



m3commentary

NORTH LAKES REGION RESIDENTIAL

Winter | 2017

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DEFINITIONS

Compound Annual Growth Rate (CAGR):

The mean annual growth rate over a specified period of time longer than one year.

North Lakes Region: Is the North Lakes SA3, which includes the following SA2s: North Lakes – Mango Hill; Dakabin – Kallangur; and Murrumba Downs – Griffin. These SA2s include the suburbs of North Lakes, Mango Hill, Dakabin, Kallangur, Murrumba Downs and Griffin.

Median: Middle value from a set of values over a defined period of time.

SA2 / SA3: Geographic areas defined by the Australian Bureau of Statistics.

This report provides an overview of the North Lakes Region Statistical Area Level 3 (SA3) (referred to in this report as the North Lakes Region) residential market. The region is shown on the map below.



Key findings of the report include:

- The median price of dwellings (including houses, units and townhouses) in the North Lakes Region is currently \$425,000, having grown by 2.2% per annum over the past decade;
- Building approvals in the North Lakes Region look set to decline during the 2017 financial year, compared with the 2016 financial year;
- There are an estimated 1,700 townhouses/units in the supply pipeline for the region;
- Residential vacancy is currently above the equilibrium level of 3.0%;
- Rental demand remains strong, however, growth in median rental rates is subdued / negative;
- Recent englobo residential development site sales indicate rates ranging between \$96 and \$325 per square metre of site area .
- A number of major projects, including The Mill at Moreton Bay Priority Development Area, the upgrade of the Gateway Motorway North and Laguna North Lakes, are expected to benefit the region going forward. The region's residential market is expected to strengthen as a result of these projects.

KEY INFLUENCES



HOUSING FINANCE

The number of owner-occupier housing finance commitments in Queensland decreased for the sixth consecutive month in May. On a year-on-year basis, owner-occupier housing finance approvals were down 4.3% in May 2017 (from May 2016). Nationally, first home buyers accounted for 14.0% of owner-occupier housing finance commitments in May.



STATE POPULATION

The Queensland population was estimated to be approximately 4,883,700 as at December 2016, having increased by circa-70,440 people over the year from December 2015. Population growth over the year was 1.46%, below national population growth of 1.55%. Annual net interstate migration to Queensland has trended upwards since the 2014 financial year. During the 2016 calendar year, net interstate migration was the highest seen since the 2009 financial year.



AFFORDABILITY

Housing affordability is a significant factor driving residential investment and the entry of owner occupiers into the market. The cost of finance compared to income levels, dwelling prices, and government grants and taxation are all factors that influence the affordability of property.

According to the HIA Housing Affordability Index (March 2017), housing affordability in Brisbane increased 0.2% from the December 2016 to the March 2017 quarter and 4.8% over the year from the March 2016 quarter.

The Queensland First Home Owner's Grant has contributed to the rise in affordability of dwellings in Brisbane. The grant applies to all new dwellings (up to \$750,000) being purchased or built by first home owners. It was increased from \$15,000 to \$20,000 from 1 July 2016 and extended until 31 December this year as part of the 2018 financial year budget.

As part of the 2018 financial year Federal Budget, first-home buyers are able to use voluntary superannuation contributions to build tax-protected savings for a home deposit, to a limit of \$30,000 (\$60,000 for a couple). Withdrawals can be made from 1 July 2018. According to the Federal Government, for most people, the First Home Super Saver Scheme could boost the savings put towards a deposit by at least 30% compared with saving through a standard deposit account. The scheme is expected to assist first home buyers to save a deposit faster.



INTEREST RATES

The Reserve Bank of Australia has eased the official monetary policy by 325 basis points since November 2011. The most recent reduction to the target cash rate was in August 2016, when it was reduced to the historically-low level of 1.50%. Reductions in the cash rate are typically correlated with increases in the number of housing finance commitments. However, bank lending rates for investors have increased over the past year due to APRA's requirements for lending institutions to reign in investor lending. Owner-occupier lending rates have been fairly stable over the past year.



CONSUMER SENTIMENT

Consumer sentiment is an important indicator for household spending. According to the July Consumer Sentiment Index, conditions in the housing market appear to be stabilising. In July, the 'time to buy a dwelling' sub-index increased by 3.1% (however remained 7.9% lower than the July 2016 score). The increase appears to have been driven by recent increases in State and Federal Government assistance for first home buyers.

