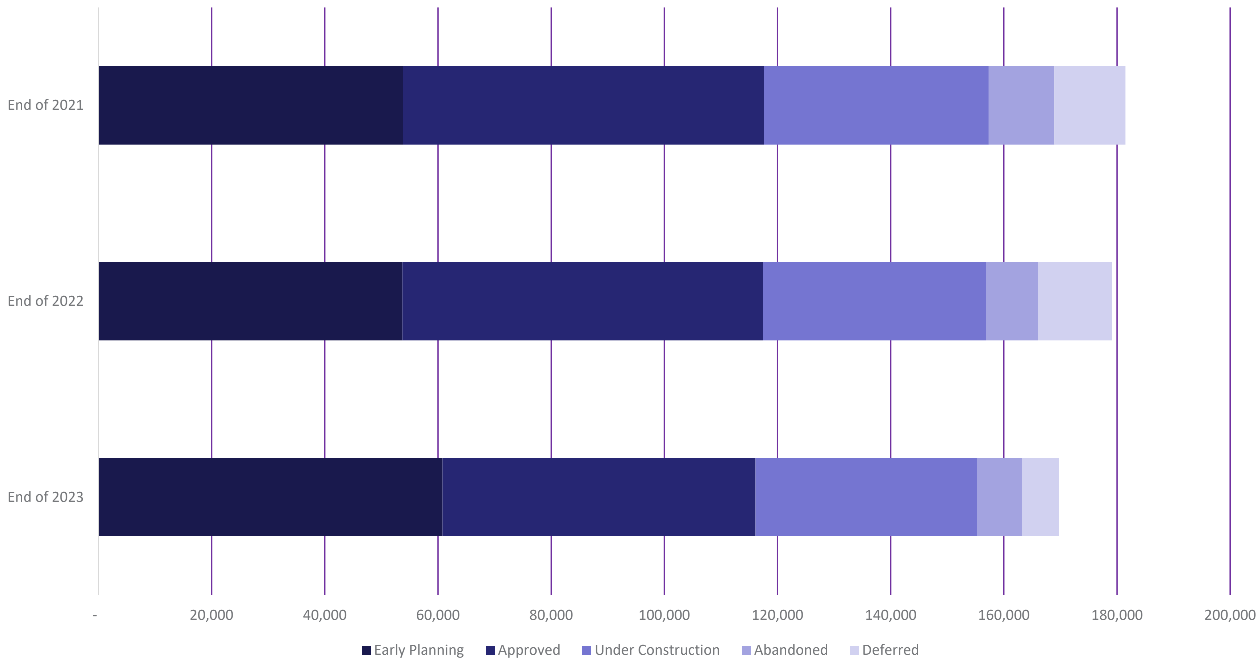
NSW

Multi-Unit Pipeline Analysis

Data Note: CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on an end of calendar year snapshot of the industry leading Cordell Construction database.

- Aggregate project scale analysis reveals that the total active pipeline of multi-units in Greater Sydney was 155,283 units as at the end of 2023, which is just 1% lower than the supply recorded in December 2022.
- This pipeline is made up of units in projects at the early planning phase (up 13% from 2022), units in projects which have received approval (down 13% from 2021) and units under construction (down 0.6%).
- The annual number of units in the deferred or abandoned category has reduced by 49% and 14% respectively, which indicates that the number of speculative/marginal projects that were contemplated through the strong market period of 2014-2017 have already been shelved or abandoned over recent years, with fewer replacement projects emerging which are unlikely to proceed in the pipeline.

Figure 3.6: Multi-Unit Pipeline

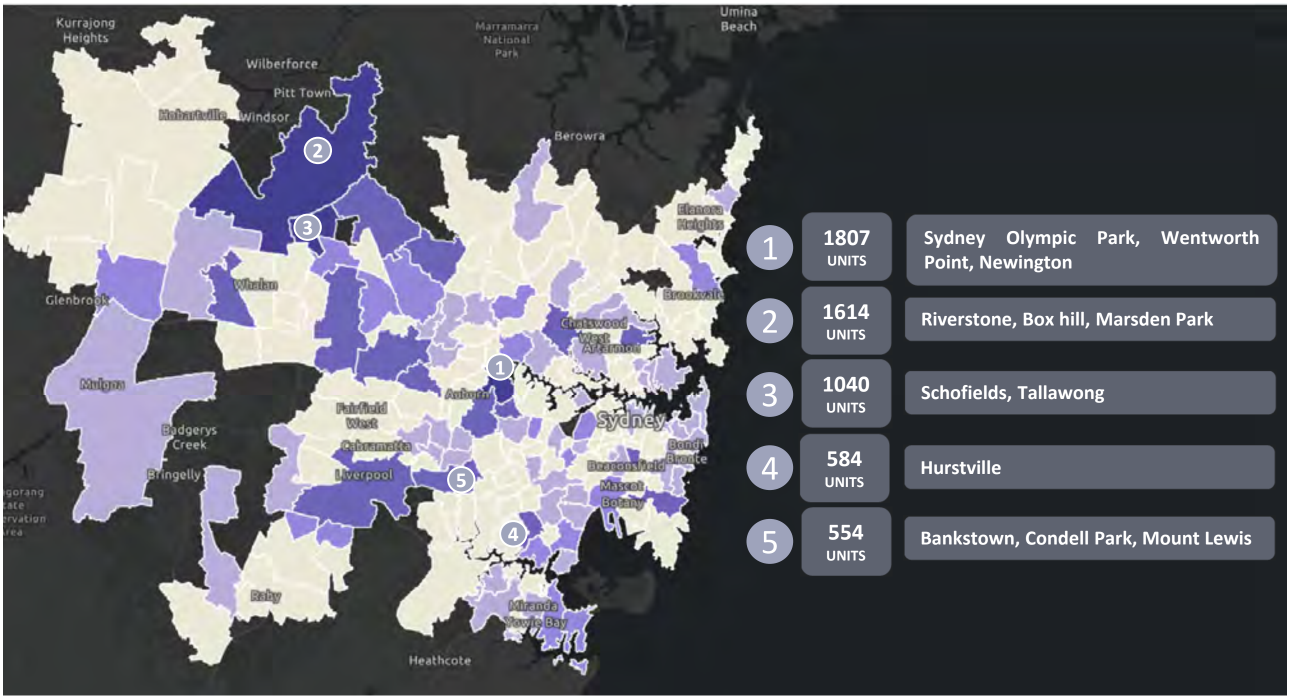


Source: UDIA; CoreLogic

Rhodes Central by Billbergia (NSW)

NSW

Figure 3.7: Multi-Unit Completions by Postcode

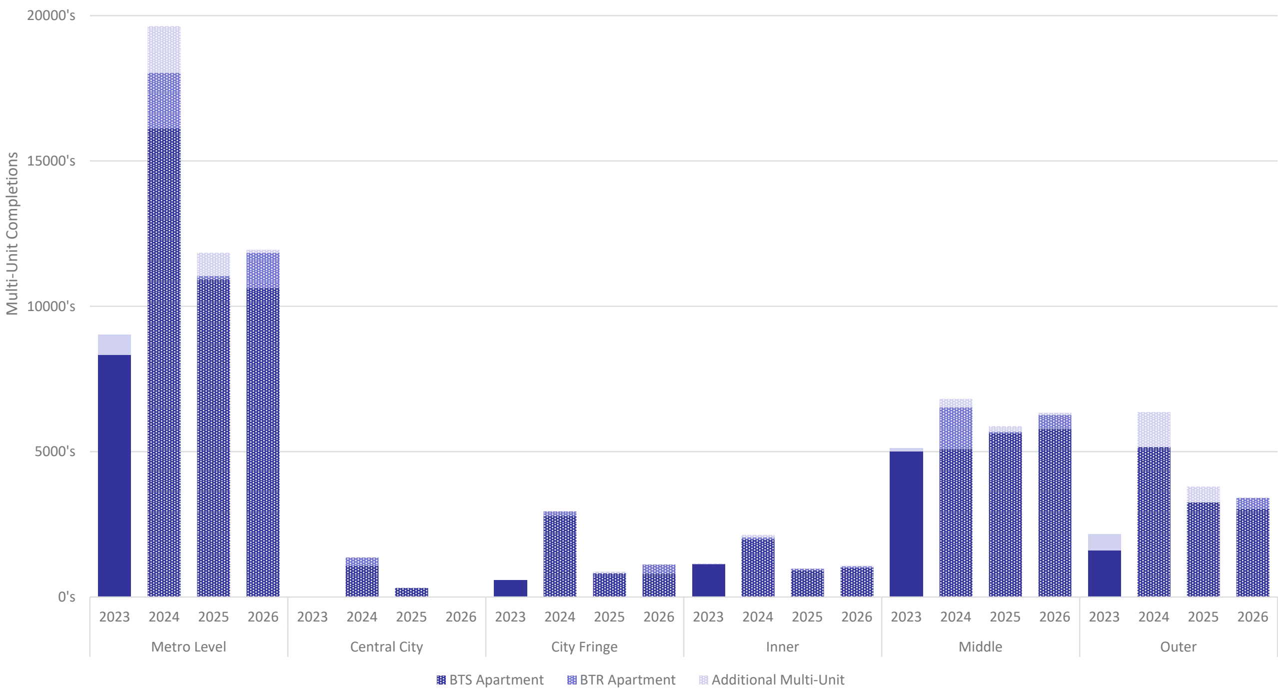


Source: UDIA; CoreLogic; Charter Keck Cramer

Sub-Market Analysis

- The Cities of Parramatta, Blacktown, Cumberland, The Hills Shire and Caturbury-Bankstown recorded the largest volume of multi-unit completions across 2023, collectively accounting for around 45% of all new completions across the Greater Sydney mega-region.
- Sydney Olympic Park/Wentworth Point and Newington provided the greatest volume of apartments by postcode, followed by Riverstone, Box Hill and Marsden Park in the Hills Shire.

Figure 3.8: Multi-Unit Active Supply by Subregion



Source: UDIA; Charter Keck Cramer

NSW

Multi-Unit Market Performance Summary Table

	New Unit Sales[1]	Median New Unit Price[1]	BTS Completions[2]	BTR Completions[2]	TH Completions[1]	Unit Approvals[3]	Unit Completions[1]
2015	30,911	$715K	16,336	0	6,439	42,230	22,775
2016	21,969	$728K	24,808	0	2,597	43,705	27,405
2017	23,123	$726K	21,746	244	6,302	41,728	28,292
2018	12,760	$717K	30,881	0	2,548	34,022	33,429
2019	12,221	$709K	25,613	376	2,520	26,320	28,509
2020	14,024	$708K	17,209	315	8,292	24,005	25,816
2021	18,037	$763K	11,692	475	5,788	31,167	17,955
2022	7,916	$773K	7,714	173	9,674	26,396	17,561
2023	7,218	$820K	8,337	0	9,598	22,264	17,935

Source: UDIA; CoreLogic[1]; Charter Keck Cramer[2]; ABS[3]

CORELOGIC 2024 OUTLOOK

New South Wales

2023 marked a recovery trend in NSW home values and sales, though this recovery trend softened slightly toward the end of the year, and the start of 2024. Transactions in the year to January 2024 were estimated to be 151,855, up 8.1% on the previous 12-month period. Values across the state were up 9.0% over the past year, but are still -1.7% below the recent record high in March 2022, before the start of rate rises.

The Sydney housing market led an upswing in home values over the year, increasing 10.6% in the 12 months to February, and rent values increased a further 9.4% in the same period. Regional NSW was slower to recover, as net migration to regional Australia from cities pulled back from COVID-peaks in 2023. Regional NSW home values rose 3.5%, and annual growth in rents across the regions slowed to 3.1%.

Looking ahead, the Sydney market seems likely to see modest capital growth, buoyed by another year of relatively elevated overseas migration and the prospect of a reduction in interest rates. This is already reflected in final auction clearance rates through February, which are averaging a remarkable 73.1%. Regional NSW has also showed increasing momentum through the start of the year, with values rising 0.4% in January, the highest monthly growth rate since September last year. However, affordability constraints will be the main headwind for growth conditions across NSW, as economic conditions loosen and household's savings are compressed by a high cost of living.

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

The urban development industry in NSW continues to face significant headwinds which permeated through 2023. Rising inflation saw a blunt monetary response with successive increases to the cash rate reaching 4.35% at year's end, further driving record low housing supply and entrenching NSW in a housing and rental affordability crisis. The conditions facing the market have arguably never been worse, and those experiencing mortgage or rental stress are no longer limited to the bottom quartiles of income earners.

Home purchase prices continue to outpace wage growth with the median price in Sydney remaining at least $300,000 more expensive then the next most expensive capital city in Australia. These conditions and the resultant housing supply and affordability crisis are having a broader impact on the state's productivity and the development industry's ability to attract financing, as risk remains high and returns are increasingly squeezed.

A critical lack of human resources across all sectors from construction to planning is also impacting development. These challenges are likely to only become worse as international migration ramps up further but fails to bring with it the skilled workers the industry desperately needs.

The move towards a carbon neutral or carbon positive society will continue to impact industry. While advancements are being made in materials, energy production and operations, a major challenge for industry will be balancing the need for more resilient, sustainable and carbon-friendly developments with the urgent need to build a higher quantum of residential housing and industrial developments, while still remaining feasible.

The housing forecast for NSW remains poor amidst these challenges. According to Oxford Economics, annual completions are expected to drop as low as 38,500 state-wide in late-2025, levels not seen since 2013. This comes at a time when NSW is seeking to boost housing supply to meet the National Housing Accor and meet demand.

State Policy Priorities

Increasing housing supply across the entire housing continuum, from social and affordable housing to market housing, and across all geographical areas remains the top priority for NSW in 2024. This focus continues to be driven by the NSW Premier with support from Cabinet.

Key to this priority is delivering on the revised National Housing Accord target of 1.2 million homes over the next five years, with NSW targeting around 377,000 over that period. This target represents 20% more than we have ever accomplished in a given 5-year period. Oxford Economics currently forecasts that we will build less than 230,000 during that same period without meaningful change. While housing will remain the focus of the NSW Government, UDIA NSW is ensuring that comprehensive city-shaping outcomes underpin all decisions.

UDIA have identified a number of key focus areas where our advocacy will seek to inform the State's Priorities. These include:

Tracking NSWs progress towards the National Housing Accord Target. Ensuring housing supply and feasibility remain the top priority.

Ensuring an adequate pipeline of unconstrained and serviced industrial and urban services land in NSW.

Improving productivity across the sector and promoting a faster development assessment process.

Better coordination and delivery of strategic land use planning and infrastructure.

Future Prospects

The NSW Government throughout 2023 showed a genuine commitment to deliver on the National Housing Accord, making several important planning reforms towards the end of the year. The challenge is now to ensure that the announced reforms deliver on their stated ambitions and do not become overly politicised, especially with Local Government Elections to be held in September 2024.

To better position the development industry as results driven and outcome focused in 2024, UDIA NSW has adopted a new tagline – We are City Shapers. This tagline encapsulates our focus for the year, ensuring that development does not occur in isolation, but is brought together in a cohesive and symbiotic relationship to create better environments and cities. While we share this ambition with the broader community and Government it is ultimately our members who deliver these desired outcomes, shaping the future city.

DEVELOPER INSIGHT

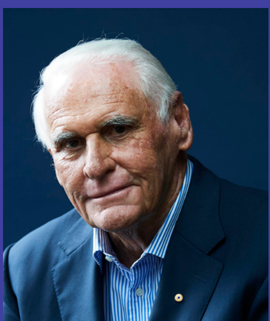
David Gallant
CEO, Walker Corp

Economic uncertainty, rising interest rates, housing supply and inflation continued to dominate the headlines in 2023 and 2024 will see more of the same.

The NSW and Federal Government continue to highlight housing supply as a key policy driver and despite a slower start to the 377,000 homes targeted for the State over the next 5 years, the NSW Government has made big inroads into improving decades of undersupply. Approval timelines are now being monitored, density is no longer a dirty word, and there will be FSR bonuses for those who can deliver affordable housing and developments within proximity to well-located transport hubs. However, affordability will need more attention in 2024.

With greenfield housing remaining the preferred home ownership model for most Australians, the lower cost base and speed to market will make this sector the standout performer in the year ahead, whilst medium density projects take time to ramp up and consumer confidence in off the plan apartments starts to return. 2024 will be a year of continued hard work and careful placement of capital for those looking for long term success.

Vale Lang Walker AO 1945 - 2024



Having a vision and turning it into reality was Lang Walker’s trademark philosophy.

Where others saw a challenge, Lang relished the opportunity.

Lang forged his early career in civil engineering, earth moving and quarrying before moving into residential and industrial subdivision. With this wealth of experience, Lang expanded his horizons into medium density residential development, retail and commercial precincts and enjoyed great success across the eastern seaboard.

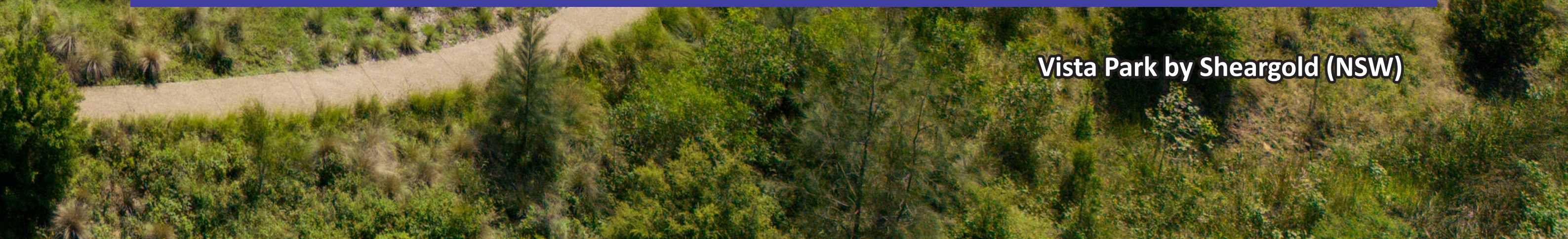
Lang loved the challenge of converting unloved and complex sites into incredible new communities and precincts, a passion that he succeeded in across six states and territories throughout Australia, along with North America and Asia.

Lang was always proud to reflect on some of his team’s biggest accomplishments in NSW including the award winning historic restoration of the Finger Wharf at Woolloomooloo, the Broadway Shopping Centre redevelopment along with NSW’s largest urban transformation on the Rhodes Peninsula. In recent years, the city defining Parramatta Square became a pet project as he saw the early growth in Western Sydney coming to life.

Lang knew the secrets to placemaking better than most, creating vibrant, attractive spaces for communities and businesses to thrive in.

His ‘challenge accepted’ ethos continues to drive the Walker team today and is a role model for our state going forward.

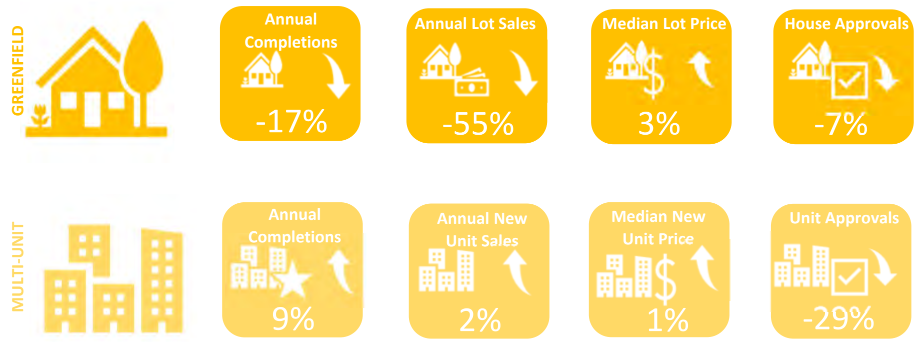
From vision to reality, Lang Walker’s legacy has, and always will, continue to lead the way for Walker Corporation.



Vista Park by Sheargold (NSW)

VIC

SUMMARY



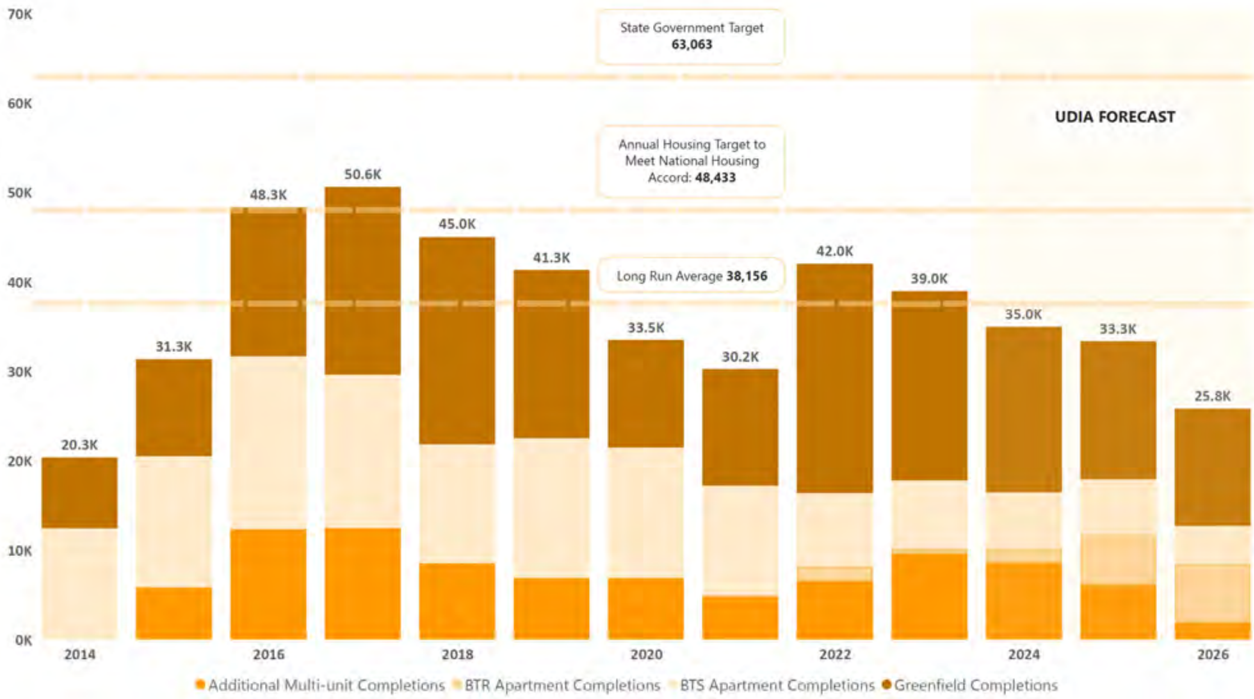
- Greater Melbourne's new home market registered a subdued performance in 2023 with a sharp decline in greenfield land and another flat year of multi-unit sales.
- Greatly reduced consumer sentiment driven by rising interest rates in the first half of the year and broader cost of living pressures across the year underpinned the softened demand profile for new build dwellings.
- The moderation of greenfield sales performance also relates to a continued market normalisation phase following the significant pull-forward of demand due to government stimulus across 2020 and 2021.
- A combined total of circa 38,820 new dwellings were completed in 2023 across the greenfield release and multi-unit infill sectors. This reflects an equivalent production volume of new dwellings added in 2022 and is also roughly in line in the decade average.
- New residential supply completions[1] are forecast to retract over next three years to 2026 driven by considerable softness in the forward production pipeline. Aggregate completions are forecast to undershoot the National Housing Accord's annual dwelling target for Greater Melbourne & Geelong of 48,430[2] by 20% in 2024 and will be around 40% below the stretch target of 63,060 aspired to by the Victorian Government's Housing Statement.[3]

1 These forecasts include estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered by State of the Land reporting including small scale infill subdivisions and secondary/knock down rebuild dwellings. As such the combined new market supply estimates are likely to be lower than actual realised new supply.
2 Based on a population based share of 1.2 million homes over the forward five years.
3 Proportional target of 80,000 dwellings a year based on Greater Melbourne and Geelong's share of the Victorian population.

Silverwoods Resort by Lotus Living (VIC)

VIC

Figure 4.1: New Residential Market Supply



Source: UDIA; Research4; CoreLogic; Charter Keck Cramer; ABS

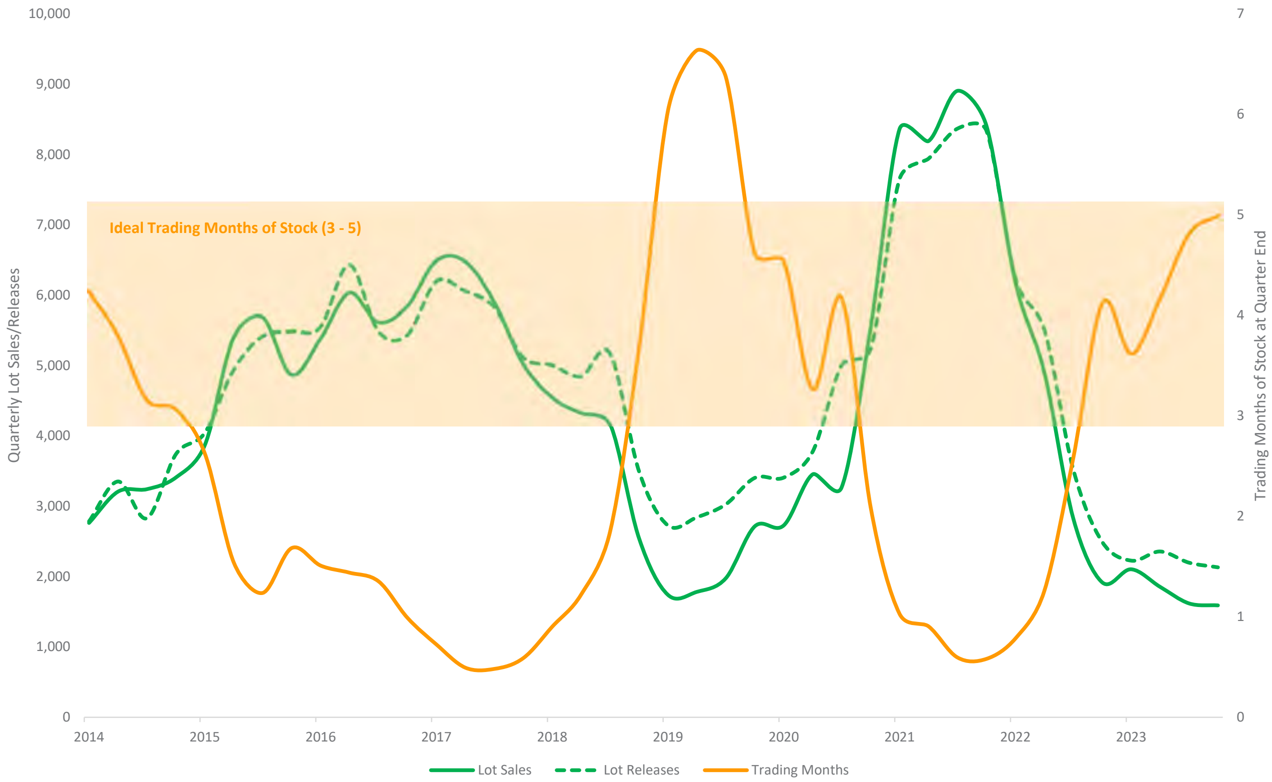
GREENFIELD MARKET ACTIVITY

Sales and Release Activity

- The Greater Melbourne greenfield market recorded a marked decline of 55% in annual lot sales across 2023 to total 7,165 contracted sales. This is second consecutive year sales volumes have effectively halved and now sit 59% lower than the decade average.
- The cliff-fall in greenfield sales in 2023 saw Melbourne eclipsed by Perth as the highest selling capital city market in the nation – a metropolitan region with a population base 60% smaller than Greater Melbourne and Geelong.
- Reflecting the greatly reduced demand profile there was a total of 8,900 lots released across 2023 which reflected a 50% decrease on 2022 volumes and was 72% below the peak release activity of 2021.
- The Greater Melbourne Greenfield share of total national capital city land release activity since 2009 has averaged 34%. The share of total activity for 2023 was 24%.

VIC

Figure 4.2: Greenfield Activity



Source: UDIA; Research4

Stock Levels

- Stock levels remained robust across the 2023 calendar year after a 're-stocking recovery' in 2022 from critically low levels recorded across 2021.
- As of December 2023, the number of residential lots on a price list was equal to 5.0 months of trading. This is still inside the ideal trading band of 3-5 months with further supply levels set to put downward pressure on price growth.

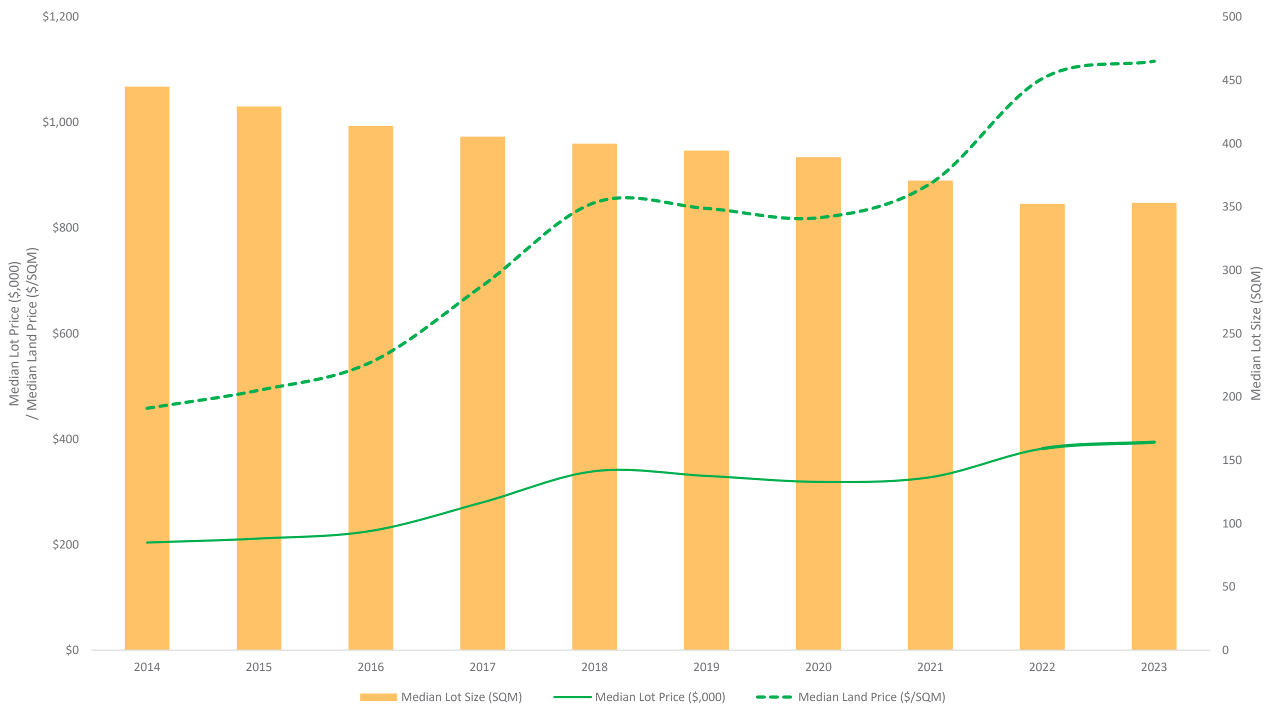
Greenfield Projects

- On average there were 147 active land estates across the Greater Melbourne Greenfield market for the 2023 year. As of December 2023, the number of active estates under survey was 143, which is in-line with the historical average number of trading estates.
- The volume of active estates recorded across Greater Melbourne was the smallest number recorded since 2018 reflecting a lower rate of greenfield project replacement due to the subdued demand profile.

Greenfield Land Prices, Lot Sizes and Values

- Greater Melbourne's average median lot price for 2023 was $394,000 reflecting a modest 3% growth on 2022, which followed a 16% jump in median lot pricing from the preceding year.
- Greater Melbourne's 2023 median lot price represented 43% of the established market median house price of $925,000 which is above the 10-year average of 39%, which represents a fair value ratio.
- The median lot size remained stable across Greater Melbourne at 353 sqm which comfortably positioned this capital city market as holding the smallest average lot sizes in Australia for the third straight year.
- The stabilisation in lot pricing and lot sizing translated into only a modest 3% increase in the average land rate to $1,116 psm.

Figure 4.3: Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
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	14,995	186	389	$319K	$820
2021	33,859	194	371	$328K	$884
2022	15,820	156	353	$382K	$1,083
2023	7,165	147	353	$394K	$1,116

Source: UDIA; Research4

VIC

RESEARCH4 GREENFIELD OUTLOOK 2024

Melbourne

The 2023 SOTL outlook suggested that “Melbourne Greenfield is in for a competitive 2023”. This outlook fairly accurately sums up the performance of the 2023 year.

2023 was the correction that was expected. The reduction in underlying demand was a direct consequence of an overreaction by all sectors of government during COVID. This expected correction was then value added by a horrendous economic score card. Households and families were faced with rising costs, higher lending rates and lower saving rates. Add to this mix of metrics, new and improved taxes for investors, higher development costs and a fragile volume builder sector and you have what we have had.

2024 will be a year where we continue to pay for this shopping list of red flags. Left alone, the market should gradually work its way through this mud heap, with improvements appearing across the second half of 2024. Those improvements are likely to be sub long-term averages, but at least they should be on the up. The question is, can the market be left alone?

From a supply point of view, Melbourne Greenfield is not currently in an advantageous position to address any spike in demand. If this housing crisis that exists actually manifest itself in actual high sales, then the Greenfield sector is sure to fall apart. The authorities promote the idea that the housing market is in crisis yet go slow on processing new supply. Melbourne Greenfield is capable of delivering replacement projects from approved supply for a further 3.5 years. The yet to be approved PSP’s can extend the effective life of Greenfield by a further 8 years, however they need to be approved well in advance of being required by the market.

In short Melbourne Greenfield is likely to get away with this neglect until 2025, when a potential tidal wave of demand hits the market. At that point we will be talking about housing affordability again!

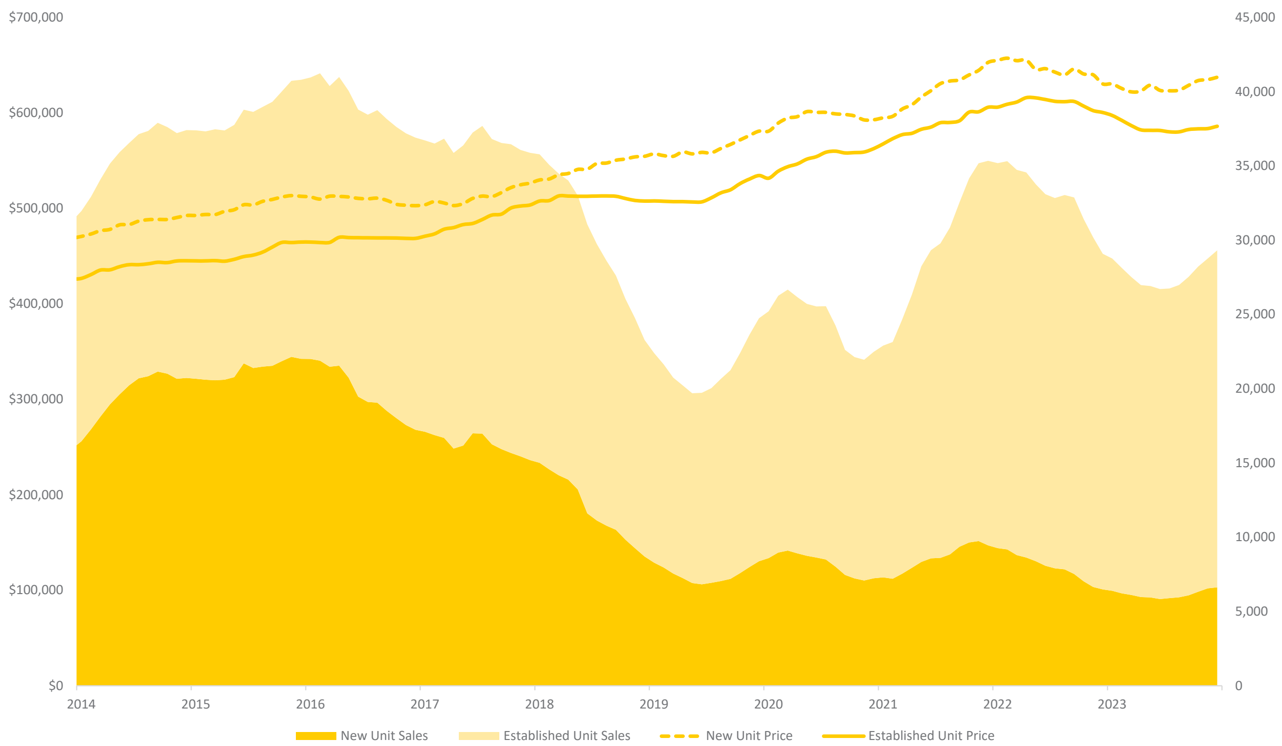
Escala NewQuay by MAB Corporation (VIC)

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- Settled sales of new multi-units across Greater Melbourne remained flat across the 2023 calendar year to record 6,629 settled apartment and townhouse transactions. This is down 51% on the decade average and is 70% lower than the peak of 2015.
- Sales activity of the established unit market declined by less than 1% in aggregate annual terms but there was an uplift in sales volume momentum in the second half of the year hinting toward a floor to the market retraction having been hit.
- The Greater Melbourne new unit market continues to struggle against the backdrop of a wholesale retreat of investor activity, the unprecedented new unit supply volumes delivered in 2016 and 2017 and the resetting of consumer preferences through the COVID-19 period. In combination these forces have created a challenging market for suppliers of new apartment products across Melbourne.

FIgure 4.4: Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

Median Unit Pricing

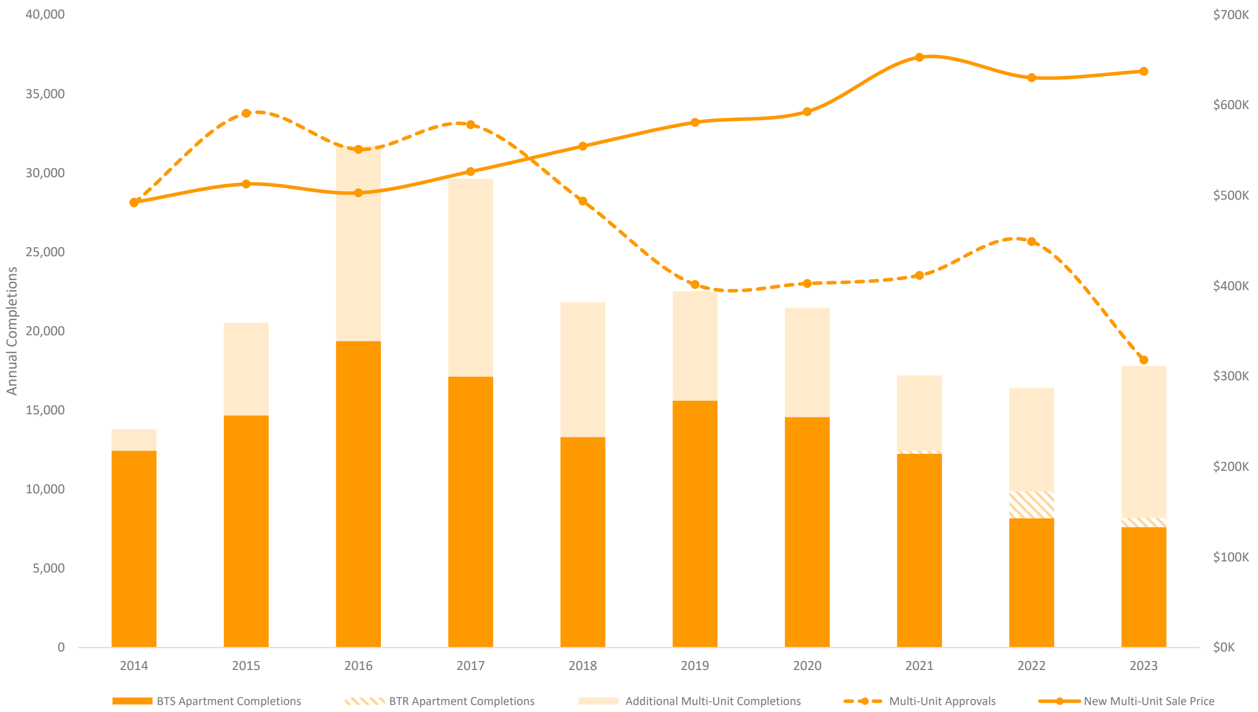
- The median new unit price achieved across Greater Melbourne in 2023 was $637,345, which reflected a 1% annual increase.
- Across the broader established market, the median unit price was $585,976 at the end of December 2023 which reflected a 2.4% annual retraction.

VIC

Construction Activity

- There were 17,803 new apartments and units completed across Greater Melbourne in 2023. This represents a 9% decline in completions from 2022 and was 44% off the peak achieved in 2016.
- Build to sell (BTS) apartment projects comprised 43% of total multi-unit completions in 2023 which has dropped considerably from 71% of net completions in 2021. This signals the increased role that townhouse and smaller scale infill developments are currently playing in a subdued market for higher density multi-unit product.
- Challenging project viability for apartment projects is also constraining build to rent (BTR) supply with only 580 units completed over the past years. However, Charter Keck Cramer are forecasting a significant uplift in BTR completions over the coming three years with circa 13,850 units set for completion across Greater Melbourne and Geelong over the coming three years.
- Approvals for multi-units fell by 29% across the year with just 18,166 approvals which is almost half of the approvals recorded in 2017, underscoring UDIA expectations of a prolonged period of reduced aggregate construction activity ahead.

Figure 4.5: Median New Unit Price & Annual Unit Completions



Source: UDIA; CoreLogic; Charter Keck Cramer; ABS

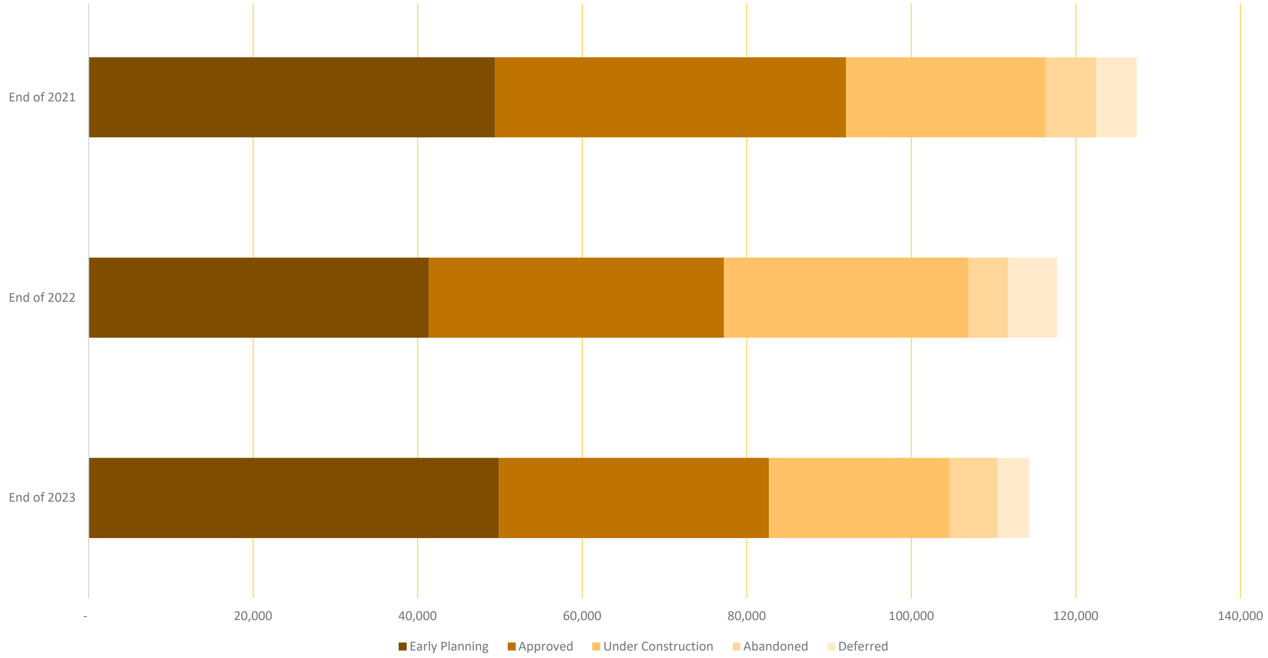
Multi-Unit Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on an end of year 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 fifth consecutive year the multi-unit pipeline has retracted across Greater Melbourne, decreasing by 2% to an aggregate of 104,630 units as of December 2023.
- This comprised of units under construction (down 26%), approved units yet to start construction (down 9%) with units in early planning up 21%, likely reflecting projects proceeding into the approval stage across the year, with a modest addition to the pipeline of new potential non-central city medium density projects.
- CoreLogic estimates that there was a total of 9,712 units that were either deferred or abandoned in 2023, which is a 10% reduction on the quantum recorded the previous year. It is likely the bulk of these abandoned/deferred units resulted from challenges in delivering financial feasibility in a soft market environment with escalating construction costs.

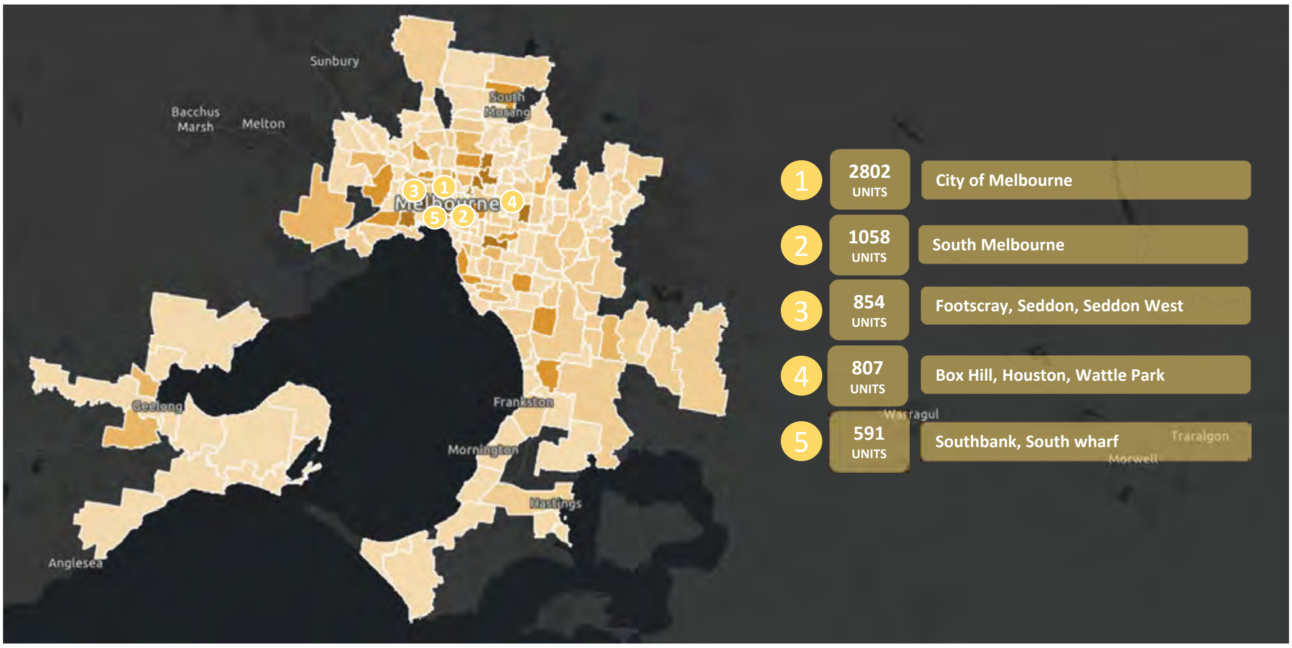
VIC

Figure 4.6: Multi-Unit Pipeline



Source: UDIA; CoreLogic

Figure 4.7: Multi-Unit Completions by Postcode



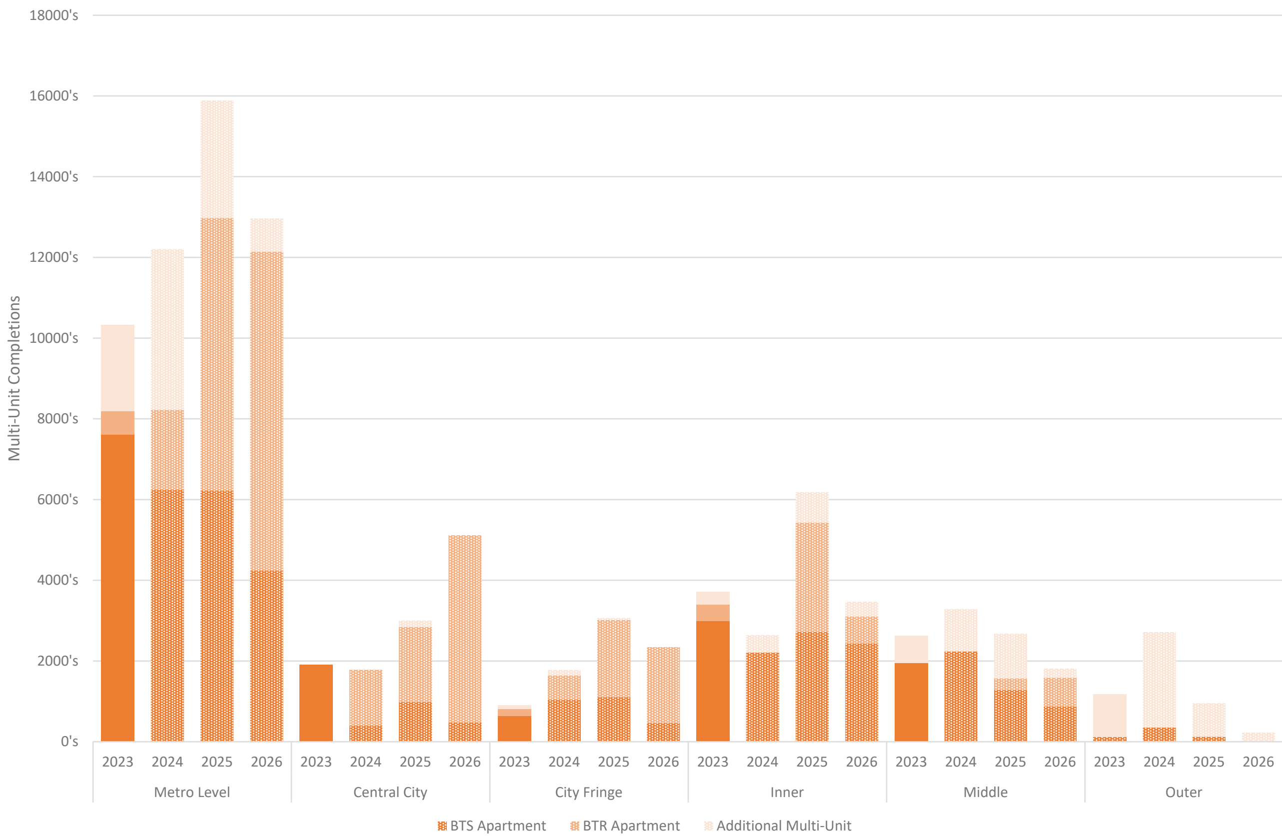
Source: UDIA; CoreLogic; Charter Keck Cramer

VIC

Sub-Market Analysis

- The Melbourne CBD, Southbank and South Melbourne comprised the greatest focus for new multi-unit completions across 2023, collectively accounting for 22% of all finished stock.
- Strong completions were also registered in various city fringe and inner city locations including Richmond and Alphington and across postcode 2011 which includes the suburbs of Footscray, Seddon and Seddon West in the City of Maribyrnong.
- Various other outer locations across Melbourne's South East recorded strong completions led by Box Hill, Malvern and Caulfield.