LOCATION OVERVIEW

MORETON BAY REGIONAL COUNCIL OVERVIEW

The Moreton Bay Regional Council (MBRC) is a growing residential area located in South East Queensland, between 20 and 44 kilometres north of the Brisbane CBD. The region has seen significant growth over the past 15 years, with the development and expansions of the Westfield North Lakes Shopping Centre, the construction of the state's first Costco store, the completion of the 12.6 kilometre Redcliffe Peninsula Railway Line between Petrie and Kippa-Ring, upgrades to the Bruce Highway and a substantial amount of residential development.

MBRC's economy (Gross Regional Product (GRP)) was valued at \$12.92 billion during the 2016 financial year, accounting for 4.1% of Queensland's Gross State Product. GRP grew 4.0% from the 2015 financial year. The industries that contributed most to the economy of the MBRC are Construction, Health Care and Social Assistance, and Retail Trade.

The North Lakes Region is located within the MBRC. It comprises the suburbs of North Lakes, Mango Hill, Murrumba Downs, Griffin, Kallangur and Dakabin. The Region was Queensland's fastest growing Statistical Area Level 3 during the 2016 financial year, recording population growth of 6.7%. Over the past decade, the region has experienced average population growth of 7.5% per annum (compared with state growth of 1.9% per annum over this period). Population density has increased from 528 persons per square kilometre during 2006 to 1,090 persons per square kilometre during 2016. Long-term population projections are for the region to continue to have strong, albeit declining, population growth through to 2026.

GATEWAY MOTORWAY

The Gateway Motorway North is currently being upgraded between Nudgee and Deagon. The \$1.143 billion project started in February 2016 and is scheduled to be completed in late 2018.

The completion of the project is expected to result in a significant reduction in commute times from areas north of Brisbane (such as MBRC and the Sunshine Coast) to Brisbane. The project is expected to open up the MBRC and the desirability of living in the region.

LAGUNA NORTH LAKES

Laguna North Lakes is a proposed mixed-use development by the George Group and Pointcorp. It is proposed for a 1.72 hectare site (currently owned by the MBRC) between North Lakes Drive and Endeavour Boulevard. The project is proposed to be developed over four stages and include:

- 11,500 square metres office space;
- 2,475 square metre child care;
- 1,395 square metre pool and leisure area;
- 4,600 square metre dining;
- 4,400 square metres retail;
- 883 basement car parks;
- 3,000 square metre function centre;
- 1,950 square metre health area; &
- 138 room hotel.

If approved, construction is expected to commence in 2018



Aerial View:
Laguna North Lakes Site

INCENTIVISING INFILL DEVELOPMENT POLICY

The MBRC has recently introduced its 'Incentivising Infill Development Policy'. The policy started from 1 July 2017 and is scheduled to run for two years, providing incentives for applicable developments within 800 metres of the Strathpine and Caboolture train stations and within the Redcliffe Peninsula Rail Corridor. The Corridor includes the Kallangur, Murrumba Downs, Mango Hill and Mango Hill East train stations (as well as other train stations located outside of the North Lakes Region).

The policy waives infrastructure charges and application fees for projects approved between 1 February 2016 and 30 June 2019. The types of projects included in the policy are student accommodation (with 20 plus rooms), retirement and aged care developments (with 75 plus beds), mixed-use developments (including shop / office with multiple dwellings and / or short-term accommodation), multiple dwelling projects with 20 plus units or short-term accommodation developments.

To be eligible, building work must be substantially commenced by 31 December 2019. The policy is aimed at encouraging transit-oriented development in proximity to the new University of Sunshine Coast (USC) Campus, which will be located within the The Mill at Moreton Bay Priority Development Area.