Figure 4.8: Multi-Unit Active Supply by Subregion



Source: UDIA; Charter Keck Cramer

VIC

Multi-Unit Market Performance Summary Table

	New Unit Sales[1]	Median New Unit Price[1]	BTS Completions[2]	BTR Completions[2]	TH Completions[1]	Unit Approvals[3]	Unit Completions[1]
2015	22,012	$513K	14,671	0	5,844	33,761	20,515
2016	17,229	$503K	19,367	0	12,352	31,485	31,719
2017	15,188	$526K	17,130	0	12,504	33,046	29,634
2018	8,701	$554K	13,301	0	8,527	28,214	21,828
2019	8,594	$581K	15,604	0	6,912	22,940	22,516
2020	7,235	$593K	14,569	0	6,909	23,008	21,478
2021	9,452	$653K	12,246	180	4,771	23,520	17,197
2022	6,487	$630K	8,169	1,700	6,536	25,658	16,405
2023	6,629	$637K	7,614	576	9,613	18,166	17,803

Source: UDIA; CoreLogic[1]; Charter Keck Cramer[2]; ABS[3]

CORELOGIC 2024 OUTLOOK

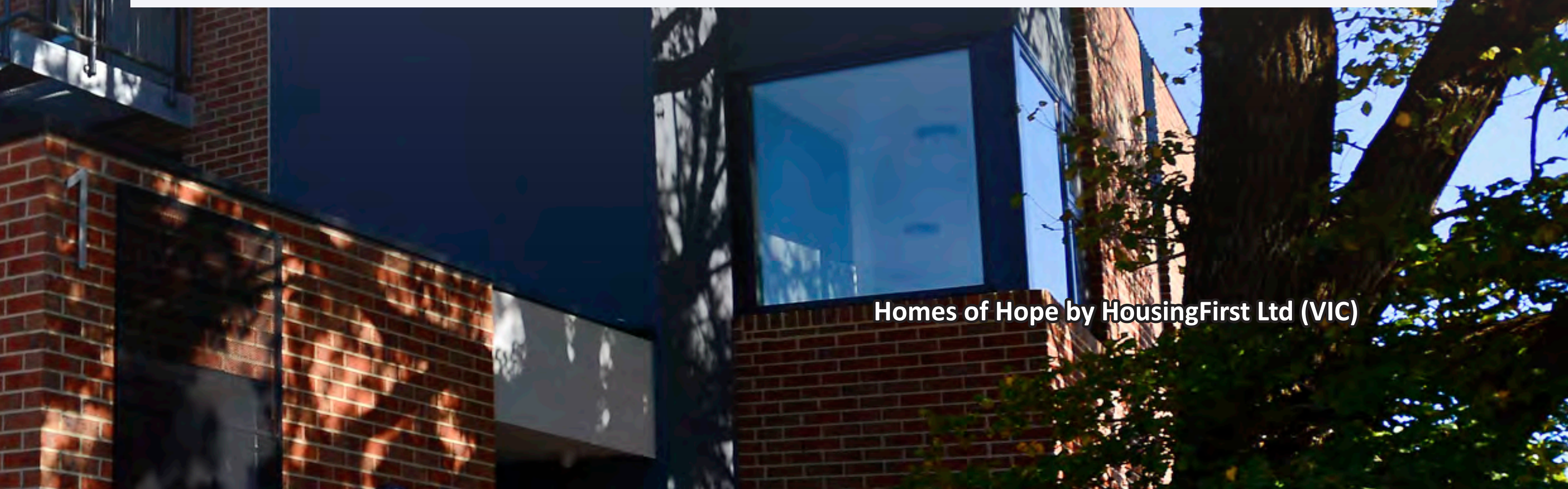
Victoria

CoreLogic

Victoria has seen one of the weakest capital growth outcomes of the state dwelling markets in the past year, behind a -0.5% fall in values across Tasmania and the Northern Territory. Victorian home values rose just 3.2% in the 12 months to January, comprised of a 3.5% lift in Melbourne and a -0.8% fall in values across regional Victoria. Sales numbers across the state were 107,297, down -0.2% on the previous year.

Victorian home values have been relatively constrained by unfavourable migration trends in the past few years. While overseas migration recovered sharply in 2023, most recent overseas arrivals will seek rental accommodation rather than purchase property. The net interstate migration position in Victoria was still negative in the year to June 2023, with the state losing -1,863 people to other states and territories according to the ABS (though this has improved vastly from a loss of -35,000 people in the year to June 2021).

2024 is expected to see an uplift in sales and values across the state. For Melbourne in particular, more fundamental demand for housing is very strong, with rent values rising a further 9.6% in the past year, and vacancy rates trending below historic averages. If mortgage rates move lower toward the end of the year, prospective first home buyers may be encouraged to take advantage of opportunities in the Melbourne market, where home value growth has been slower than each of the other capital city markets in the past four years.



Homes of Hope by HousingFirst Ltd (VIC)

STATE POLICY ENVIRONMENT

Key Industry/Market Issues

In 2024, UDIA Victoria is laser-focused on ensuring the development industry can continue to deliver a consistent pipeline of high-quality, diverse housing that is affordable to buy and rent for the growing number of people calling Victoria home.

UDIA Victoria is a signatory to the State Government's Affordability Partnership, whose focus is ensuring the right policy and regulatory settings for industry to deliver on the objectives of Victoria's Housing Statement. The Housing Statement sets a bold target of building 800,000 new homes by 2034 – 80,000 homes per year over the next decade.

UDIA Victoria is encouraged by the Government's ambition to address the housing supply shortfall in Victoria, however the industry is also experiencing some of the toughest conditions many have seen in recent years.

The steepest increase to the official cash rate in decades; stubborn inflation; and growing cost-of-living have all supressed the State's housing market—despite strong underlying growth in demand.

Meanwhile, record construction cost escalation— partly a result of the State Government's Big Build infrastructure pipeline—is severely inhibiting project viability.

Victoria also has one of the least favourable taxation environments in Australia: we are seeing a growing divergence between planning approvals and construction commencements.

In 2023, the Victorian State Government increased the property sector's tax liability, imposing a Windfall Gains Tax (WGT) and expanding the Vacant Residential Land Tax (VRLT), the latter of which was the fifty-second new or expanded tax by this Government, since 2014, including the Foreign Purchaser Additional Duty (FPAD), which is at throttling foreign investment.

In addition to high taxation, issues surrounding cultural heritage, biodiversity and environmental protection are major hurdles to delivering against its own lofty housing targets. All of which are only adding to the cost of housing in Victoria.

UDIA Victoria research shows that the median dwelling is now out-of-reach to the median household: a cruel outcome of higher interest rates, cost-of-living increases and wage stagnation. More Victorians are also experiencing rental and mortgage stress than ever before.

UDIA Victoria is hopeful that more predictable interest rates, stabilising construction costs and promised planning reforms may help to ease the development sector's woes in 2024, but substantive changes to the status-quo will be required to meet the Government's ambitious housing targets. UDIA Victoria is advocating on behalf of its members to the highest levels of government to drive reform and improve conditions.

DEVELOPER INSIGHT

Oscar Stanley
General Manager – Development,
ABN Group

There is no debate that the vacant land market across Victoria remains subdued.

The real impact of reduced borrowing capacity is limiting Victorians' ability to access property. When overlayed with the duress of higher development and funding costs for both land and homes, it materialises as a double blow to affordability.

Opportunities remain with a mountain of aged land sales now settling from purchasing decisions made before interest rate movements. Although this is offsetting the lower levels of new land sales for builders, customers have been left with a difficult decision to fund home construction in a higher interest rate environment.

In many cases, land is being re-sold on the growing secondary land market. This is most pronounced in the regional markets where equity positions are being pressed with land prices softening.

In brighter news, it feels like only a matter of time before the strengthening forces of demand and growing comfort surrounding stabilising interest rates will start driving the market in a positive direction.

We need to accept the reality that the average Victorian family cannot afford the average housing product that we now produce. The need to influence all levels of Government to increase supply and for us as an industry to innovate with product and finance solutions to deliver obtainable housing is critical... So let's get on with it.

Baywater Estate by
Bisinella Developments (VIC)

WA

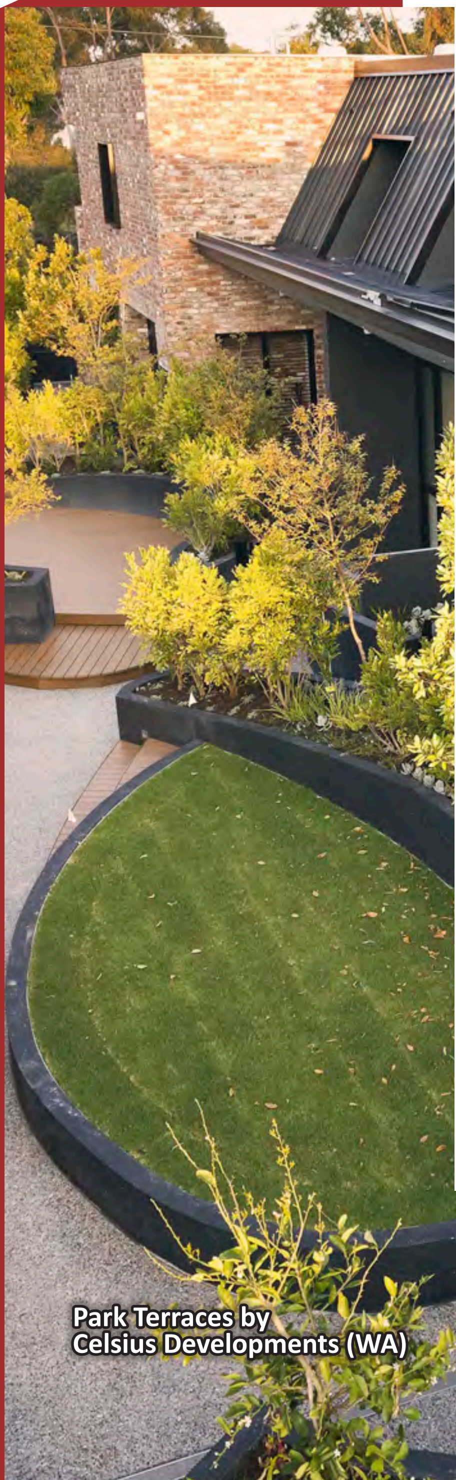
SUMMARY

	Annual Completions	Annual Lot Sales	Median Lot Price	House Approvals
GREENFIELD	-9%	55%	8%	-11%

	Annual Completions	Annual New Unit Sales	Median New Unit Price	Unit Approvals
MULTI-UNIT	3%	-1%	1%	-38%

- Greater Perth's new home market recorded a mixed year with the greenfield land market ending the 2023 calendar year with exceptionally strong sales activity, while the new multi-unit market continued to languish with well below par sales and release activity and the forward approvals pipeline retracting sharply.
- In aggregate terms, consumer sentiment improved across the year buoyed by Perth's on-going affordability advantages and a marked rise in east coast investor activity – focused on the greenfield land market.
- A combined total of circa 9,670 new dwellings were completed in 2023 across the greenfield release and multi-unit infill sectors. This reflects a 7% decrease of new product completions from the preceding two years and is 19% beneath the decade average.
- New residential supply completions[1] are forecast to improve in 2024 as the significant stock of dwellings currently under construction complete. Buttressed by solid output from the greenfield land sector the forward production outlook is expected to remain around 10,000 net completions across 2025 and 2026 – notwithstanding softness in multi-unit output.
- Aggregate completions from State of the Land core dwelling supply sources are forecast to undershoot the National Housing Accord's annual dwelling target for Greater Perth of 20,000 (based on a population based share of 1.2 million homes over the forward five years) by 40% in 2024 and then 50% for the following two years.

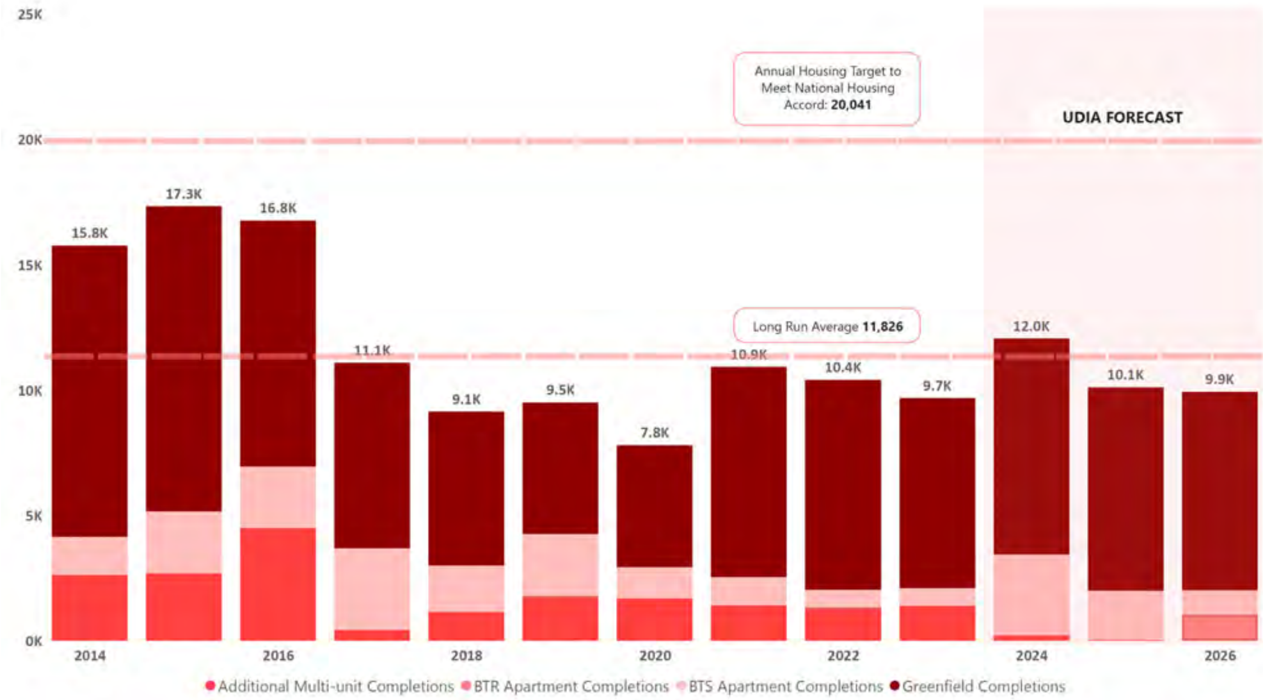
1 These forecasts include estimations of detached houses being completed in greenfield release areas, and multi-unit projects being completed. There are additional dwelling completions which are not covered by State of the Land reporting including small scale infill subdivisions and secondary/knock down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



Park Terraces by Celsius Developments (WA)

WA

Figure 5.1: New Residential Market Supply



Source: UDIA; Research4; CoreLogic; Charter Keck Cramer; ABS

GREENFIELD MARKET ACTIVITY

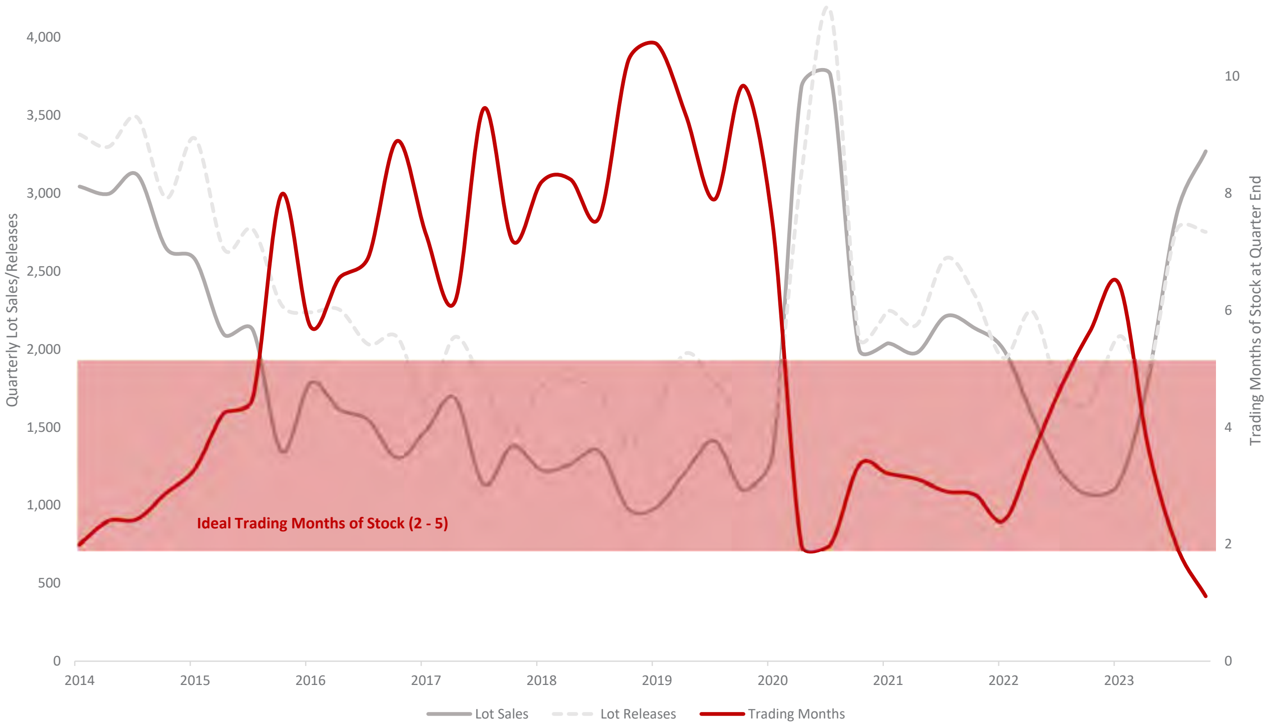
Sales and Release Activity

- The Greater Perth greenfield land market recorded an annual total of 9,100 sales in 2023 which represented a 55% uplift on 2022 lot sales. This strong sales volume result was 13% higher than the decade average.
- The Perth market was the only capital city market to record an uplift in sales volumes in 2023 and contributed 30% of aggregate national lot sales, which is considerably higher than the 16% market share averaged over the last decade.
- Responding to a resurgent demand profile, developers released a total of 9,470 lots to market in 2023 which was a 26% uplift on 2022 releases. The September and December quarters were especially strong for release activity with an average of 920 lot releases a month, as compared to 560 releases a month recorded in the corresponding quarters in 2022.

Vivente in Hammond Park by Richard Noble & Company (WA)

WA

Figure 5.2: Greenfield Market Activity



Source: UDIA; Research4

Stock Levels

- The ramp up in sales activity in the second half of the year seriously eroded supply lines and as at the end of the December quarter the number of residential lots on a price list was equal to just 1.1 months of demand.
- Stock levels with under three months worth of trading inventory represents undersupply, and Perth has not recorded a demand/supply ratio this low since 2013 – the peak of the last housing boom.

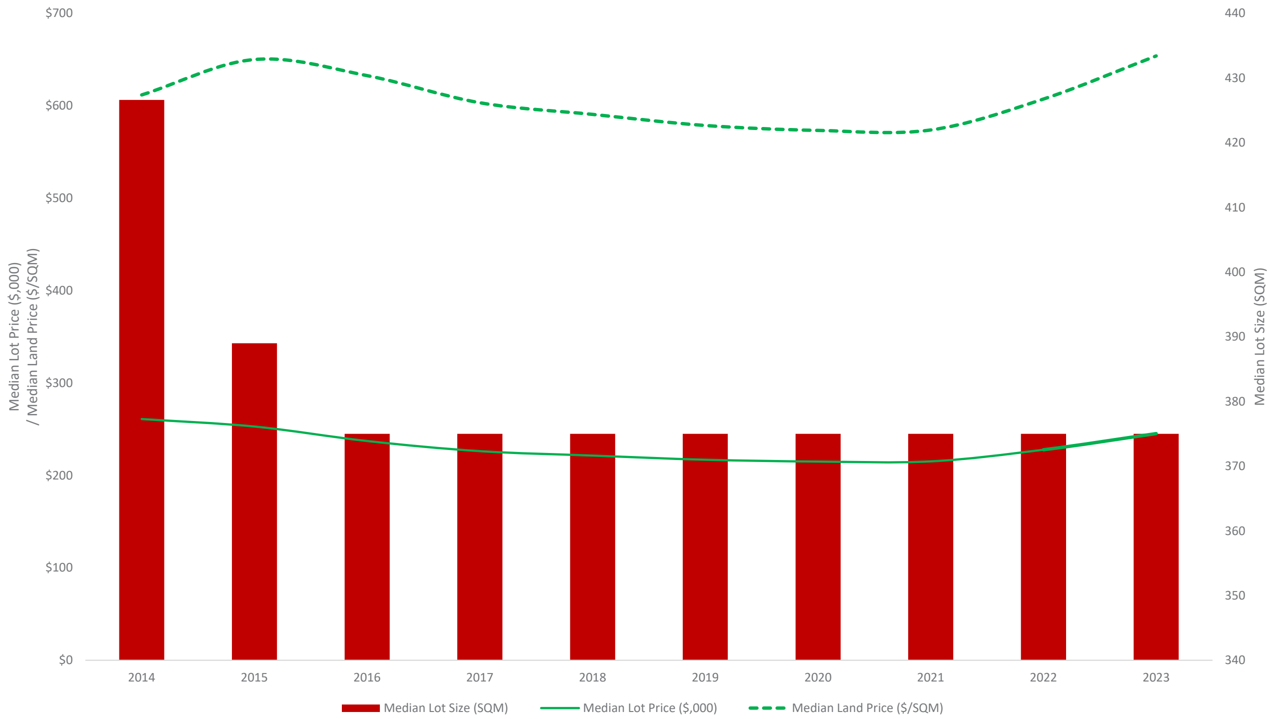
Greenfield Projects

- There was an average of 156 active trading estates across the year which represented a 3% increase on 2022 and was 6% above the long run average.
- With roughly the same number of active projects producing almost double the volume of sales in 2023 as compared to the year previous and stock levels at record lows there is no doubt the industry was operating at close to full capacity at year end.

Greenfield Land Prices, Lot Sizes and Values

- Greater Perth's median lot price increased by 8% across 2023 to average $245,000. Despite achieving healthy price growth increase across 2023, Perth still retains the mantle as having the most affordable lot pricing in the nation- sitting 34% lower than the combined capital city average and 62% cheaper than Sydney pricing.
- For a remarkable eighth consecutive year the median lot size remained locked at 375 sqm which translated into a modest lift in the land price to $654 psm which is 37% lower than the combined capital cities.

Figure 5.3: Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Median Lot Price	Median Land Price ($/SQM)
2014	11,805	141	427	$261K	$612
2015	8,144	153	389	$253K	$650
2016	6,259	162	375	$237K	$633
2017	5,700	167	375	$226K	$603
2018	4,828	164	375	$222K	$591
2019	4,728	181	375	$217K	$579
2020	10,770	187	375	$215K	$573
2021	8,363	162	375	$215K	$574
2022	5,853	151	375	$228K	$607
2023	9,094	156	375	$245K	$654

Source: UDIA; Research4

WA

RESEARCH4 GREENFIELD OUTLOOK 2024

understanding research4 the way we live

Perth

The 2023 SOTL outlook stated that the main challenge facing the performance of the Perth Greenfield market in 2023 would be the attraction and retention of its population base. Land sale volumes were not expected to be anything out of the ordinary and price growth was forecast to be "modest."

The reality was that demand did spike, recording a significant overnight increase. The spike is likely the result from a number of events.

- Sustained high net interstate migration numbers, although lower than what was recorded in 2021.
- A level of unmet demand from the previous three years. It is considered that this unmet demand has now been addressed.
- An increase in activity from investors. Unlike all other markets, investor activity remains high in WA. Investor activity will be responding to low property prices, a tight rental market and more importantly a lack of incentives to invest in other states, i.e. Victoria.

It is difficult to suggest that the current high volume of trading will be a permanent feature of the 2024 market. The purported triggers for this 6-month run of high sales should moderate. In summary, it is more likely that activity levels will reduce over the 2024 year, possibly falling below long running averages for short periods of time.

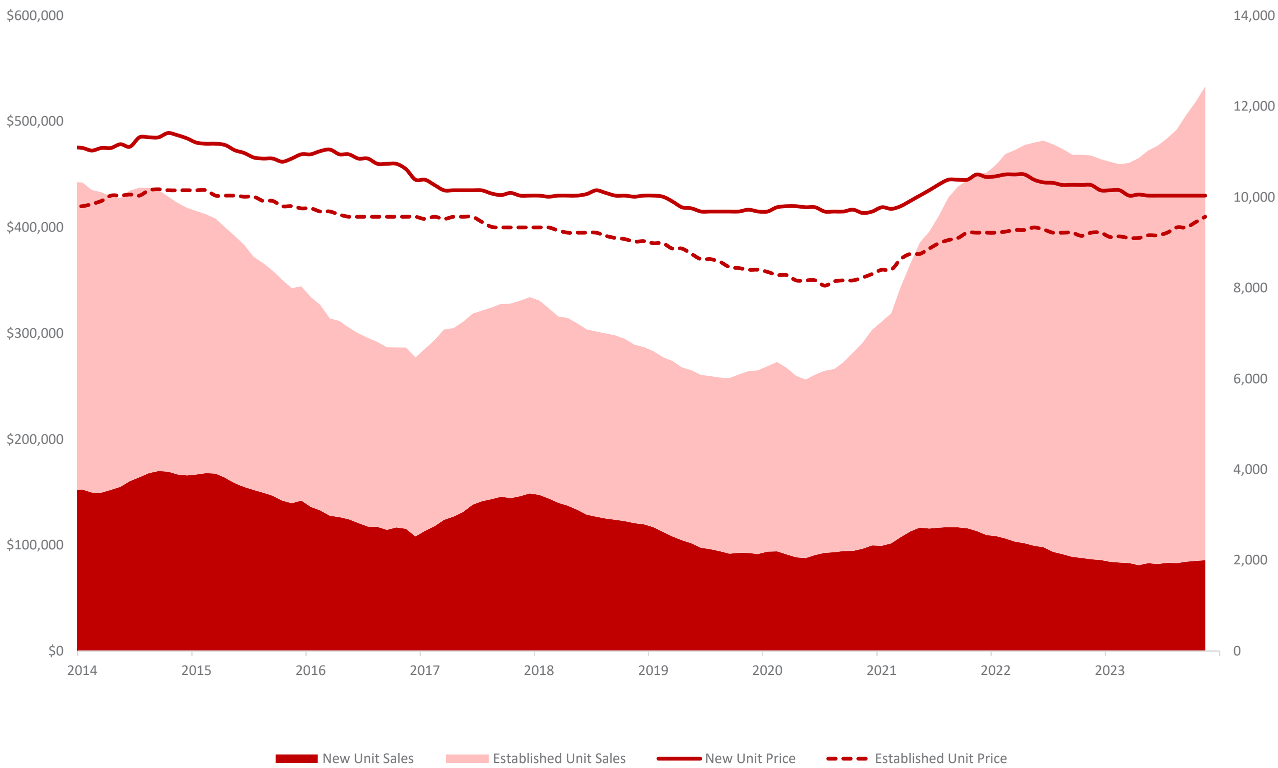
ONE Subiaco by Blackburne (WA)

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- Perth's new multi-unit sales transactions for 2023 remained flat across the year averaging 165 settled sales a month. The total annual volume of 1,985 sales reflected an annual output down 28% on the ten-year average.
- The new build multi-unit sector was significantly out-performed by the broader established market which recorded a 21% annual sale volume uplift to record a ten year peak of unit settlements.
- The proportion of new build multi-units (primarily apartments) sales of whole of market activity averaged 16% across the year, which is well below the 30% average share achieved across the last ten years.

Figure 5.4: Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

Median Unit Pricing

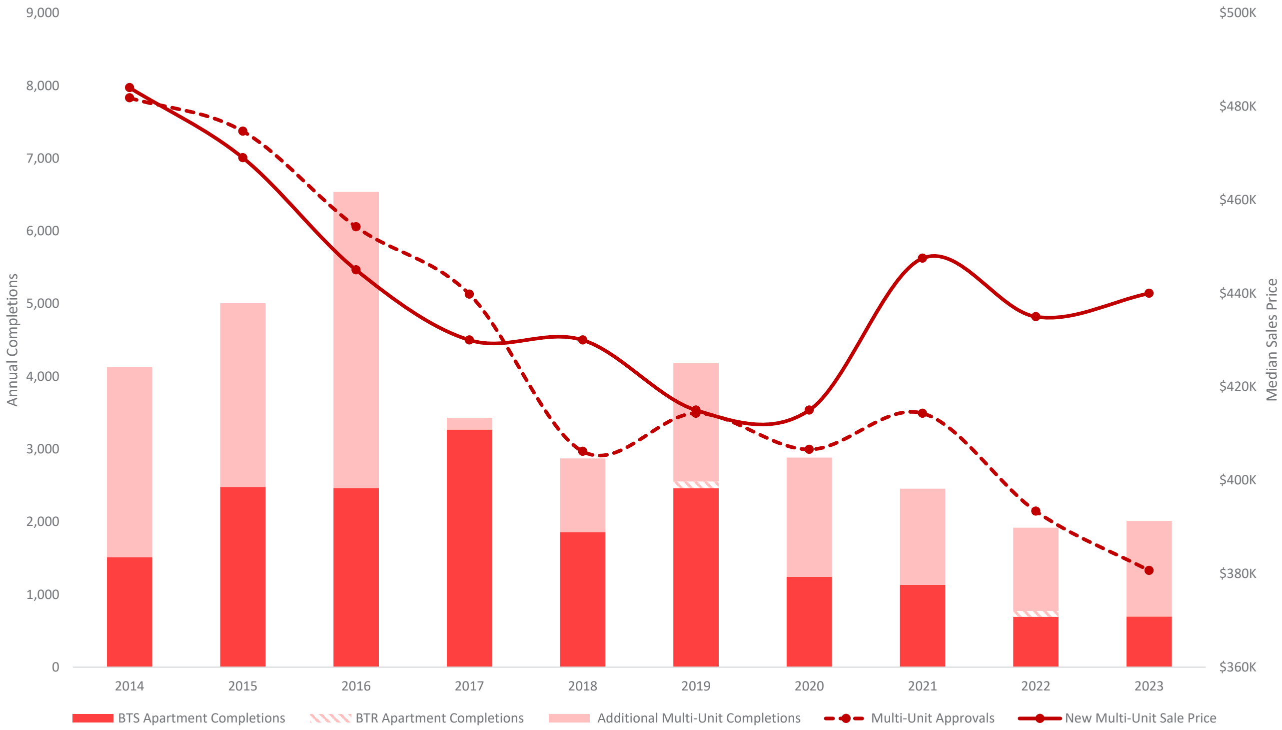
- The median sale price of new units flat-lined across 2023 to remain at $440,000 which is 1% higher than the median price point achieved in 2022 and remarkably still remains 10% below the peak median pricing for multi-units achieved in 2014.
- At current pricing Perth has the most affordable new apartment stock across the capital cities, with the median price point 28% cheaper than the combined capital cities and 15% below Adelaide's current median pricing – as the second most affordable multi-unit apartment market.
- Median sale pricing for all multi-units (new and resales) across Perth grew by 4% across the year to $417,500.
- The current median sale value of new units is currently 25% more affordable than the median value for new houses ($590,000), which is greater than the long-term average of 20%, which represents a positive retail proposition for the market – particularly first home buyers.

WA

Construction Activity

- There were 2,097 new multi-unit dwellings completed in Greater Perth in 2023 which represents a 3% annual increase in production and is a significant 44% decline on the decade average.
- Build to sell (BTS) apartment projects comprised 33% of total multi-unit completions in 2023 which has dropped considerably from 88% of net completions in 2017. This signals the increased role that townhouse and smaller scale infill developments are currently playing in a subdued market for higher density multi-unit product.
- Challenging project viability for apartment projects is also a factor constraining build to rent (BTR) supply with only 80 units completed over the past three years. However, Charter Keck Cramer are forecasting an uplift in BTR completions over the coming three years with circa 7,460 units set for completion across Greater Perth. This reflects the largest source of BTR products across the capital cities, which is underpinned by various projects across the Perth CBD and city fringe such as Subiaco.
- Approvals for multi-units fell by 38% across the year with 1,329 approvals which is 83% lower than the approvals recorded in 2014 (which was the peak of the last housing boom in WA) underscoring UDIA expectations of a prolonged period of subdued construction activity ahead.

Figure 5.5: Median New Unit Price & Annual Unit Completions



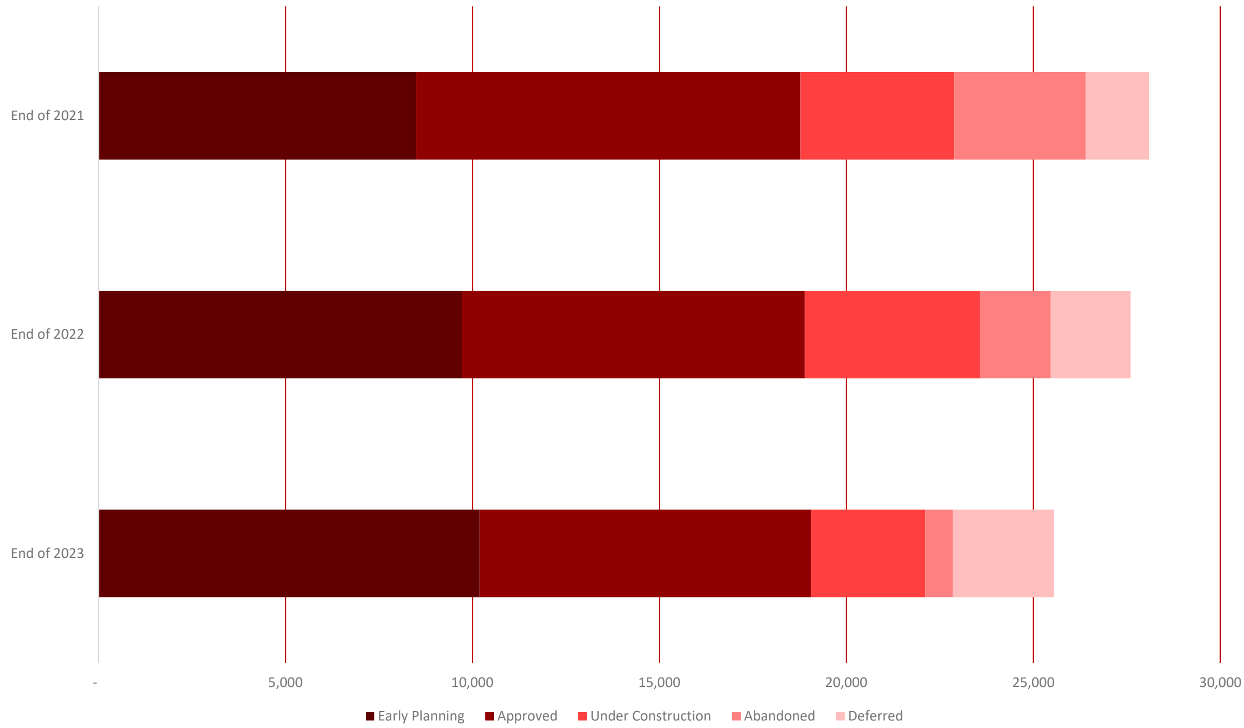
Source: UDIA; CoreLogic; Charter Keck Cramer; ABS

Multi-Unit Pipeline Analysis

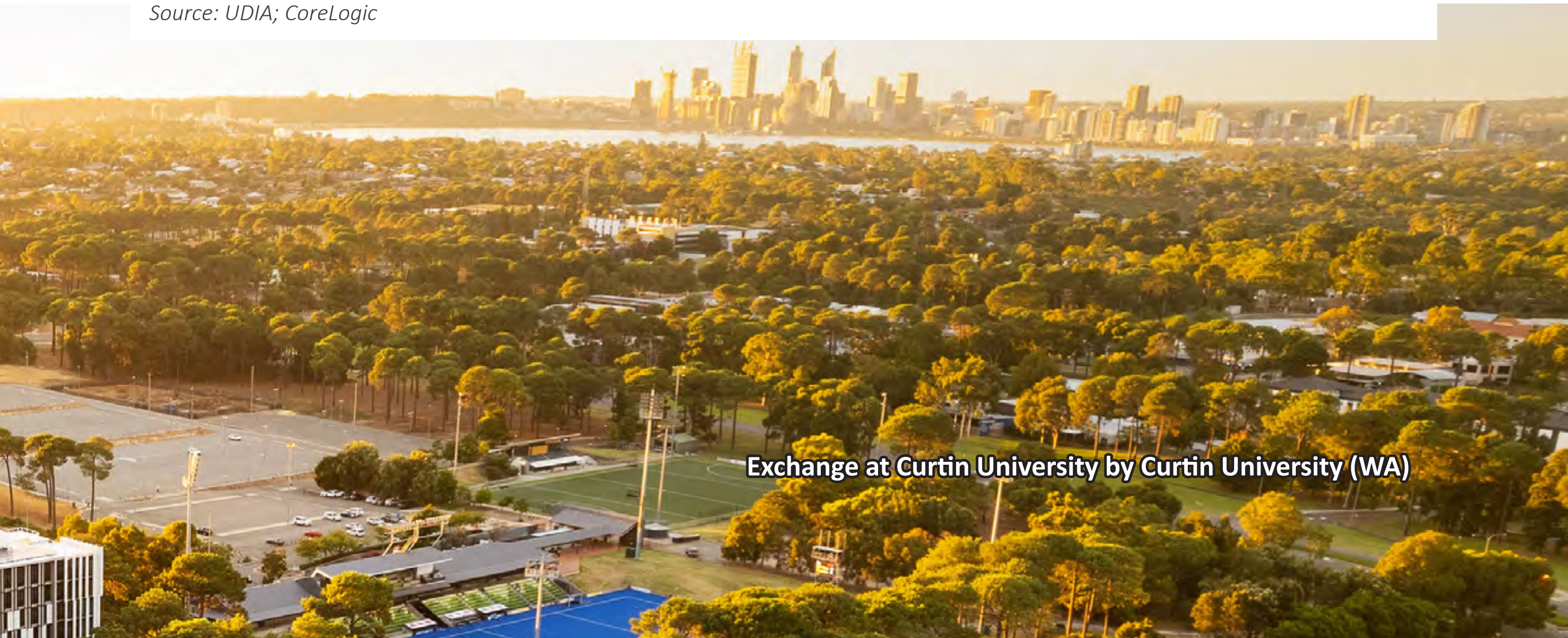
CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on an end of year snapshot of the market leading Cordell Construction database.

- For the fifth consecutive year the multi-unit pipeline has retracted across Greater Perth, decreasing by 6% to an aggregate of 22,106 units as of December 2023.
- This comprised of units under construction (down 35%), approved units yet to start construction (down 3%) with units in early planning up 5%, likely reflecting projects proceeding into the approval stage across the year.
- CoreLogic estimates that there was a total of 3,445 units that were either deferred or abandoned in 2023, which is a 14% reduction on the quantum recorded the previous year. It is likely the bulk of these abandoned/deferred units resulted from challenges in delivering financial feasibility in a soft market environment with escalating construction costs.

Figure 5.6: Multi-Unit Pipeline



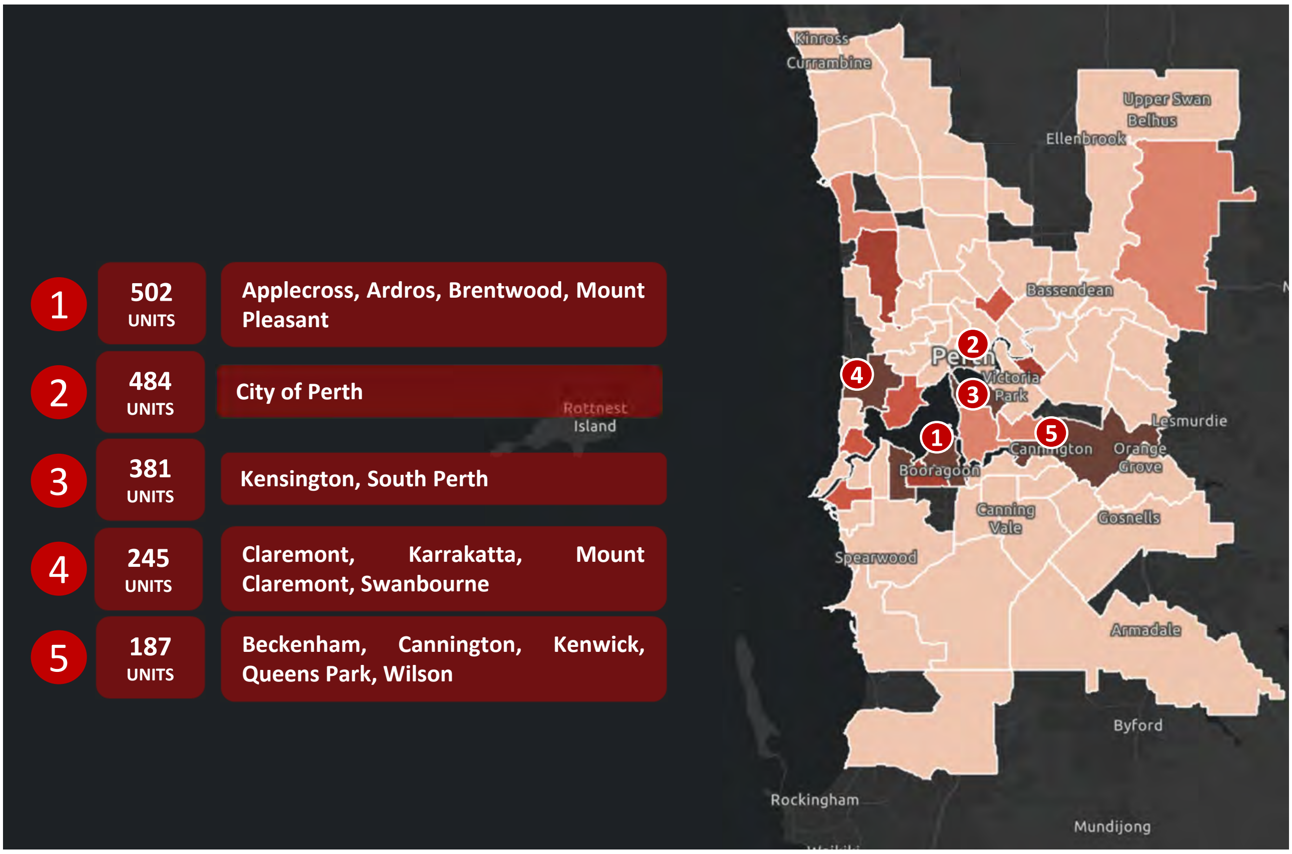
Source: UDIA; CoreLogic



Exchange at Curtin University by Curtin University (WA)

WA

Figure 5.7: Multi-Unit Completions by Postcode



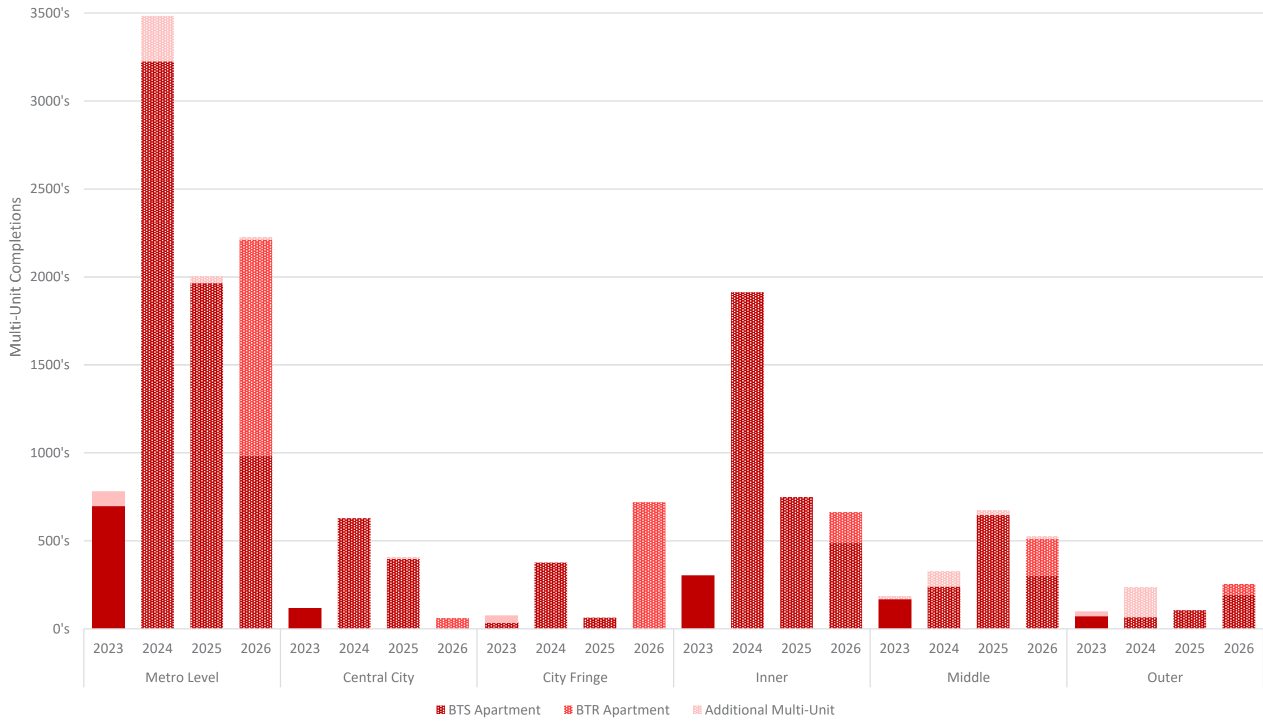
Source: UDIA; CoreLogic; Charter Keck Cramer

Sub-Market Analysis

- The Canning Bridge Precinct within the City of Melville comprised the greatest source of completed multi-unit stock in 2023 with a combined 502 new units reaching lock-up stage, which reflects around 25% of unit completions from across Greater Perth.
- Around 480 apartment completions were completed in the City of Perth with the City of South Perth and Town of Claremont providing various nodes for apartment completions while an array of smaller scale unit developments emerged across the City of Cannington.