LOCATION OVERVIEW

THE MILL AT MORETON BAY

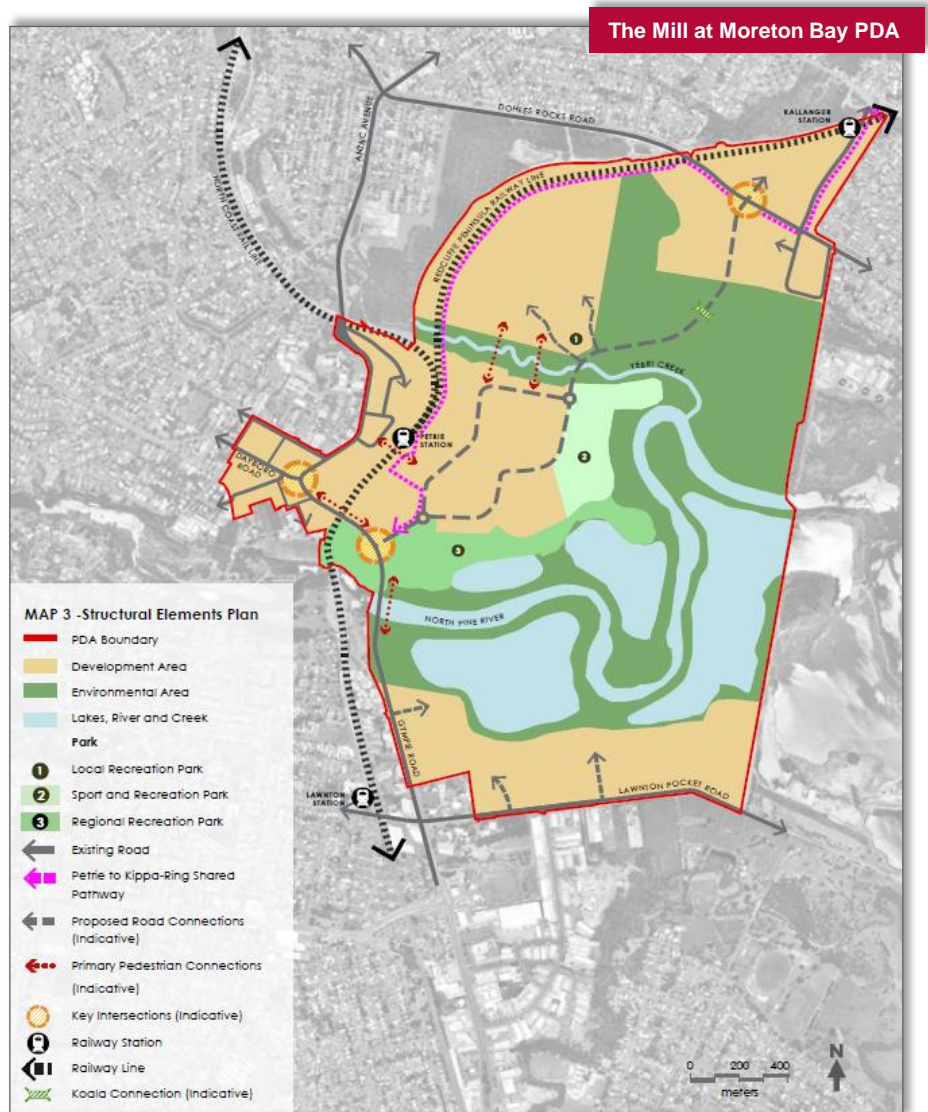
'The Mill at Moreton Bay' Priority Development Area (PDA) was declared on 2 September 2016. The PDA covers an area of approximately 460 hectares within the suburbs of Petrie, Kallangur and Lawnton.

The primary purpose of the PDA is to facilitate the development of the proposed USC campus. The USC campus is scheduled to be open for the start of the first semester of 2020. USC was granted a \$100 million loan by the Federal Government to start construction. The campus is expected to have 10,000 students by 2030.

The PDA also allows for the development of 76,543 square metres of commercial space; 61,334 square metre of industrial space; 50,698 square metres of mixed-use space; 3,400 new dwellings; and 14,819 square metres of retail space.

Development in the PDA will maximise the infrastructure investment in the Redcliffe Peninsula Rail Line through encouragement of transit-oriented development near stations along the rail corridor. It has the potential to transform the MBRC's economy to a more knowledge-based, white-collar focus.

At present, over 40% of residents in the MBRC travel outside of the region for employment, which puts pressure on the road and public transport network and limits the region's economic potential. The PDA is estimated to add \$950 million per annum to the MBRC's economy and create 2,200 ongoing jobs in the region. We expect that the PDA will substantially transform the region and the perception of the region as somewhere that first-home buyers *have* to move to in order to get a foot in the housing market, to a location that provides living, employment, education and entertainment opportunities. It is expected to have positive flow-on effects on residential property prices and rents over the long-term.



SUPPLY

DWELLING APPROVALS

During the 2017 financial year (to the end of May), there have been 1,290 dwellings approved in the North Lakes Region. Houses have accounted for 74.0% of dwellings approved with the remainder being units / townhouses. Over the five years to June 2016, the number of dwellings approved averaged 1,492 per annum.

Looking at the period from the start of the 2012 financial year to the end of May 2017, most dwellings approved have been in the North Lakes – Mango Hill SA2 (49.6% or 4,337 approvals). This is followed by the Murrumba Downs – Griffin SA2 (28.0% or 2,450 approvals) and the Dakabin – Kallangur SA2 (22.4% or 1,962 approvals).