Victoria House by Hesperia (WA)

Figure 5.8: Multi-Unit Active Supply by Subregion



Source: UDIA; Charter Keck Cramer

Multi-Unit Market Performance Summary Table

	New Unit Sales[1]	Median New Unit Price[1]	BTS Completions[2]	BTR Completions[2]	TH Completions[1]	Unit Approvals[3]	Unit Completions[1]
2014	3,869	$484K	1,514	0	2,629	7,831	4,143
2015	3,314	$469K	2,479	0	2,689	7,372	5,168
2016	2,528	$445K	2,464	0	4,487	6,057	6,951
2017	3,472	$430K	3,268	0	428	5,130	3,696
2018	2,791	$430K	1,859	0	1,150	2,968	3,009
2019	2,193	$415K	2,461	93	1,703	3,492	4,257
2020	2,330	$415K	1,243	0	1,688	2,995	2,931
2021	2,556	$448K	1,133	0	1,414	3,492	2,547
2022	2,007	$435K	694	80	1,259	2,146	2,033
2023	1,985	$440K	696	0	1,401	1,329	2,097

Source: UDIA; CoreLogic[1]; Charter Keck Cramer[2]; ABS[3]

CORELOGIC 2024 OUTLOOK

Western Australia

Perth home values had the highest increase of the capital city markets in the three months to February 2024, up 5.2%. Regional WA has continued to see strong capital growth of 3.4% in the same period. Sales volumes in the state rose 5.7% in the year to February 2024, totaling 66,237. This is up from a historic five-year average of 50,940.

WA is tipped to have the strongest housing market performance in the year ahead. Net interstate migration to WA has completely turned around, and was 11,630 in the year to June 2023 (up from a previous decade average of -475 per year) according to the ABS. Net overseas migration in the same period was at a series high of 61,591 in the year. Both overseas and interstate migration are expected to moderate over the course of the year, but with housing construction slowing and low levels of listings, a lack of housing supply will keep a fairly consistent floor under growth rates.

Like all markets though, the pace of capital growth is expected to normalise this year, as economic headwinds and the impact of high interest rates weigh on demand. But given this market still has a relatively low price point compared to the other states, it is not expected to be as sensitive to weaker economic performance and high interest rates.

STATE POLICY ENVIRONMENT

Key Industry / Market Issues

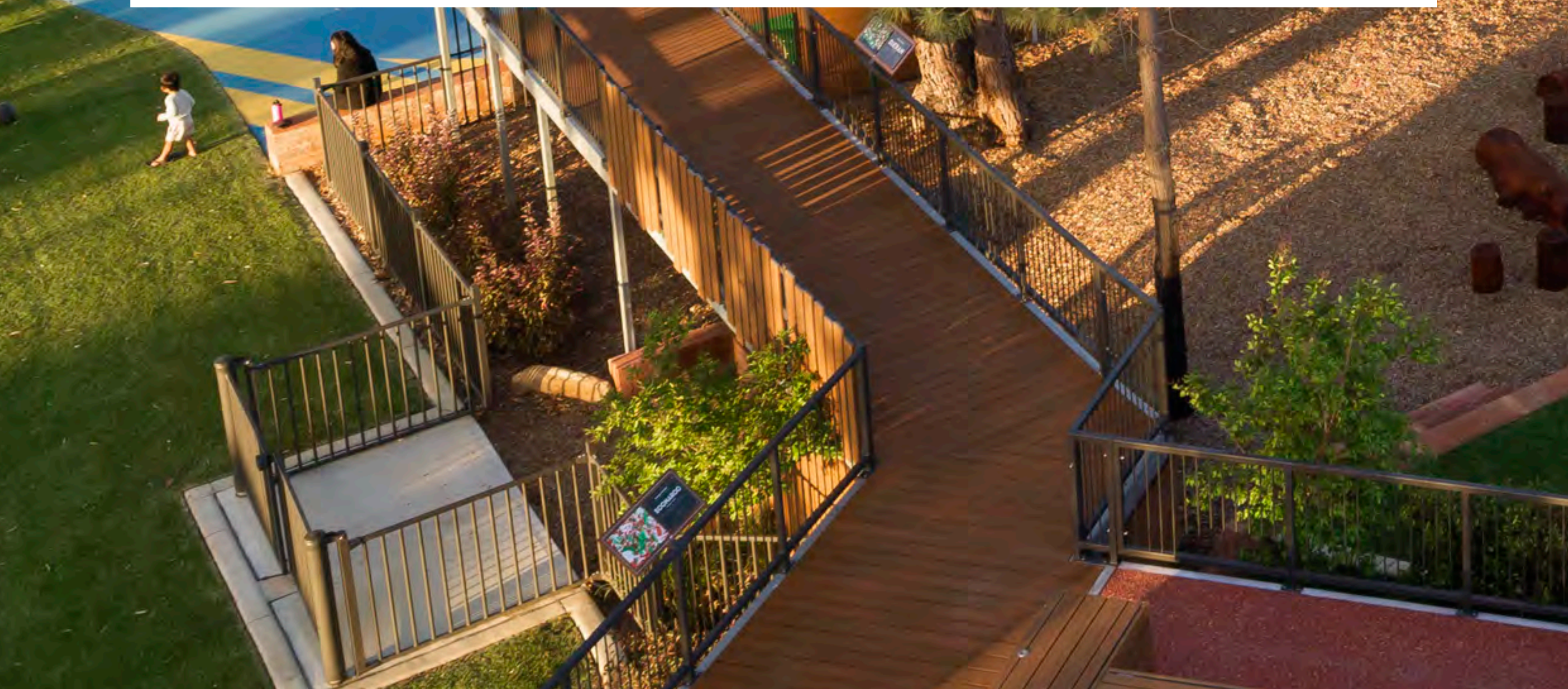
The demand for housing in Western Australia has shown no signs of slowing down over the last 12 months, with the labour and skills shortage still biting the residential development industry and a rapidly increasing population combining to fuel surging demand.

Unfortunately, supply is not keeping pace with demand, and despite an uplift in greenfield market activity in recent quarters, this situation is set to continue. Greenfield land parcels are becoming increasingly fragmented and more challenging to develop for new homes due to a myriad of constraints, and delivering development together with appropriate infrastructure is becoming increasingly difficult.

Concerningly, the critically needed supply of medium and higher density dwellings in infill areas across Perth is also lacking, with units under construction and commencements holding firmly under the long-term average and with a dwindling pipeline of large projects. Recent UDIA WA research has shown that the median value of new units in Perth has only grown by 2% since pre-pandemic, but construction costs have increased by 32% significantly impacting project viability.

While Perth's relative affordability compared to the other capital cities continues, median values across the new and established markets are rapidly increasing as is rental price growth.

The capacity to supply housing across Western Australia is sitting well below the level of demand seen today and with a diminishing pool of builders and strong competition for labour with the resources industry as well as major infrastructure projects, the capability to increase supply to meet year-on-year demand, let alone the stretch targets set by the National Housing Accord, is not currently there.



State Policy Priorities

UDIA WA submitted our 2024-25 Pre-Budget Submission in late 2023, the focus was on specific asks that we believe, if prioritised for funding in this State Budget and forward estimates period, will make a real and tangible difference to accelerating diverse and more affordable housing supply in the short term, as well as to ensure long-term supply for Western Australia's growing population.

The focus areas of our submission are:

- Boosting supply across the continuum;
- Productivity improvements to increase market capacity; and
- Infrastructure funding at the right time to catalyse development.

Providing targeted solutions to ease the barriers to delivery of supply across the housing continuum is UDIA WA's current focus in the face of this housing crisis.

Key asks include:

- Expanding the State Government's Infrastructure Development Fund into an Infill Development Catalyst Fund, through a broadening of the State and Local Government fees and charges which can be reimbursed through the fund and increasing the rebate amount, enabling the delivery of medium and higher density residential projects which are currently unviable.
- Establishing a Growth Areas Catalyst Infrastructure Fund for planning and delivery of crucial enabling infrastructure items/packages which UDIA WA has identified to accelerate housing delivery in key growth areas.

Future Prospects

Forward projections by the Centre for Population are showing population growth in Western Australia through 2024 and beyond to be stabilising back to longer-term average growth. In particular, net overseas migration, the key driver of recent Western Australian population growth, is projected to trend down from the highs of 2023 albeit still generating well over half the population increase through the projections. However, with our overall population set to continue to grow and us heading towards a Perth and Peel population of 3.5 million by 2050, our need for diverse and affordable housing supply will only increase, particularly as the age and family demographics continue to shift.

Accommodating the housing needs of our current and growing population requires a greater focus on medium and high density infill projects, as well as strategic releases of land and construction of enabling infrastructure to facilitate new development areas. UDIA WA will continue advocating for an integrated and planning-led approach including for environmental decision-making, enhanced strategic infrastructure coordination, and measures to address the costs imposed on developments in infill areas and boost the viability of these projects.

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

DEVELOPER INSIGHT

Dave Parsons
Development Director WA, Mirvac

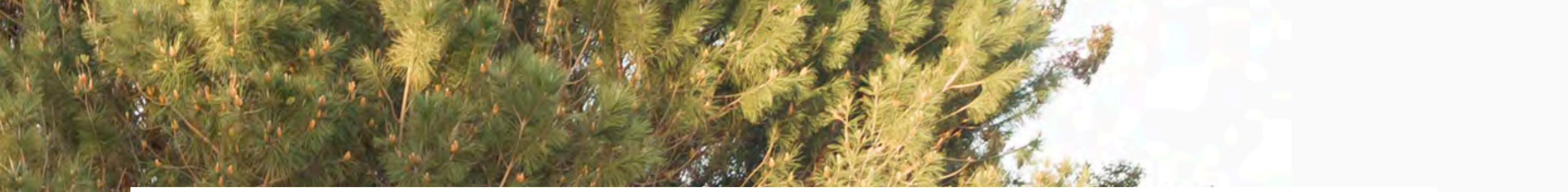
The Western Australian economy is performing well, with the Perth housing market continuing to show positive momentum. With the State experiencing record population growth, strong underlying demand drivers, and consistent sales volumes in all corridors, the Perth market will continue to see tight levels of stock availability. Rental vacancy also remains tight, placing upward pressure on rents, but housing affordability levels remain favourable to other capital cities.

At Mirvac, we are seeing elevated enquiries from home buyers and strong conversion rates surpassing previous years across the various corridors we operate in for master-planned communities, and this is expected to continue as interest rates and building timeframes stabilise.

While approvals and commencement of new apartment projects has been limited, the construction landscape is starting to improve and there is increased awareness of the attractive value proposition apartment living has to offer.

Mirvac's quality of amenity, reputation and track record of delivery is increasingly important to customers, and we are seeing continued demand for new homes in master-planned communities with great amenity and open space, like Henley Brook, as well as good demand for larger premium, higher-end apartments from upgrader and rightsizer buyers.

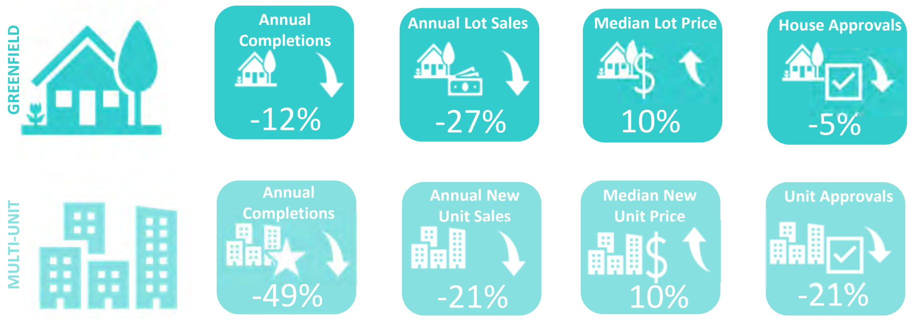
Our focus is to ensure we have flexible launch programs in place to take advantage of market under supply and improved customer sentiment.



Henley Brook by Mirvac (WA)

SA

SUMMARY



- Adelaide's new home market experienced a mixed 2023 with new product sales recording sharp declines, land pricing heading northward and new dwelling approvals heading southward.
- As per other capitals, greatly reduced consumer sentiment driven by rising interest rates in the first half of the year and broader cost of living pressures across the year, underpinned the softened demand profile for new build dwellings.
- The moderation of dwelling sales performance also relates to a market normalisation phase following the significant pull-forward of demand due to government stimulus across 2020 and 2021.
- A combined total of 5,170 new dwellings were completed in 2023 across the greenfield release and multi-unit infill sectors. This reflects a 18% reduction in dwelling completions from the preceding year but is 20% above the decade average.
- New residential supply completions[1] are forecast to remain commensurate to 2023 levels for 2024 and 2025 before dipping by around 25% to 3,900 completions in 2026 driven by weakness in multi-unit production. Aggregate completions are forecast to undershoot the National Housing Accord's annual dwelling target for Greater Adelaide of 12,870 dwellings (based on a population based share of 1.2 million homes over the forward five years) by around 60% over the coming three years.

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

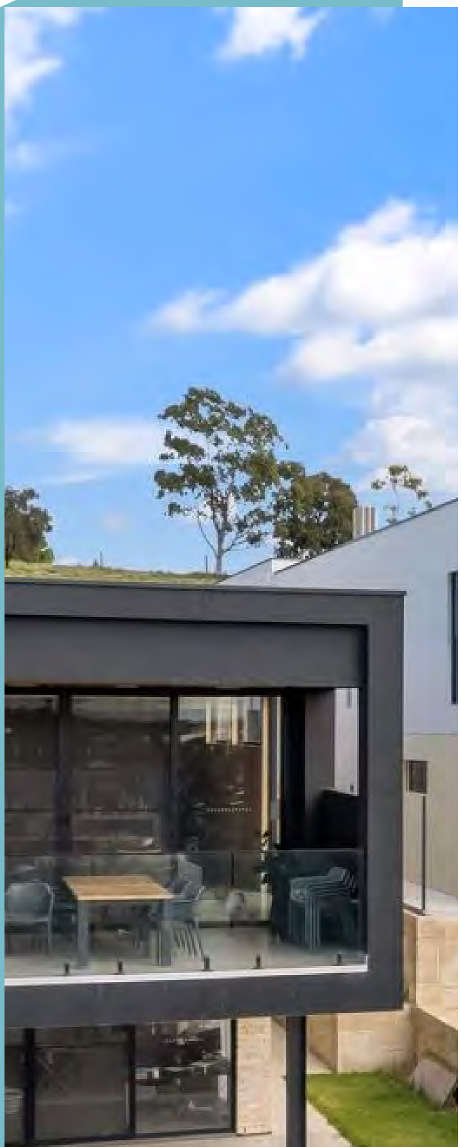



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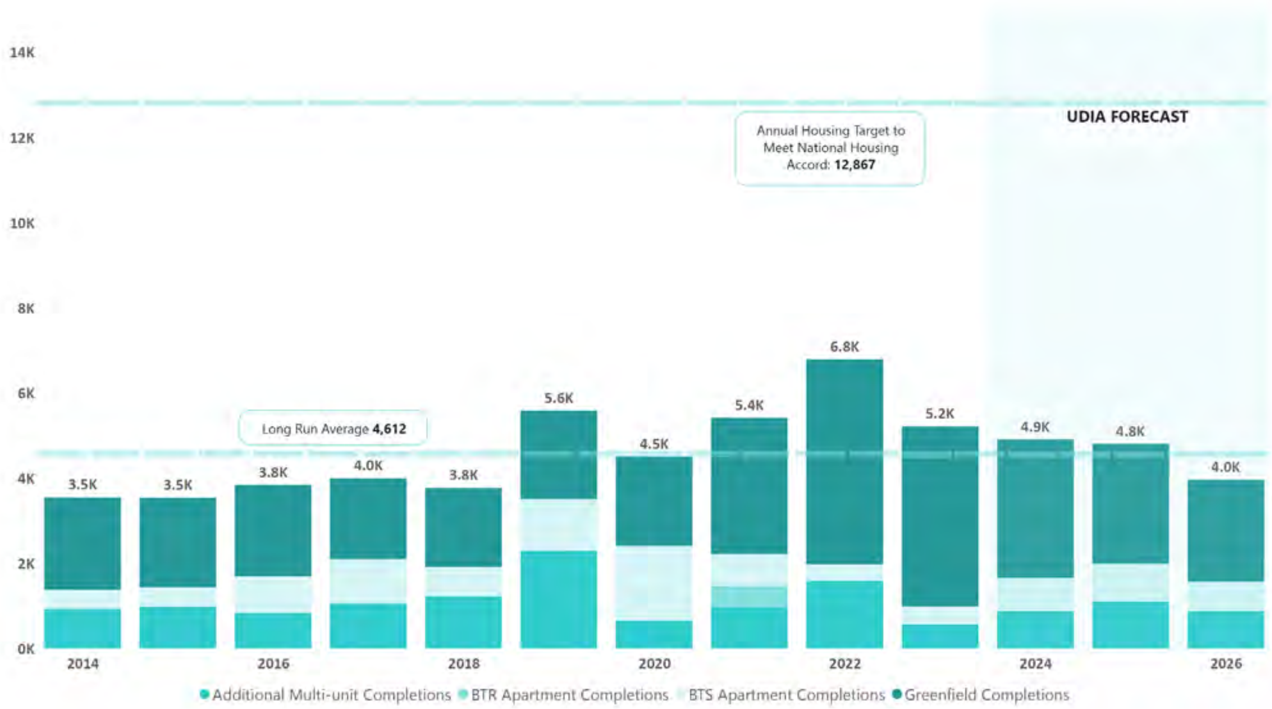
Figure 6.1: New Residential Market Supply



Source: UDIA; Research4; CoreLogic; Charter Keck Cramer; ABS

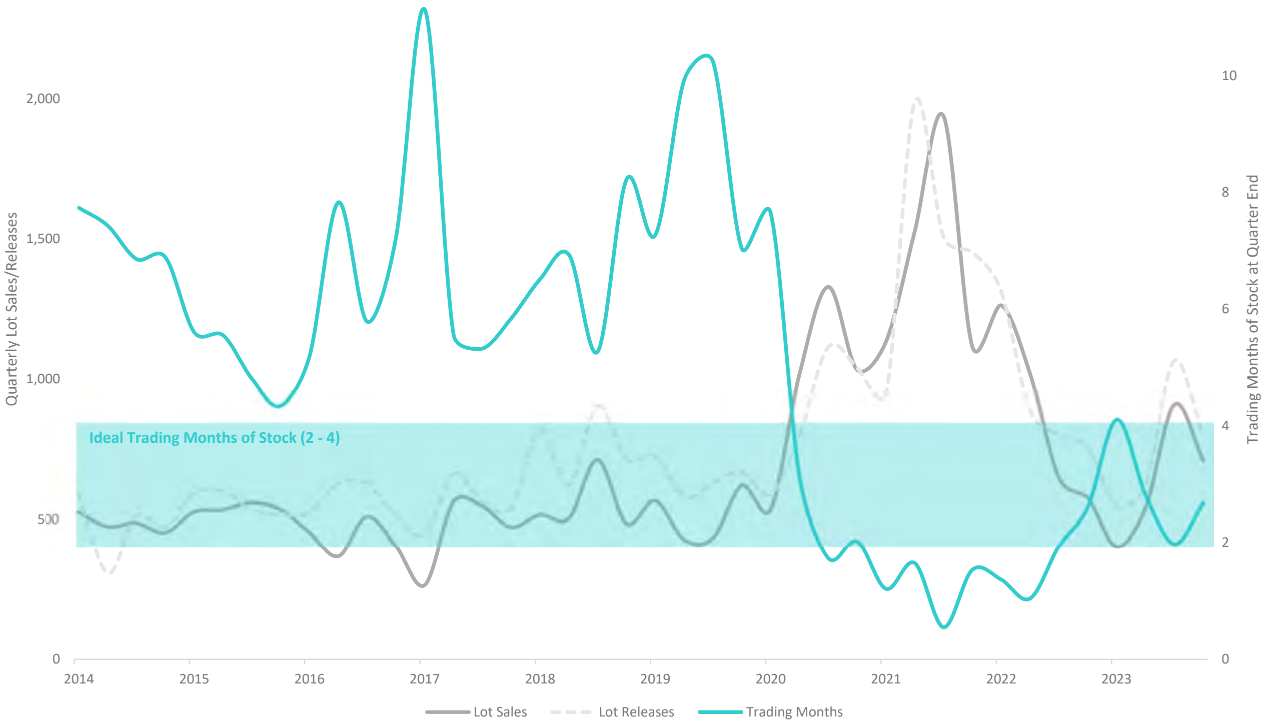
GREENFIELD MARKET ACTIVITY

Sales and Release Activity

- In 2023 the Greater Adelaide greenfield market recorded a 27% annual reduction of land sale volumes, recording 2,570 net sales which followed a 39% reduction from the previous year.
- The two year contraction of sales volumes has brought the Adelaide land market back to historical average levels of sales volumes.
- Reflecting softening consumer demand, developers pulled back on lot release volumes across the year with releases reducing by 19% across the year to average 760 releases per quarter.
- Adelaide's share of total national land sales since 2009 has averaged 6%. The share of total activity for the past year has averaged 8.3% with a closing market share metric of 7.5% for the December quarter.

SA

Figure 6.2: Greenfield Market Activity



Source: UDIA; Research4

Stock Levels

- At the close of the December 2023 quarter, the volume of stock ready for sale was 26% higher than the start of the year.
- The number of residential lots on a price list at the end of the December quarter was equal to 2.7 months of demand. This volume of stock availability is considered low, even though it is within the 2–4 months of stock 'ideal trading band'.

Greenfield Projects

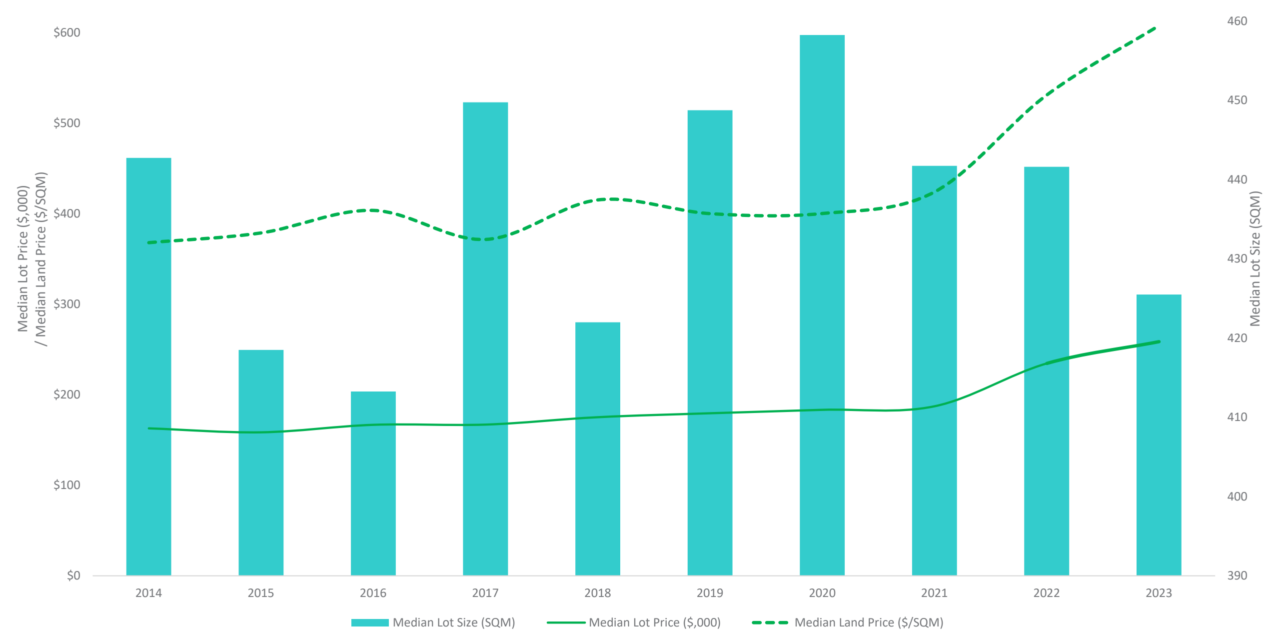
- There was an average of 60 active trading estates across the year which represents a 12% increase on 2022, but this was still 9% lower than the decade average.
- The number of active estates steadily increased across the year, from 54 trading estates in the March quarter to 64 at the close of the December quarter.
- While there were more active estates than the year previous, the average lot sales per project decreased by approximately 25%, which reflected a more subdued demand profile than 2022 largely driven by rising interest rates dampening consumer sentiment.