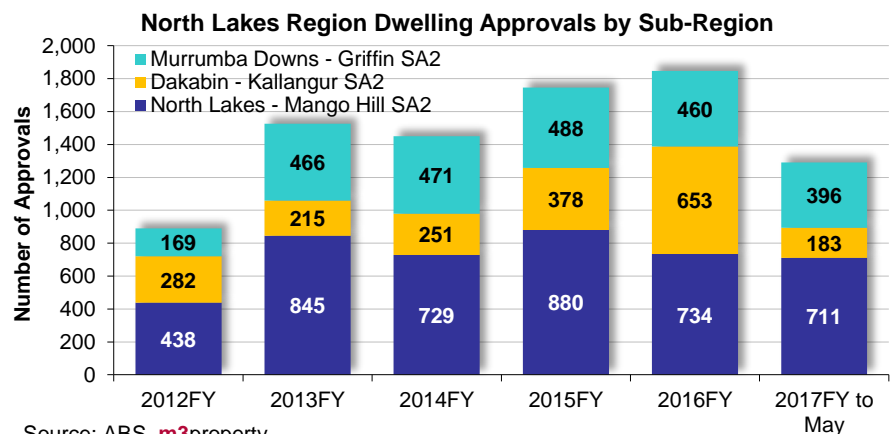
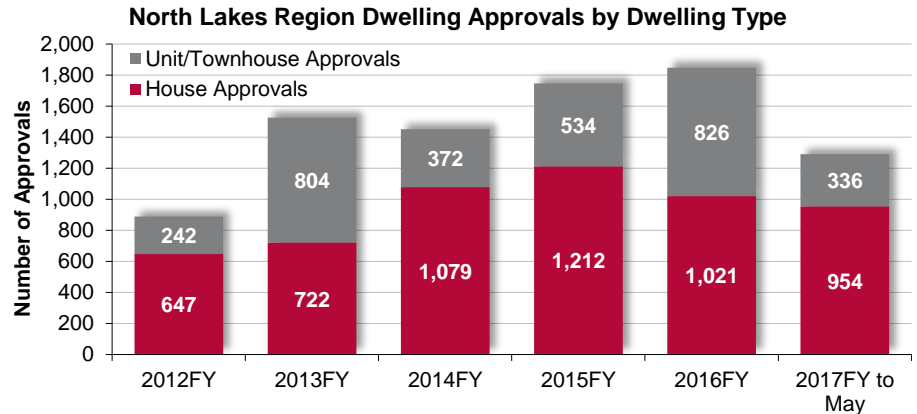
Whilst units and townhouses have only accounted for 35.6% of all dwellings approved in the North Lakes Region, they have accounted for close to 50% of all dwelling approvals in the Dakabin – Kallangur SA2.

TOWNHOUSES AND UNITS

According to data obtained from Cordell Connect, there are currently 23 active townhouse and unit projects (with 20 or more dwellings) planned, approved or under construction across the North Lakes Region. These projects are expected to yield circa-1,700 dwellings over coming years if they all proceed. Details of individual projects are contained on the following page.

Most of the projects are located in Mango Hill and Griffin. An estimated 620 attached dwellings are proposed for Mango Hill; 462 for Griffin; 222 for Murrumba Downs; 160 for Kallangur; 143 for Dakabin and 96 for North Lakes.

The largest project is the Kinsellas Road West Townhouses project, located in Mango Hill. This project



Source: ABS, m3property

has an estimated value of \$44 million and comprises 233 townhouses over 109 buildings. The project is proposed to be developed on a 6.42 hectare site over two stages. The development will also include a childcare centre and a small shopping precinct. The Development Application has been approved by the Moreton Bay Regional Council.

RESIDENTIAL LOTS

There are a number of residential subdivisions planned for the North Lakes Region, most of which are located in Mango Hill and to a lesser extent, Griffin.

The largest project currently in the planning process is Stages 7-21 of the Kinsellas Heights Southern Precinct Subdivision (located in Mango Hill). This project has

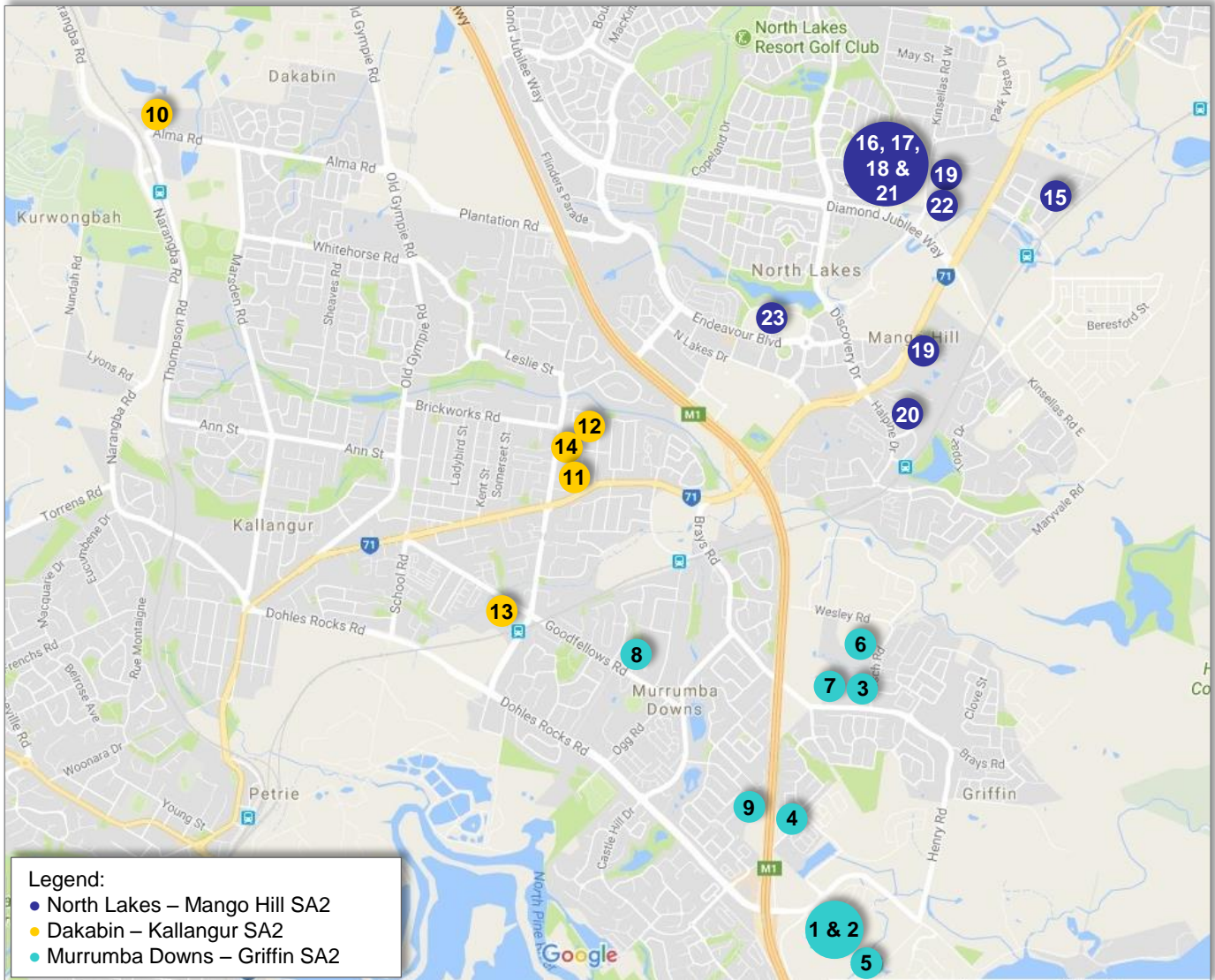
received rezoning approval for the reconfiguration into 607 residential lots. A subdivision application has not been submitted for the project.

There are also over 600 lots planned / under construction in new stages of the Capestone Estate Residential Subdivision (also located in Mango Hill).

In North Lakes, a subdivision application has been submitted for Stages One to Seven of the Boundary Road Residential Subdivision, with a proposed 295 residential lots.

In Griffin, there are a number of residential subdivisions proposed for around Dohles Rocks, Wagners and Greens Road. The Dohles Rocks and Wagner Road Townhouse and Residential Subdivision includes a proposed 207 residential lots.

MAP OF UNIT & TOWNHOUSE PROJECTS



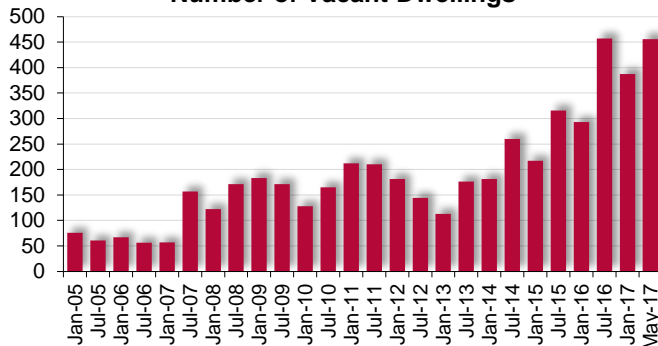
UNIT AND TOWNHOUSE PROJECTS (20+ DWELLINGS)