SA

Greenfield Land Prices, Lot Sizes and Values

- Greater Adelaide's median lot price lifted by 10% across 2023 to $258,500 that follows a 25% growth the year previous —the greatest annual increase in the last decade. The sustained strong price growth resulted in Adelaide remaining behind Perth as having the most affordable residential land lots across the nation. However, at current pricing Adelaide's greenfield land pricing is still 30% lower than the combined capital city average of $373,230.
- New land has traditionally been priced at 37% of the Greater Adelaide median established house price. Over the past two years the ratio has remained at 37% which indicates lot price increases are remaining tied to median house price increase and are therefore considered 'fair value.'
- The median lot size dropped by 3.7% to 426 sqm, which maintains Adelaide's position as holding the equal second largest capital city market lot sizes in the nation (along with the Greater Sydney Mega-Region) with only the ACT with having a larger median lot size of 483 sqm.
- The increase in lot pricing and reduction in lot sizing delivered a 14% increase in the average land rate to $608 psm. This average land rate is 41% more affordable than the combined capital city average land rate of $1,030 psm and equates to the most affordable land price (on a per square metre basis) in the nation.

Figure 6.3: Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

Clover Park by Lanser (SA)

SA

Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Number of Active Estates Per Quarter	Median Lot Size (SQM)	Annual Median Lot Price	Annual Median Land Price ($/SQM)
2014	1,944	66	443	$163K	$368
2015	2,162	62	419	$158K	$379
2016	1,739	57	413	$167K	$404
2017	1,851	58	450	$167K	$371
2018	2,223	71	422	$175K	$415
2019	2,054	75	449	$179K	$400
2020	3,917	84	458	$183K	$400
2021	5,714	68	442	$187K	$424
2022	3,507	54	442	$235K	$531
2023	2,568	60	426	$259K	$608

Source: UDIA; Research4

RESEARCH4 GREENFIELD OUTLOOK 2024

Adelaide

The 2023 State of the Land outlook stated that the performance of the Greenfield market would moderate, however activity will remain 20% above long running trading volumes and prices growth would be “modest”. The final result was that trading volumes for 2023 were 17.5% above long running averages and price growth was 10% for the year.

From 2020 to 2022 the market experienced extraordinary levels of activity, spiking at 650 sales per month. This spike [similar to all other markets across the nation] was supported by brought forward demand, higher net interstate migration numbers an improvement in net population inflows. Those drivers of demand have now moderated.

Across 2023 the market has brought forward more demand than modelled, hence placing a risk over the performance of the 2024 year. For this risk to be negated, there will need to be a sustained improvement in underlying demand.

The number one question, can Adelaide retain the market setting that underpinned its strong 2020-2022 performance? 2023 has already seen NIM numbers cross back over into negative territory while the number of trading estates has begun to increase. This combined with a possible over selling or bringing forward of future local demand may see activity levels in 2024 temporarily weaken.

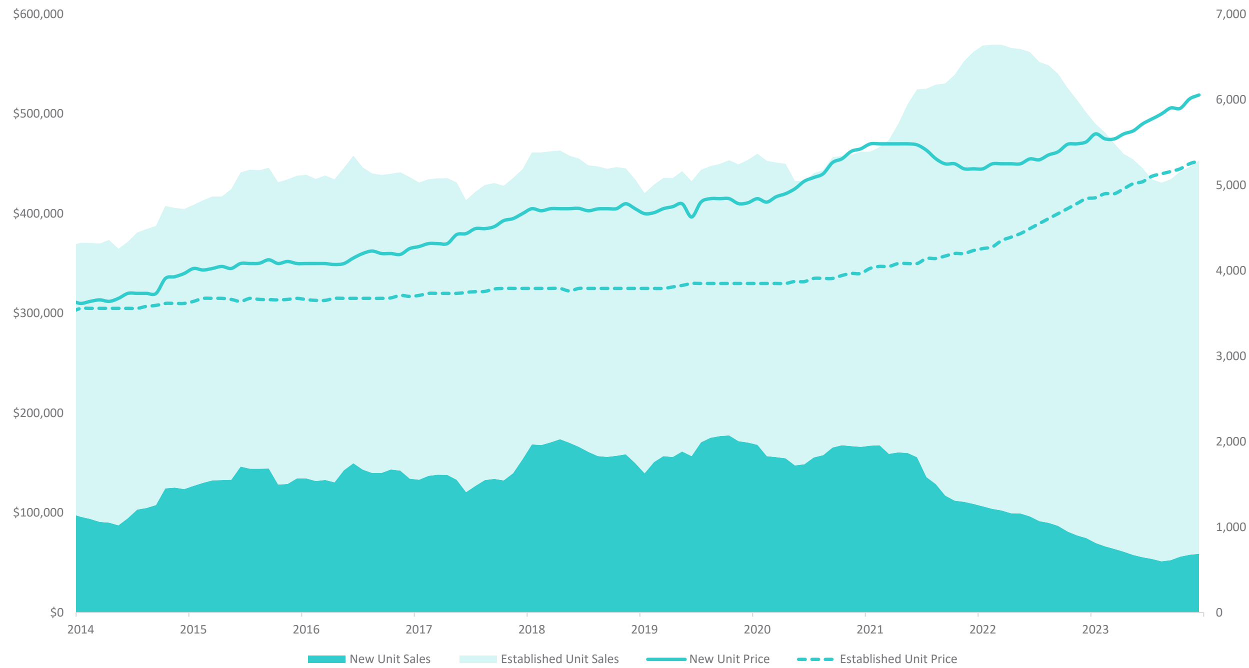
If the market has expanded its catchment as opposed to bringing forward future demand, then activity levels should remain above 240 sales per month and price growth could average 4-5% per annum.

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- Sales of new apartment and town house stock remained subdued across 2023 with a total of 688 new unit sales transacted cross Greater Adelaide representing a 21% decline on 2022 sale volumes. This represents the lowest volume of settled multi-unit sales in more than 15 years.
- The volume of new multi-unit sales remained low across 2023 with an average of 57 settled transactions per month, which is 54% lower than the decade long average.
- Across the broader established market for multi-units there was 4,599 settled multi-unit dwelling sales across Adelaide which is down 8% on 2022 transaction volumes.
- Sales of new units accounted for 13% of whole of market (units) sales for 2023 which is in below the 28% decade average and well below the peak of 37% of market share achieved in 2019.

Figure 6.4: Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

Median Unit Pricing

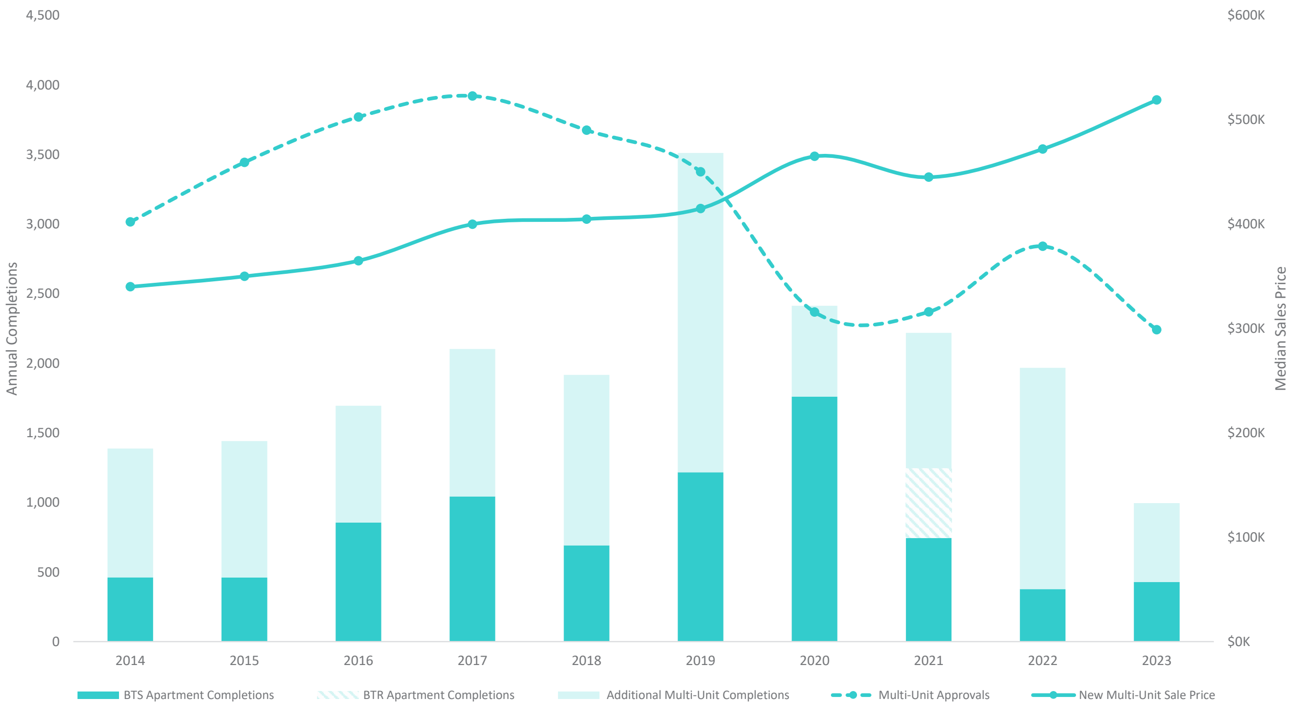
- The median sale price of new units increased by 10% across the year to $519,000 representing a new high watermark for median pricing across the Adelaide unit market.
- Adelaide's newly constructed units remain the second most affordable in Australia (after Perth), with the current median new sale price 37% cheaper than Sydney and 19% cheaper than Melbourne.
- The current median sale price of new units is currently 29% more affordable than the median sale price for new houses, which is significantly higher than the long-term average of 20% cheaper, which represents a positive retail proposition for the market — particularly first home buyers.

SA

Construction Activity

- There were 995 new multi-unit dwellings completed in Adelaide in 2023. This is an annual decline of 49% on 2022 and is 72% below the recent peak of production achieved in 2019 when 3,512 completions were recorded.
- Build to sell (BTS) apartment projects comprised 43% of total multi-unit completions in 2023 which has dropped considerably from 73% of net completions in 2020. This signals the increased role that townhouse and smaller scale infill developments are currently playing in a subdued market for higher density multi-unit product.
- Challenging project viability for apartment projects is also constraining build to rent (BTR) supply with only 500 units completed over the past years. Charter Keck Cramer are not forecasting any significant uplift in BTR completions over the coming three years.
- Approvals for multi-units fell by 21% across the year with just 2,242 approvals which is 43% lower than the recent peak of approvals recorded in 2017, underscoring UDIA expectations of a prolonged period of reduced aggregate construction activity ahead.

Figure 6.5: Median New Unit Price & Annual Unit Completions



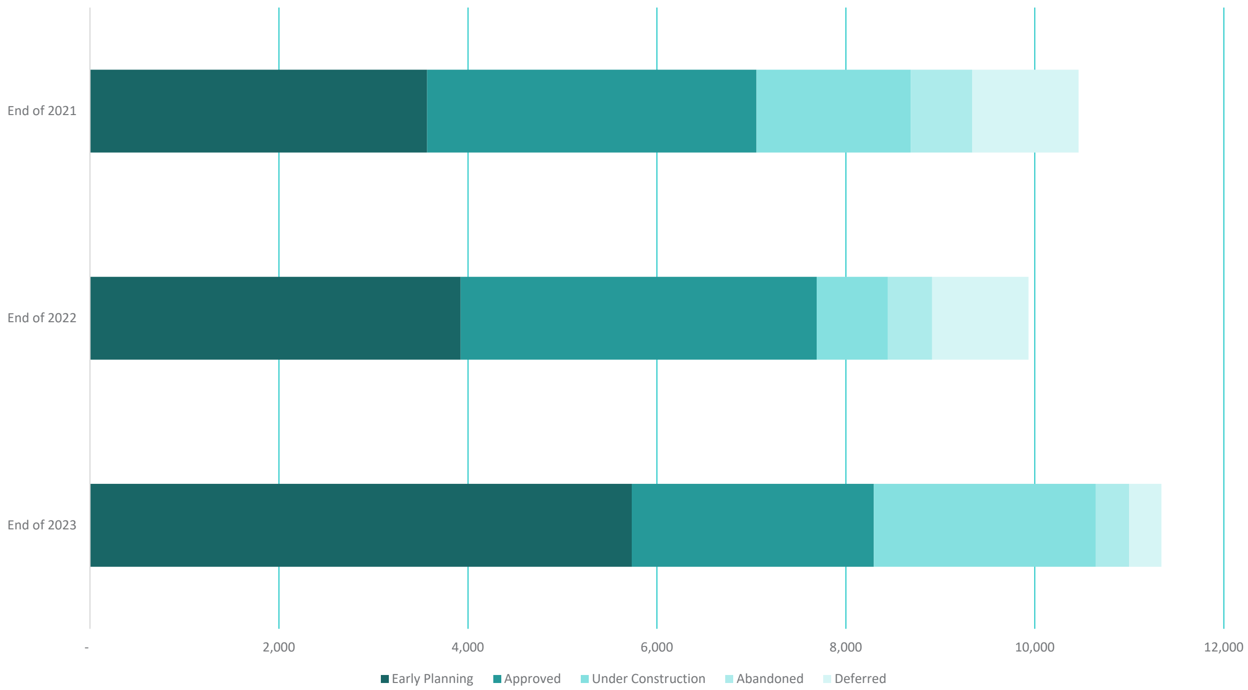
Source: UDIA; CoreLogic; Charter Keck Cramer; ABS

Multi-Unit Pipeline Analysis

Data Note: CoreLogic has produced point-in-time estimates of the multi-unit pipeline based on a year-end snapshot of the industry leading Cordell Construction database.

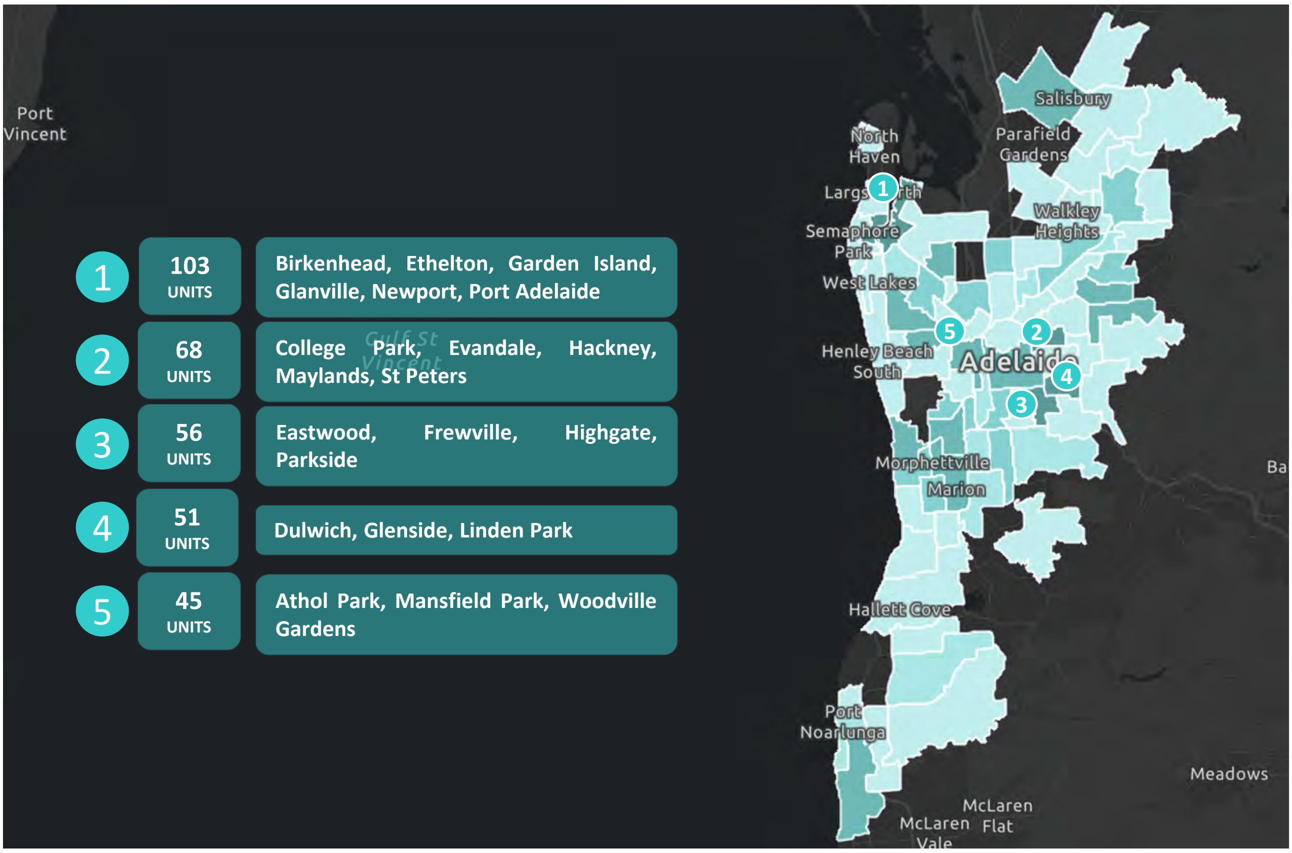
- This data analysis reveals that there is an aggregate total 10,646 units in the active and forward pipeline, which is 26% higher than the supply recorded in December 2022.
- This increase in the pipeline is a divergence to pipeline retraction observed across most other capital city markets is driven by a 46% uplift in projects in the 'early planning' phase. Units under construction have also increased threefold in 2023 to help underpin the buttressing of the pipeline.
- Part of the explanation for the sudden improvement in the pipeline may relate to projects listed as deferred having been re-activated into the planning approval process. This indicates some positive signs for reversing the declining multi-unit production trajectory in the years post 2026.

Figure 6.6: Multi-Unit Pipeline



Source: UDIA; CoreLogic

Figure 6.7: Multi-Unit Completions by Postcode

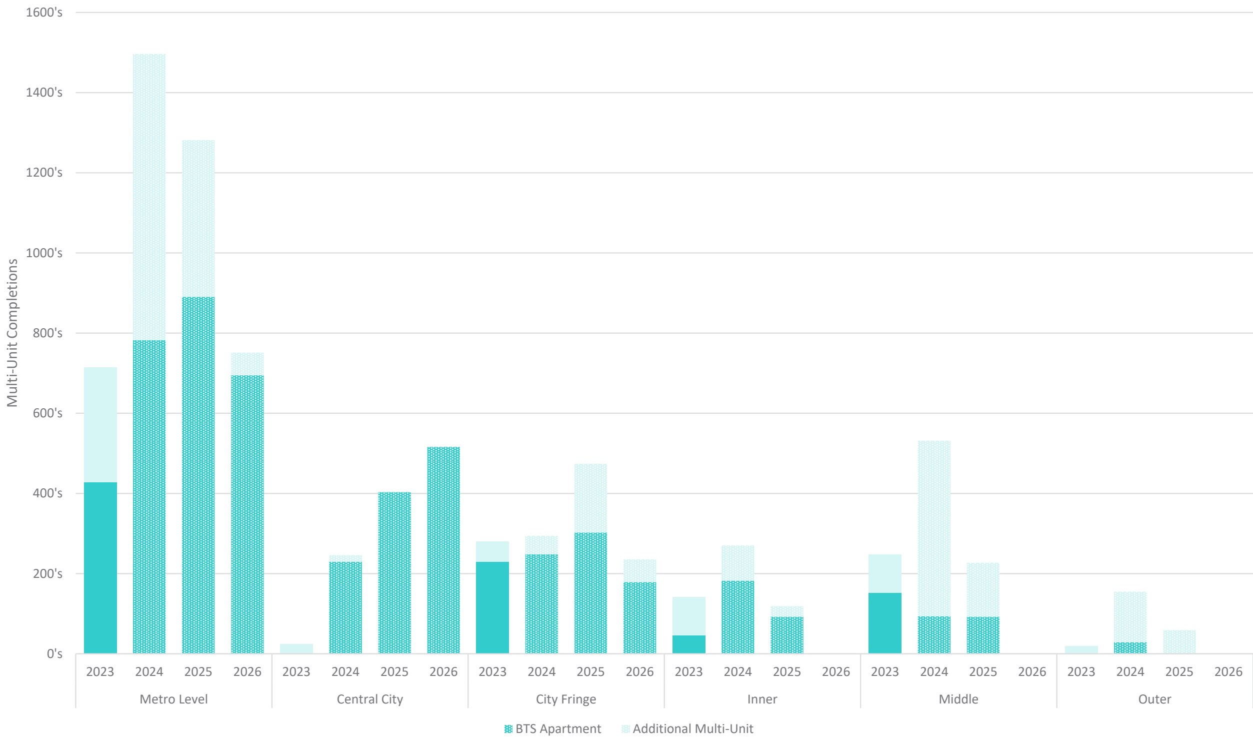


Source: UDIA; CoreLogic; Charter Keck Cramer

Sub-Market Analysis

- Low volumes of completions were observed across Greater Adelaide with postcode 5015 (including the suburbs of Port Adelaide and Newport) providing the largest single source of new supply.
- Modest completion levels were also produced in locations including College Park, Eastwood, Dulwich and Athol Park.

Figure 6.8: Multi-Unit Active Supply by Subregion



Source: UDIA; Charter Keck Cramer

SA

Multi-Unit Market Performance Summary Table

	New Unit Sales[1]	Median New Unit Price[1]	BTS Completions[2]	BTR Completions[2]	TH Completions[1]	Unit Approvals[3]	Unit Completions[1]
2014	1,444	$340K	462	0	925	3,016	1,387
2015	1,570	$350K	460	0	981	3,444	1,441
2016	1,567	$365K	856	0	839	3,770	1,695
2017	1,792	$400K	1,043	0	1,060	3,921	2,103
2018	1,747	$405K	692	0	1,225	3,675	1,917
2019	1,962	$415K	1,217	0	2,295	3,376	3,512
2020	1,937	$465K	1,760	0	653	2,368	2,413
2021	1,271	$445K	747	500	972	2,370	2,219
2022	871	$472K	377	0	1,591	2,841	1,968
2023	688	$519K	428	0	567	2,242	995

Source: UDIA; CoreLogic[1]; Charter Keck Cramer[2]; ABS[3]

CORELOGIC 2024 OUTLOOK

CoreLogic

South Australia

South Australian home values have seen the largest increase in home values from the onset of the COVID pandemic to date, rising 55.2% from March 2020 to February 2024. In the past 12 months, growth stood at 11.5%, comprised of a 11.8% lift in dwelling values across Adelaide, and an 9.7% rise in regional SA. Sales volumes across the state increased 2.6% year-on-year, as low stock levels constrained the number of sales. Rents across the state increased a further 8.7% in Adelaide, and 8.5% in regional South Australia, reflecting positive migration trends from overseas throughout the year, though interstate migration dipped back into negative territory over the year to June, falling to -409.

Similar to Queensland, it is expected the South Australian housing market will be buoyed by population growth in 2024, with the prospect of a reduction in the cash rate increasing purchasing demand. However, this market could also see a slowdown in demand due to a deterioration in housing affordability, with many affordability metrics showing Adelaide home values in particular are becoming more out of reach relative to local incomes.

Eighty Eight O'Connell by Commercial & General (SA)

SOUTH AUSTRALIA — STATE POLICY ENVIRONMENT

Key industry/market issues

The South Australian housing market has seen continued price growth at nation leading levels throughout the past year despite interest rate rises and cost of living pressures.