#	Project	Number of Dwellings	Project Status
1	Part Lot 504, Bettson Boulevard, Griffin.	21 Townhouses	DA Approved
2	Dohles Rocks, Wagner and Bettson Road, Griffin.	42 Townhouses	DA Submitted
3	185 Brays Road, Griffin.	60 Townhouses	Under Construction
4	Lot 2, Goodrich Road East, Griffin.	76 Townhouses	DA Approved
5	Lot 1, 8 Greens Road, Griffin.	88 Townhouses	Under Construction
6	35 Tesch Road, Griffin.	90 Townhouses	Under Construction
7	173 Brays Road, Griffin.	93 Townhouses	DA Approved
8	173 & 174 Goodfellows Road, Murrumba Downs.	28 Townhouses	DA Submitted
9	78 Blackall & Goodrich Road West, Murrumba Downs.	194 Townhouses	DA Approved
10	140-145 Alma Road, Dakabin.	98 Townhouses, 36 Terrace Homes & 9 Units	DA Approved
11	1534-1536 Anzac Avenue, Kallangur.	26 Units	DA Submitted
12	145 Duffield Road, Kallangur.	36 Units	DA Submitted
13	103 Goodfellows Road, Kallangur.	48 Units	DA Approved
14	117 & 123 Duffield Road, Kallangur.	50 Units	Under Construction
15	15 Abercrombie Street, Mango Hill.	20 Townhouses	Contract Let
16	Lot 93, Lee-Ann Court & Chelmsford Road, Mango Hill.	41 Townhouses	DA Approved
17	Lot 94, Lee-Ann Court & Chelmsford Road, Mango Hill.	44 Townhouses	Building Application Submitted
18	Lot 95, Chelmsford Road, Mango Hill.	47 Townhouses	Under Construction
19	Lot 13, Kinsellas Road West, Mango Hill.	67 Townhouses	DA Approved
20	23-27 Halpine Drive, Mango Hill.	72 Units	DA Approved
21	Lot 90, Natham Street & Kinsellas Road West, Mango Hill.	95 Townhouses	Building Works Approved
22	15 Kinsellas Road West & 20 Lamington Road, Mango Hill.	233 Townhouses	DA Approved
23	25 The Corso, North Lakes.	96 Townhouses	Tenders for D&C

Source: Cordell Connect, m3property

KEY INDICATORS

Number of Vacant Dwellings



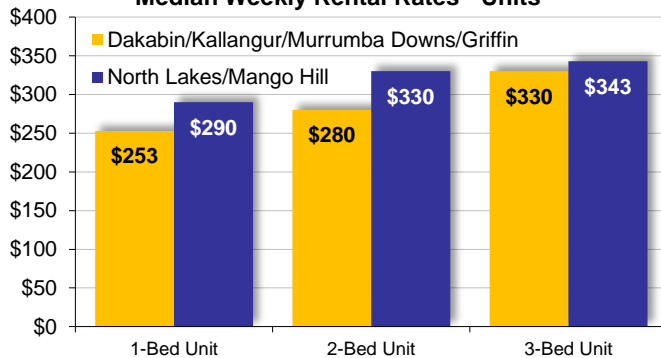
Source: SQM Research, m3property

VACANCY

According to SQM Research, as at May 2017, the vacancy rate in the 4503 postcode (which includes Dakabin, Griffin, Kallangur and Murrumba Downs – as well as Kurwongbah and Whiteside) was 4.9% and the vacancy rate in the 4509 postcode (which includes North Lakes and Mango Hills) was 4.7%. Across the two postcodes, there were 456 vacant properties as at May.

The vacancy rate has trended upwards in both postcodes since early 2013 and is above the market equilibrium level of 3.0%, suggesting there is an oversupply of rental accommodation in the area.

Median Weekly Rental Rates - Units

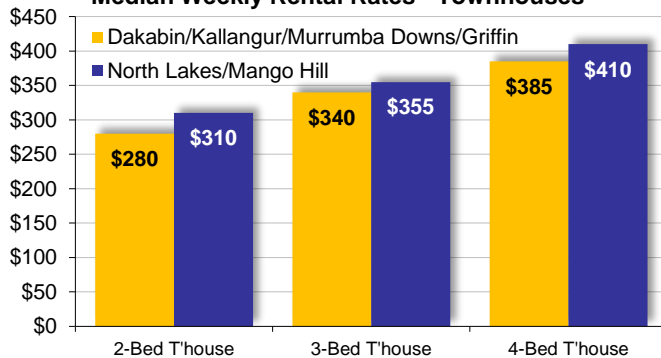


RENTAL RATES AND RENTAL DEMAND

The Residential Tenancies Authority (RTA) publishes quarterly data on median rental rates, according to postcode. As shown by the charts to the left, median rental rates in North Lakes and Mango Hill (postcode 4509) are higher than those in Dakabin, Kallangur, Murrumba Downs and Griffin (postcode 4503).

Over the past year, rental growth has been fairly subdued, and for some property types, the median rental rate has declined. As shown by the table below, the strongest growth in median rents over the year to March occurred for houses in the 4503 postcode.

Median Weekly Rental Rates - Townhouses

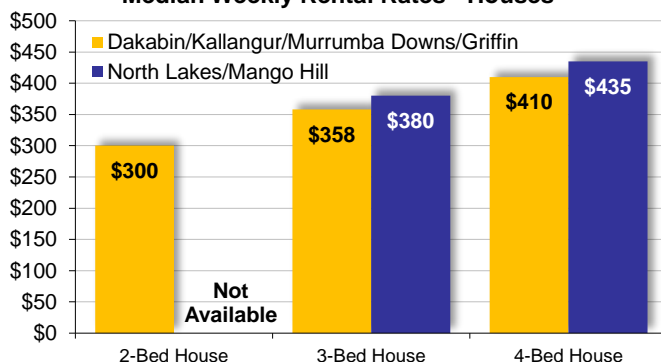


	Rental Growth March Quarter 2016 to March Quarter 2017	
	4509	4503
Units		
One-Bedroom	-3.3%	-2.9%
Two-Bedroom	0.0%	0.0%
Three-Bedroom	0.7%	-2.9%
Townhouses		
Two-Bedroom	Not available	-3.4%
Three-Bedroom	0.0%	0.0%
Four-Bedroom	Not available	Not available
Houses		
Two-Bedroom	Not available	3.4%
Three-Bedroom	-1.3%	2.1%
Four-Bedroom	-1.1%	0.0%

Source: RTA, m3property

Note: Not Available – an insufficient number of rental bonds were lodged in the March 2016 or March 2017 quarter in order to calculate the median rent and / or growth.

Median Weekly Rental Rates - Houses

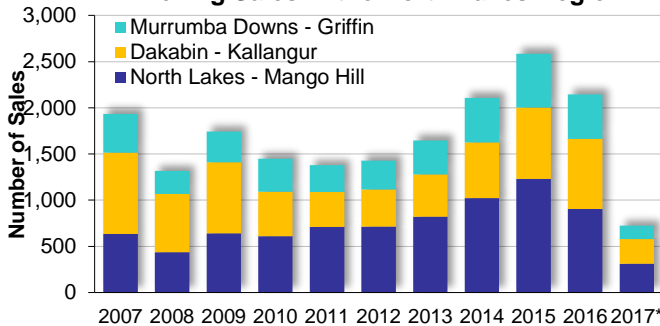


Source: RTA, m3property

Over the year to March 2017, there was a net increase in the number of rental bonds held across the 4503 and 4509 postcodes of 1,399. Townhouses experienced the strongest growth in the number of rental bonds held, increasing 24.5% from 2,190 to 2,727. The number of unit bonds held increased 18.1% (from 1,337 to 1,579) and the number of house bonds held increased 10.2% (from 6,057 to 6,677).

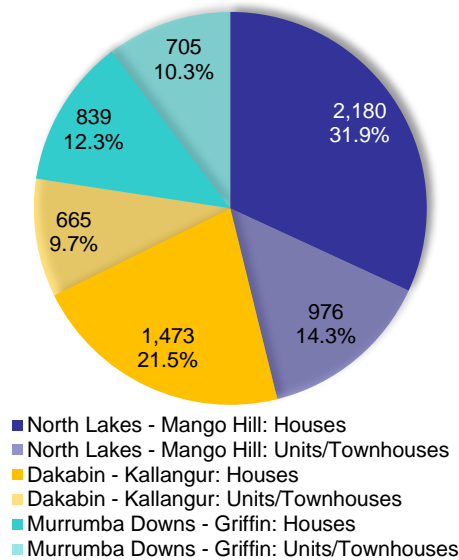
KEY INDICATORS

Dwelling Sales in the North Lakes Region



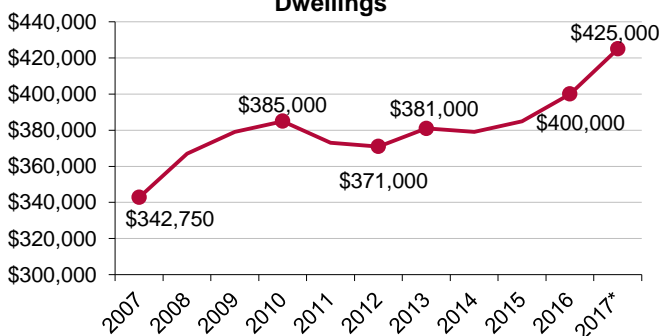
Source: RP Data, m3property
Note: * as at 6 July 2017