With a relatively low median house price when compared to other Australian capital cities, affordability measured against average income shows the Adelaide market has the worst affordability in Australia, second only to Sydney. These combined factors have seen housing and rental affordability remain a top political issue in the state. The State Government's response has been to focus on land supply interventions and providing direct support to first home buyers.

To this point, these interventions have not had an appreciable effect on supply, though there is some evidence of demand being supported by the direct assistance for first home buyers. The end result of these measures is that housing affordability remains a challenge.

Market stock indicators continue to show supply at the low end. While supply chain constraints are easing, stresses across the sector remain.

State policy priorities

The past year has seen the State Government consistently place housing at or near the top of its policy agenda with the most significant land releases in South Australia's history and the abolition of stamp duty for eligible first home buyers the key responses to the crisis.

Signals from the Government regarding the supply of land for housing are positive with the Housing Infrastructure Planning and Development Unit (implemented as a result of UDIA SA advocacy) working to ensure that land earmarked in the Government's historic land releases during 2023 will be serviced and shovel ready in a timely and coordinated manner.

The Government's positive attitude toward growth areas expansion also bodes well for the current 30-Year Plan for Greater Adelaide, which will continue through the current year and set out a blueprint for growth over the coming 30 years.

Ensuring there is sufficient land and density identified to support the projected growth of the state's capital at a time when there are major plans to expand jobs growth industries in Adelaide and across South Australia, will be central to UDIA SA's submissions throughout the review.

While the indicators from the Government are positive, there remains a need for major infrastructure investment to support growth and this need is only becoming more acute. The State Government is showing increasing awareness of the problem and urgent action is required.

Future prospects

UDIA SA will continue its positive working relationship with the State Government and use this position to call for the action needed to support housing development.

We look forward to the Government finalising its work on long-term projects such as the Land Supply Dashboard and the recommendations of the Planning System Implementation Review, and we will work with the Government to ensure these reforms have a positive effect on development in South Australia.

We will also continue to advocate for reforms to open space contributions, land tax and other State Government charges. These reforms, combined with all important investment in infrastructure, will underpin sustained growth in housing construction and will further position South Australia as a leader in liveability across Australia.

DEVELOPER INSIGHT

Mark Pivovaroff
Development Director, Cedar Woods

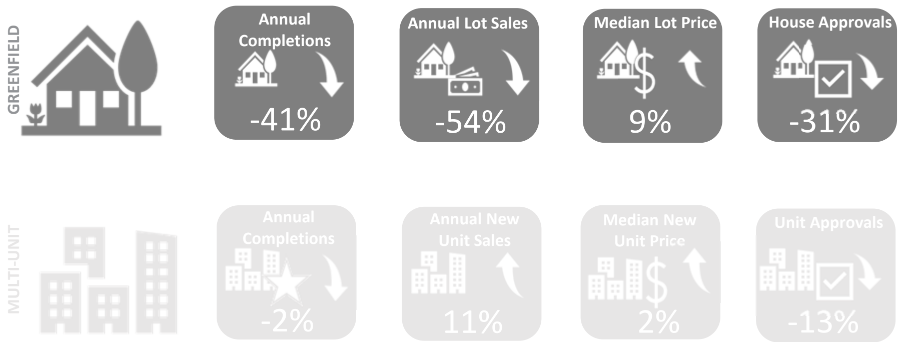
2023 continued to see the after-effects of the COVID-19 pandemic wash through the South Australian market. Inflation and sustained interest rate rises have continued to result in higher material and trade prices, while delivery remains stubbornly slow due to a lack of qualified labour. These are national trends and South Australia is not immune to them, however demand for housing has remained buoyant. This has been underpinned by first home buyers entering the market with the support of State Government stamp duty concessions, while the rest of the market is starting to soften.

Continued impediments to supply combined with resilient demand has created a housing affordability crisis across the owner and rental sectors. State and Federal housing targets aim to the address this by seeing the development sector deliver more than 16,000 houses per year in South Australia over the next four years. Land rezoning to support these developments is regularly occurring, however the major challenge to bring this land to market is the timely provision of services and infrastructure.

Grace Apartments by Cedar Woods (SA)

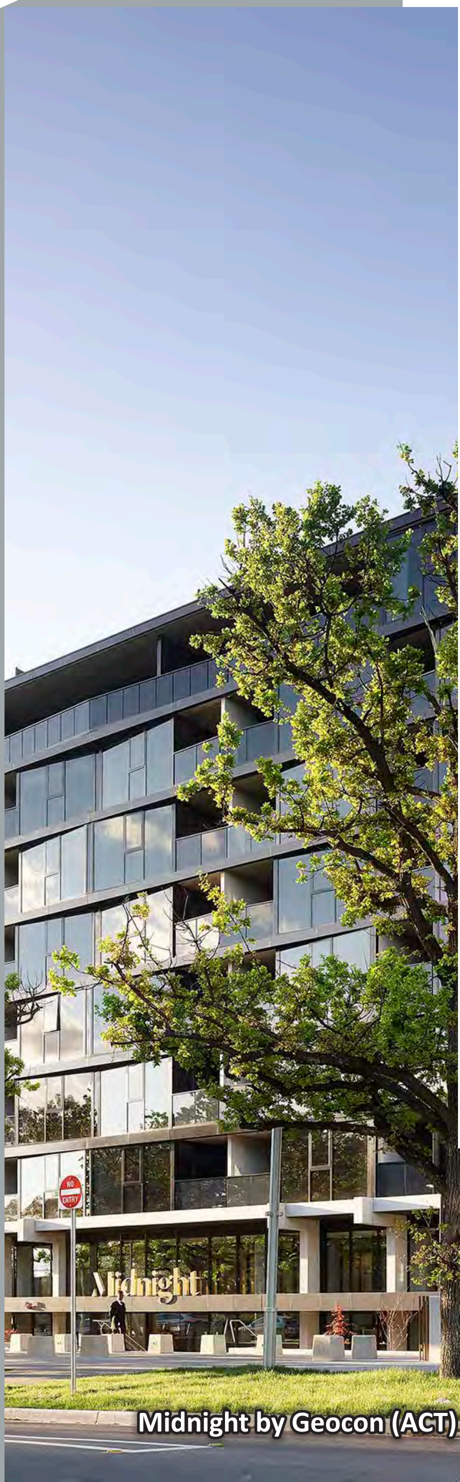
ACT

SUMMARY



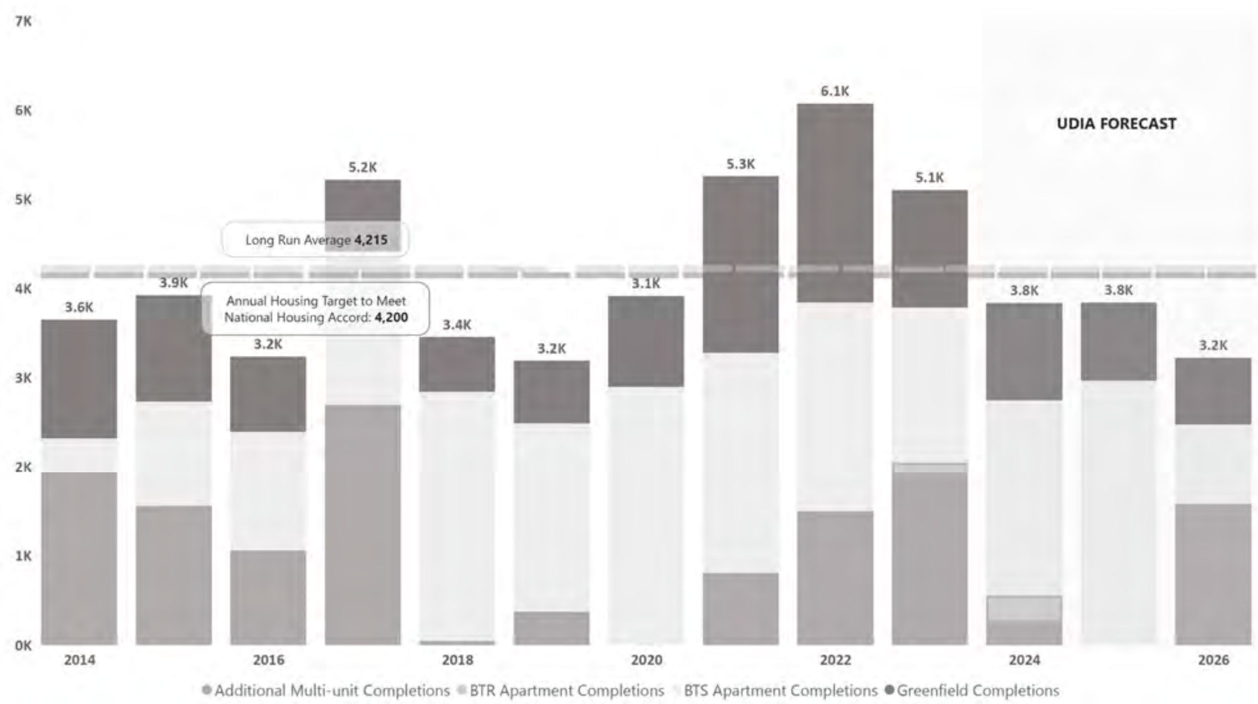
- In 2023 the ACT greenfield market registered a second straight year of sharp declines in activity and momentum while the multi-unit sector demonstrated resilience to record modest increases in sales activity.
- Greatly reduced consumer sentiment driven by rising interest rates in the first half of the year and broader cost of living pressures across the year underpinned the softened demand profile for new build dwellings.
- The moderation of dwelling sales performance in greenfield markets also relates to a market normalisation phase following the significant up-swing in demand on the back of the Home Builder government stimulus across 2020 and 2021.
- A combined total of 5,295 new dwellings were completed in 2023 across the greenfield release and multi-unit infill sectors. This reflects a 11% reduction in dwelling completions from the preceding year but is 32% above the decade average.
- New residential supply completions[1] are forecast to drop considerably over the forward three years dipping by around almost 40% to 3,800 completions in 2024 driven by declines in greenfield detached housing production. Aggregate completions are forecast to undershoot the National Housing Accord's annual dwelling target for the ACT of 4,200 dwellings (based on a population based share of 1.2 million homes over the forward five years) by around 10% in 2024 and 2025 and by 23% in 2026.

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




Midnight by Geocon (ACT)

Figure 7.1: New Residential Market Supply



Source: UDIA; Research4; CoreLogic; Charter Keck Cramer; ABS

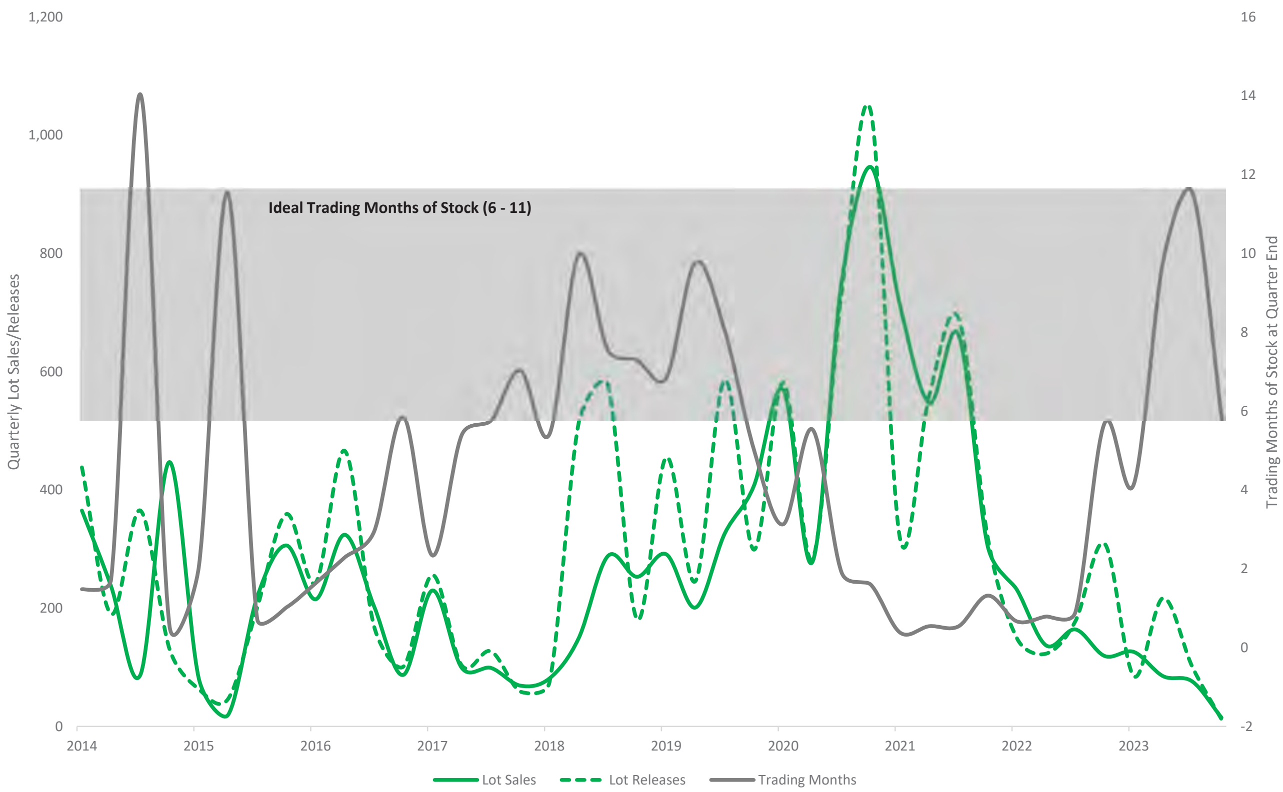
GREENFIELD MARKET ACTIVITY

Sales and Release Activity

- The ACT greenfield market recorded the weakest 12 months of sales activity in over fifteen years with just 302 net greenfield lot sale transactions. This reflects a 54% drop from 2022 and is 74% lower than the decade average.
- Reflecting an extremely soft consumer profile there was a release of just 415 lots released across 2023, which reflects a 45% drop on 2022 volumes, and 66% below the long run average. After demonstrating some signs of recovery in the June and September quarters, lot releases plummeted in the December quarter with just 12 retail lots released to market – the lowest quarterly volume recorded by the NLSP timeseries stretching back to 2009.
- The ACT's share of total national land sales since 2009 has averaged 3.2%. The share of total activity for the 2023 calendar year was just 1.0%.

ACT

Figure 7.2: Greenfield Market Activity



Source: UDIA; Research4

Stock Levels

- As of December 2023, the number of residential lots on a price list was equal to 6.0 months of trading which was the highest proportion of available inventory since the start of the pandemic.
- The volume of stock ready for sale ended the year 12% higher than the beginning of the year indicating a slow down in purchaser demand as the year progressed.

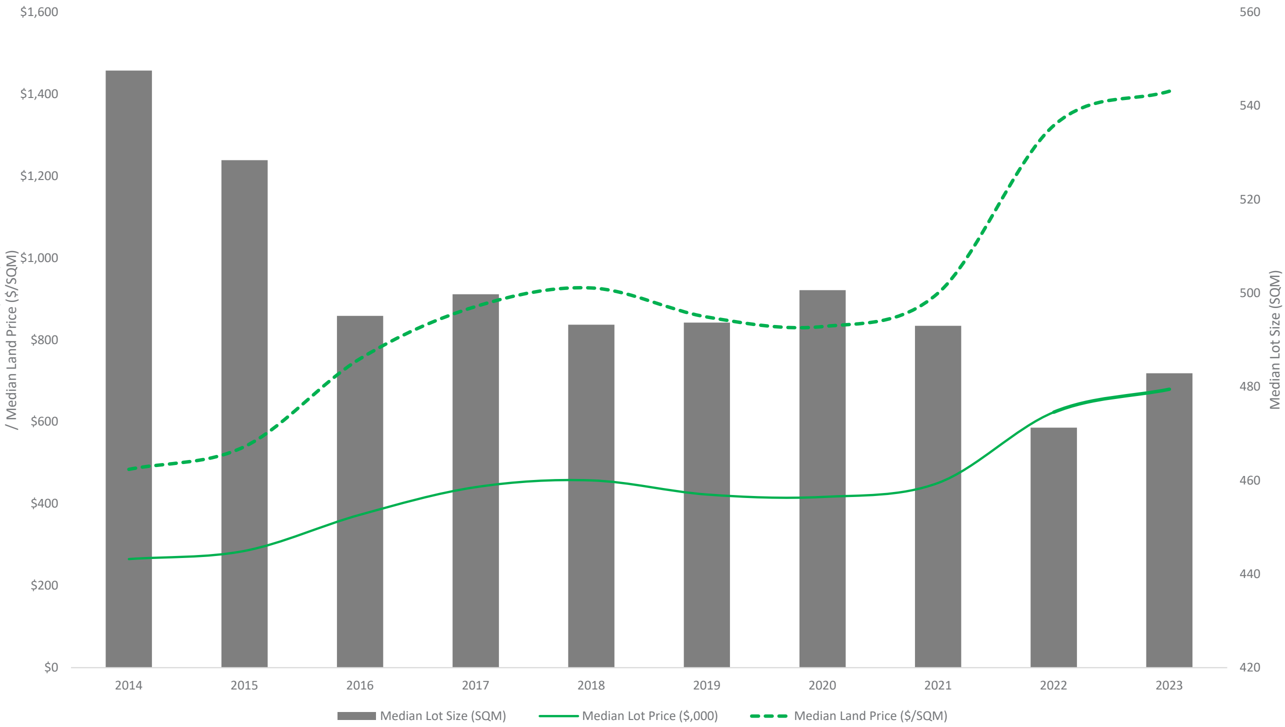
Greenfield Projects

- Research4's land survey recorded an average of just five active estates across 2023 which is same average as 2022 but down from a record 13 active estate average across 2020 – reflecting the height of the HomeBuilder stimulus turbo charging of the market.

Greenfield Land Prices, Lot Sizes and Values

- The ACT's median lot price average across 2023 grew 38% to $679,375 which elevated the nation's capital into having the most expensive residential lots across the capital city regions and is now 82% higher than the national average.
- The ACT's 2023 median lot price represented 71% of the established market median house price of $947,000, which is elevated on the decade average of 60%. The steep escalation in lot pricing in the last two years brought the lot/house ratio up from 56% in 2021.
- The median lot size increased by 2% over 2023 to 483 sqm which helped deliver the ACT to comfortably retain the largest average block sizes in the country and is 17% higher than the combined capital city average.
- The median land value rose 6% across 2023 to $1,409 psm which is a record high, 36% above the combined capital city average and 69% above the average rate in 2020.

Figure 7.3: Median Lot Price, Land Price ($/sqm) and Median Lot Size



Source: UDIA; Research4

Greenfield Market Performance Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates Per Quarter	Median Lot Size (SQM)	Median Lot Price	Median Land Price ($/SQM)
2014	1,136	5	548	$265K	$484
2015	625	4	528	$285K	$539
2016	829	4	495	$373K	$754
2017	497	3	500	$441K	$881
2018	771	4	493	$457K	$927
2019	1,225	8	494	$423K	$856
2020	2,548	13	501	$417K	$832
2021	2,226	10	493	$451K	$914
2022	651	5	471	$623K	$1,323
2023	302	5	483	$679K	$1,407

Source: UDIA; Research4

RESEARCH4 GREENFIELD OUTLOOK 2024

ACT

understanding research[4] the way we live

The 2023 SOTL outlook stated that the "market is not expected to return to strong levels of demand". This outlook did eventuate.

The ACT market is a small Greenfield market with a very well-defined customer base. The supply side is regulated, and the use of Greenfield wholesale supply is split between conventional product and higher density product. This report simply looks at the conventional product offering.

It is clear that the performance of the ACT market across 2020 and 2021 was strong. This spike in activity was helped along by bringing forward customers into the market early. Supported with low lending rates and a healthy government pay cheque, land prices were able to lift. This "boom time" mind set was always going to return to normal, however, before that could take place there needed to be a correction.

The correction in volumes has been unfolding across 2023 and is likely to persist into 2024. Land sales are likely to remain suppressed in 2024, however current sale volumes of 5 lots per month goes well beyond being suppressed. If the market remains this low, then the post COVID correction is likely to be shorter.

In summary, 2024 should be defined by low sale volumes and problematic land pricing.

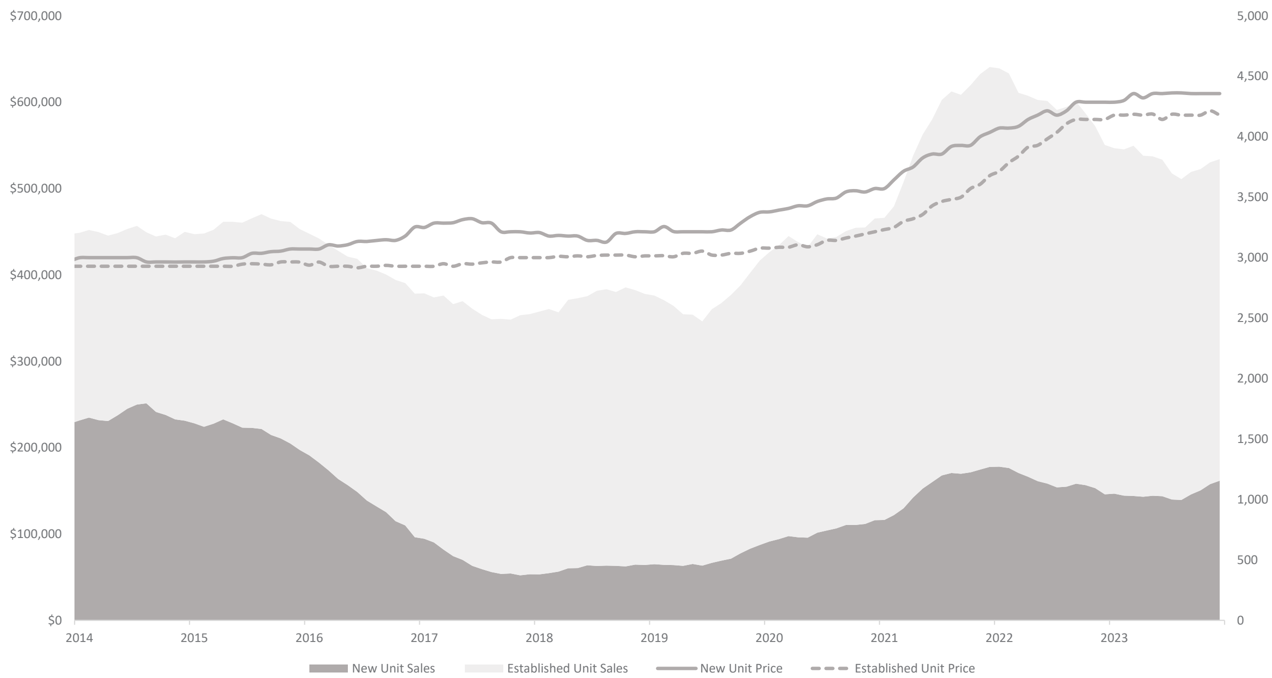
Whitlam by Suburban Land Agency (ACT)

MULTI-UNIT INFILL ANALYSIS

Sales Activity

- There were 3,814 settled sales transacted across the year, which was commensurate with 2022 volumes and in line with the decade average.
- Sales activity of new apartments and multi-units across Canberra remained relatively consistent across the year, in contrast to the steadily declining activity recorded in the greenfield sector.
- Across the broader established market there were 2,659 settled multi-unit dwelling sales across the ACT which represented an 8% decline on the year was down 20% on the peak volumes of the last decade achieved in 2021.
- Over the last ten years new build multi-units (primarily apartments) have averaged 29% of total annual unit sales activity. In 2023 new unit sales accounted for 30% of total sales highlighting the on-going resilience of the multi-unit sector.

Figure 7.4: Multi-Unit Sales, Established & New Sales (Settled)



Source: UDIA; CoreLogic

Median Unit Pricing

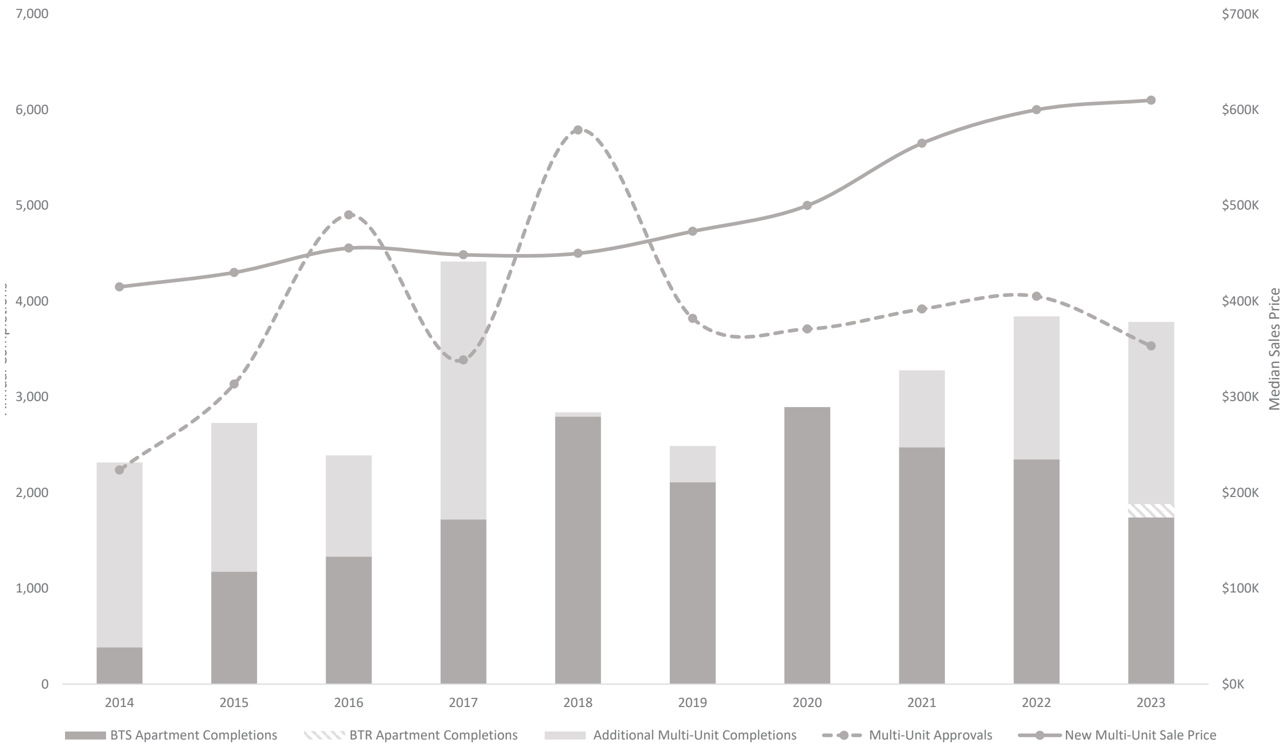
- There was a 1.7% growth in the annual median sale price of new units in 2023 to $610,000 which was half the growth rate recorded across the combined capital cities.
- The median price for the ACT's newly constructed units is currently 26% more affordable than median pricing for Sydney's units but now only 4% more affordable than Melbourne's
- The median sale value for all multi-units (new and resales) across the ACT increased by just 1.7% across the year to $595,000, which represents the peak value achieved for the unit sector.
- The current median sale value of new units is currently 40% 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.

ACT

Construction Activity

- There were 3,784 new multi-unit dwellings completed across the ACT in 2023. This is a commensurate level of production to the year previous and is 29% above the decade average.
- Build to sell (BTS) apartment projects comprised 46% of total multi-unit completions in 2023 which has dropped considerably from an average of 84% across the previous five years. This signals the increased role that townhouse and smaller scale infill developments are currently playing in a subdued market for higher density multi-unit product.
- The BTR sector is still slowly developing in Canberra with an inaugural 140 units completed in 2023 with a further 300 units forecast for 2024.
- Approvals for multi-units fell by 13% across the year with just 3,532 approvals which is 39% lower than the recent peak of approvals recorded in 2018.

Figure 7.5: Median New Unit Price & Annual Unit Completions



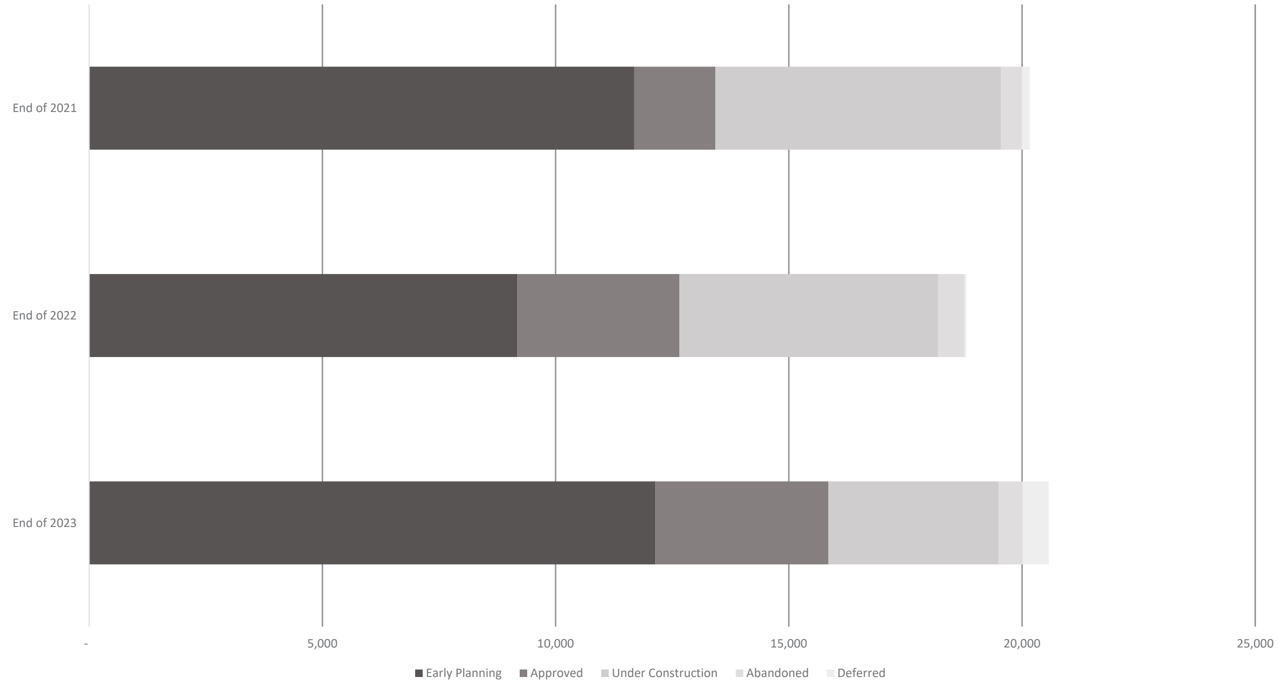
Source: UDIA; CoreLogic; Charter Keck Cramer; ABS

Multi-Unit Pipeline Analysis

CoreLogic have produced point-in-time estimates of the multi-unit pipeline based on an end of year snapshot of the industry leading Cordell Construction database.

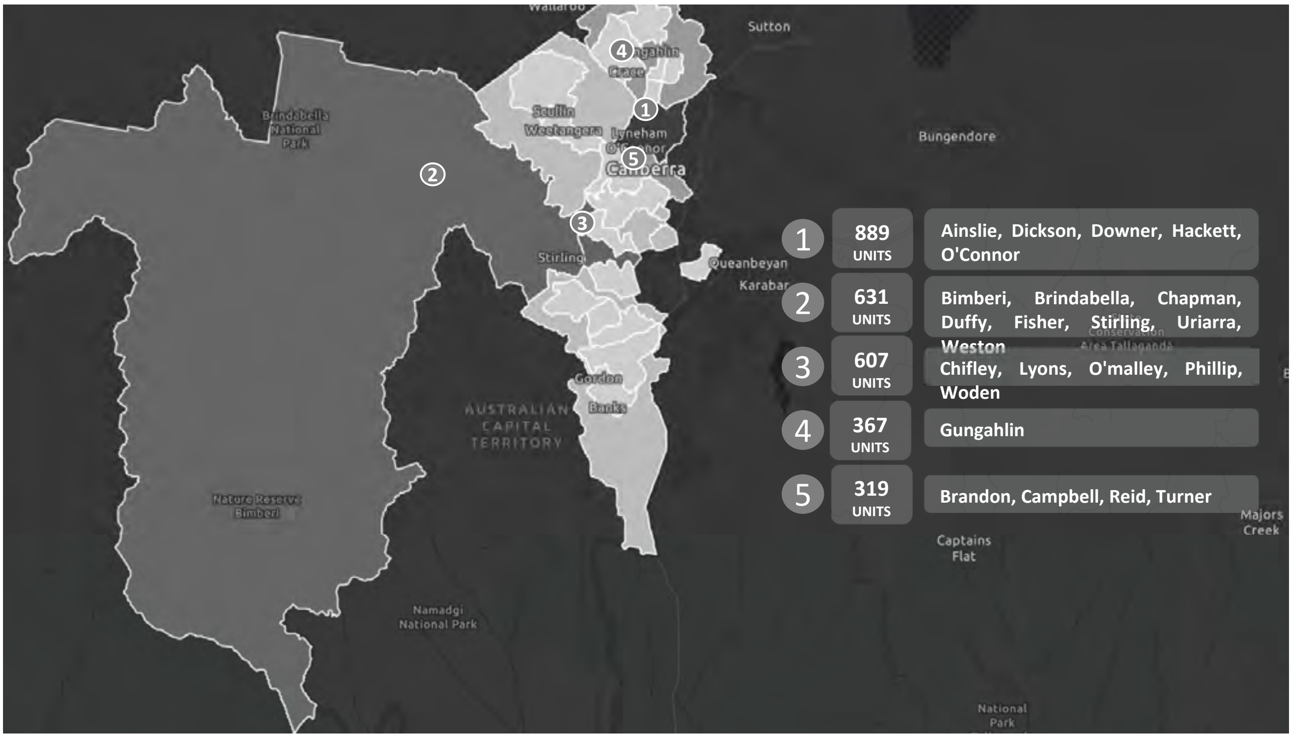
- At the end of 2023 the total active pipeline in the ACT numbered 19,494 units, which is a 7% increase on 2022 signalling a maintenance of robust forward supply.
- The pipeline recorded a 32% increase of units in early planning stages in 2023, which has driven the aggregate growth of the ACT multi-unit pipeline, while approved units increased and due to strong completions across the year units under construction fell by 34%

Figure 7.6: Multi-Unit Pipeline



Source: UDIA; CoreLogic

Figure 7.7: Multi-Unit Completions by Postcode

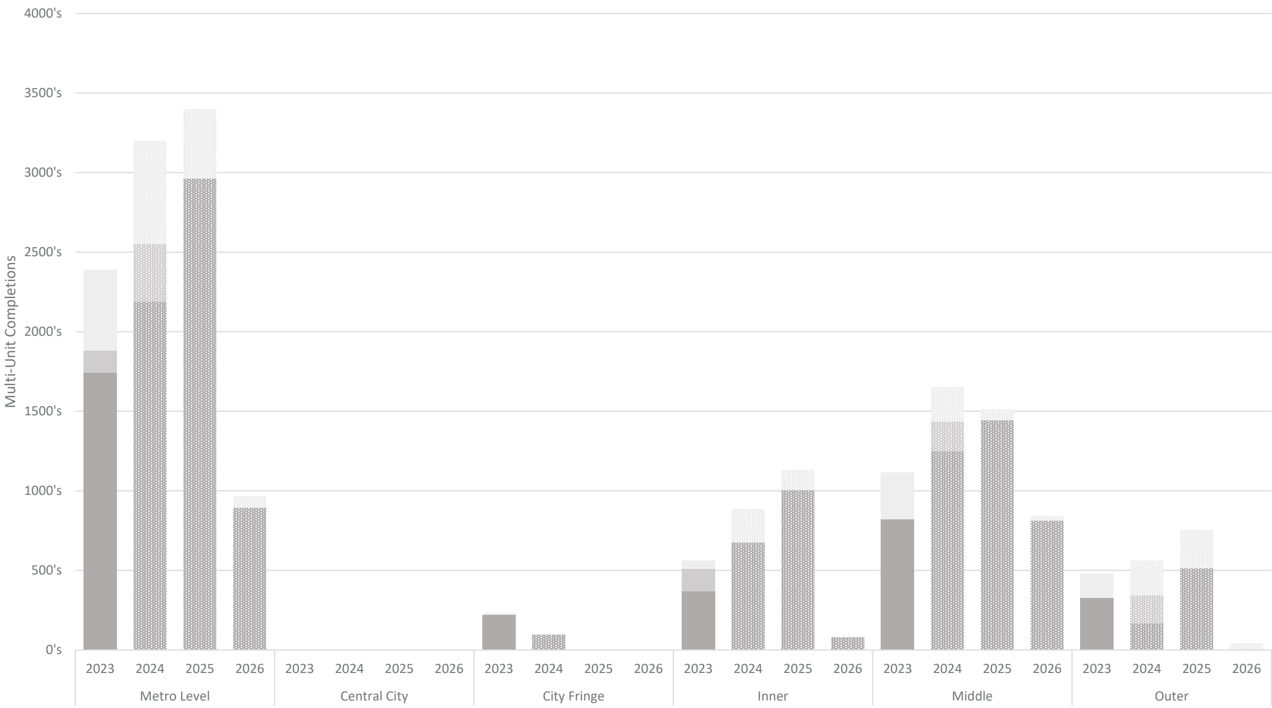


Source: UDIA; CoreLogic; Charter Keck Cramer

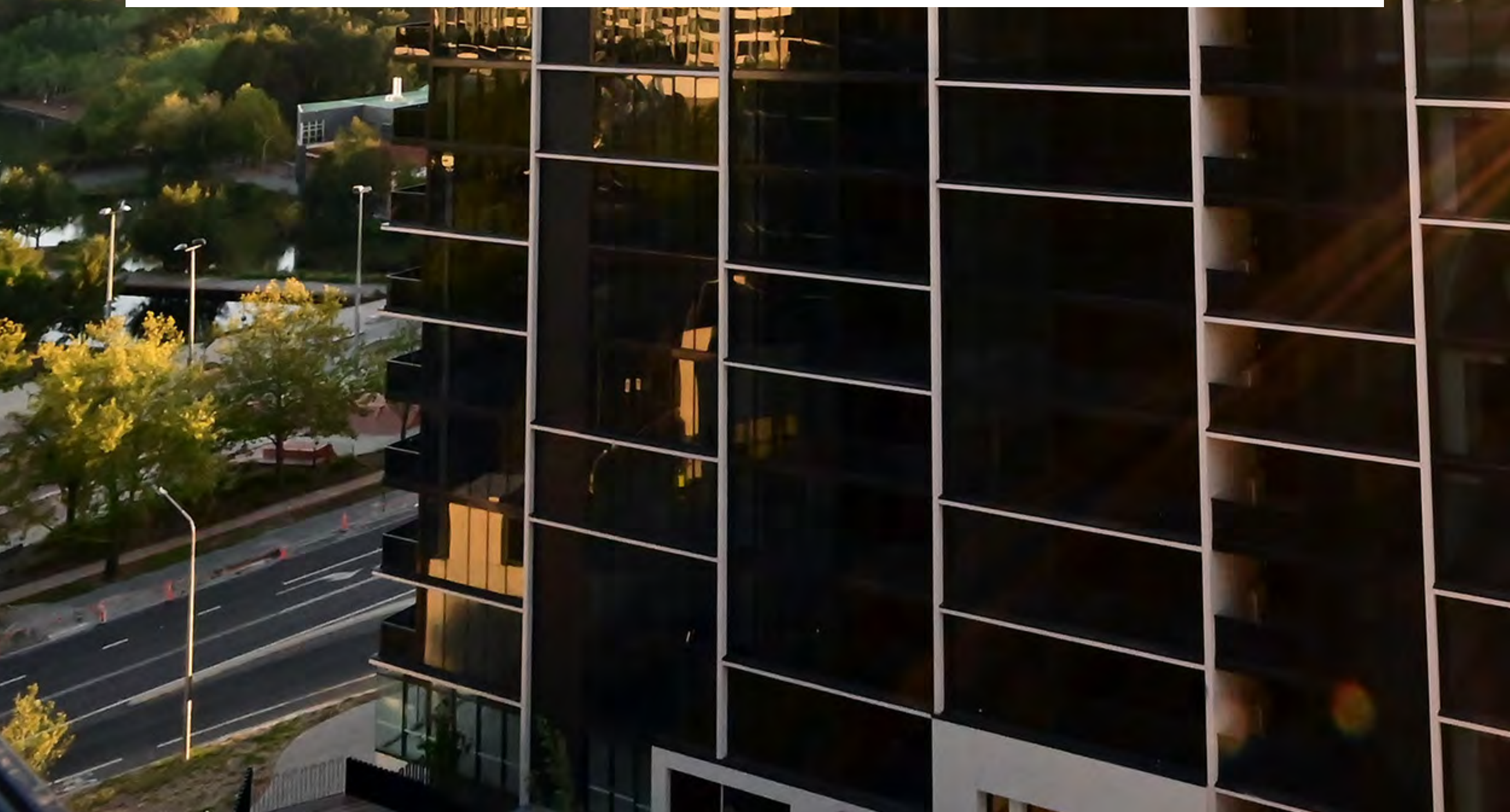
Sub-Market Analysis

- Aggregate multi-unit completion volumes were observed across Canberra in 2023 with central city, middle and outer growth areas all recorded robust levels of new supply.
- Almost a third of all new stock emerged in the inner city postcode 2602 which includes the suburbs of Ainslie, Dickson, Downer, Hackett and O'Connor.

Figure 7.8: Multi-Unit Active Supply by Subregion



Source: UDIA; Charter Keck Cramer



Multi-Unit Market Performance Summary Table

	New Unit Sales[1]	Median New Unit Price[1]	BTS Completions[2]	BTR Completions[2]	TH Completions[1]	Unit Approvals[3]	Unit Completions[1]
2014	1,651	$415K	385	0	1,931	2,236	2,316
2015	1,409	$430K	1,175	0	1,554	3,134	2,729
2016	688	$455K	1,333	0	1,057	4,902	2,390
2017	382	$449K	1,720	0	2,695	3,386	4,415
2018	459	$450K	2,795	0	45	5,788	2,840
2019	653	$473K	2,110	0	378	3,820	2,488
2020	829	$500K	2,894	0	0	3,710	2,081
2021	1,269	$565K	2,475	0	803	3,918	3,278
2022	1,043	$600K	2,347	0	1,495	4,051	3,842
2023	1,155	$610K	1,742	140	1,902	3,532	3,784

Source: UDIA; CoreLogic[1]; Charter Keck Cramer[2]; ABS[3]

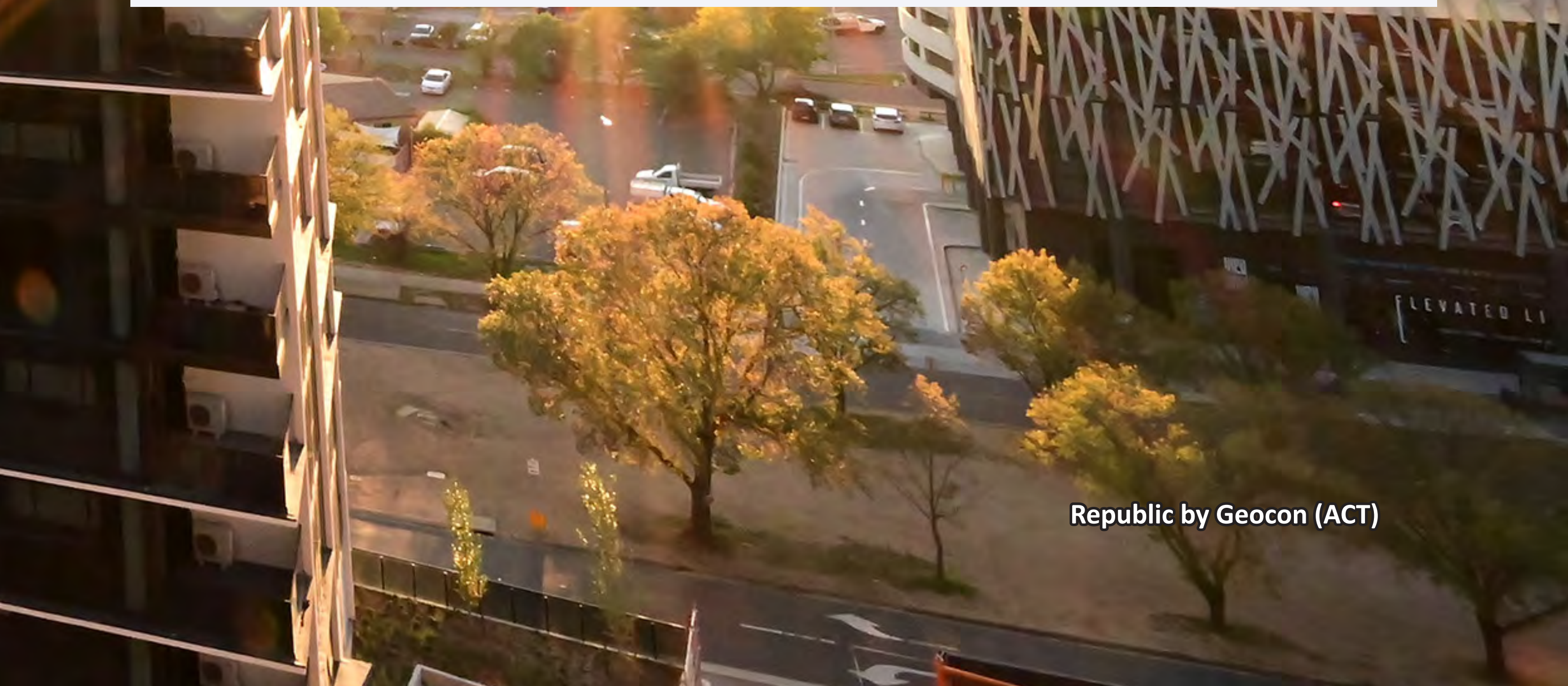
CORELOGIC 2024 OUTLOOK

CoreLogic

ACT

Similar to smaller markets like Hobart, regional Tasmania and the Northern Territory, the Canberra dwelling market has seen softer capital growth performance than many state markets in the past year. Home values did increase in the 12 months to February, but by a mild 1.6%, and rent values declined -0.2% in the same period. Like other markets experiencing weaker conditions, net interstate migration to the Territory was negative at the last observation in the year to June, at -1,591. Net overseas migration has more than made up for the loss of interstate migrants, but relatively elevated levels of construction activity and completions across both houses and units have helped to contain rent and price growth.

On a monthly basis, the trend in rent growth has picked up in the past few months, with five consecutive monthly increases in rent value. Strong net overseas migration to the Territory could help to steady the rental market, and encourage a mild uplift in purchase values through 2024.



Republic by Geocon (ACT)

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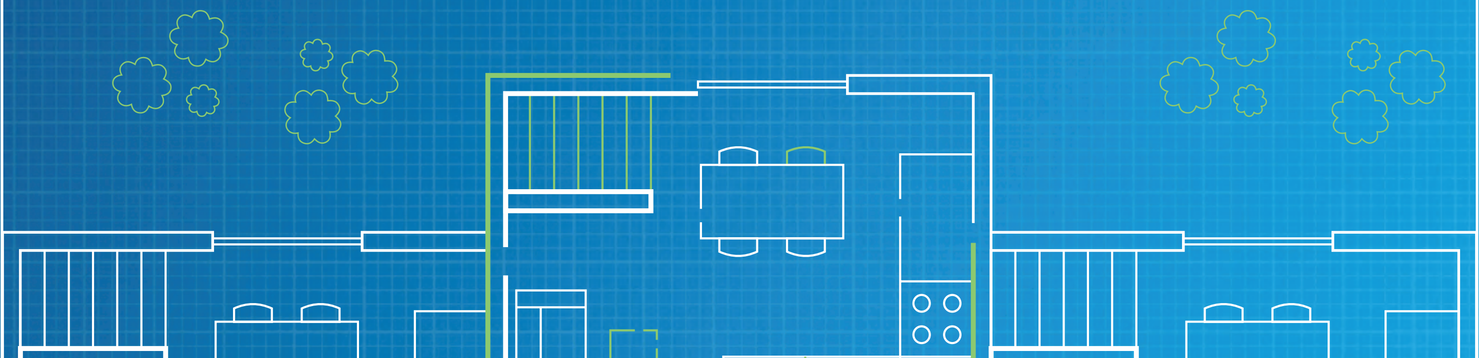

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