Dwelling Sales 2014 - 2016



Source: RP Data, m3property

North Lakes Region Median Price of Dwellings



Source: RP Data, m3property

SALES ACTIVITY

Between 2007 and 2016, there was an average 1,773 dwelling sales per annum in the North Lakes Region. The number of sales was highest during 2015 (2,586 sales). As at 6 July 2017, there had been 725 dwelling sales in the North Lakes Region this year.

The North Lakes – Mango Hill SA2 has accounted for the largest proportion of sales over the past decade. However, its share of sales has declined during recent years as sales activity in the Dakabin – Kallangur SA2 has increased.

Detached dwellings account for the majority of sales in the North Lakes Region. Over the three years between 2014 and 2016, house sales accounted for 66.1% of total dwelling sales in the region. Unit / townhouse sales accounted for a larger proportion of sales in the Murrumba Downs – Griffin SA2, when compared with the other SA2s.

MEDIAN PRICES

The median price of dwellings in the North Lakes Region during 2017 to date (as at 6 July 2017) is \$425,000. The median price has grown at a compound annual growth rate (CAGR) of 2.2% since 2007. The following table shows the median price of dwellings by SA2 during the first half of 2017.

Region	Houses	Units / Townhouses	All Dwellings
North Lakes – Mango Hill	\$494,450	\$386,000	\$480,000
Dakabin – Kallangur	\$382,500	\$291,200	\$365,900
Murrumba Downs – Griffin	\$469,000	\$321,250	\$440,000
North Lakes Region	\$443,000	\$340,000	\$425,000

Source: RPData, m3property

Between 2007 and 2017, median price growth has been strongest for houses in the Murrumba Downs – Griffin SA2 (2.6% per annum), followed by units and townhouses in the North Lakes – Mango Hill SA2 (2.2% per annum). Average growth in the median price of units and townhouses in North Lakes – Mango Hill was stronger than growth for houses in this sub-region (2.0%). The following table shows CAGR by SA2 and dwelling type.

Region	Houses	Units / Townhouses	All Dwellings
North Lakes – Mango Hill	2.0%	2.2%	1.8%
Dakabin – Kallangur	1.9%	0.8%	1.8%
Murrumba Downs – Griffin	2.6%	-0.6%	2.3%
North Lakes Region	2.4%	1.9%	2.2%

Source: RPData, m3property

SELECTION OF RESIDENTIAL SITE SALES

Property	Date	Price	Site Area	Site Area Analysis	Comments
23-27 Halpine Drive, Mango Hill.	May-17	\$1,650,000	4,400 m ²	\$375/m ²	Sold with development approval for 72 units.
31 Greens Road, Griffin.	Oct-16	\$12,000,000	86,958 m ²	\$138/m ²	Sold without development approval. An application for a 124 lot residential subdivision was submitted in April 2017.
Lot 2, Goodrich Road East, Griffin.	Aug-16	\$2,200,770	15,300 m ²	\$144/m ²	Sold with development approval for 68 units. The purchaser has since requested to change the development approval to 76 units.
15-17 Abercrombie Street, Mango Hill.	May-16	\$875,000	2,905 m ²	\$301/m ²	Sold without development approval. The purchaser submitted a development application for 20 units in June 2017.
7 Paul Street, Kallangur.	Jan-16	\$720,000	3,095 m ²	\$233/m ²	Sold without development approval. The purchaser submitted a development application for 17 townhouses in November 2016.
Dohles Rocks Road & Wagner Road, Griffin.	Jun-15	\$20,074,965	154,400 m ²	\$130/m ²	Sold without development approval. The purchaser submitted a development application for subdivision into 207 lots and for the material change of use to 42 townhouse units in April 2017.
140 Alma Road, Dakabin.	Jun-15	\$3,750,000	37,020 m ²	\$101/m ²	Sold without development approval. A development application was submitted in July 2015, however, a request to change the development approval for 135 attached dwellings was submitted in December 2016.
Lot 707, Goodrich Road West, Murrumba Downs.	Apr-15 & Oct-15	\$5,000,000	52,190 m ²	\$96/m ²	Two adjacent sites purchased in separate transactions. A development application was submitted in July 2015 for a 194 townhouse development. A request to change the development approval to a 109 townhouse development was submitted in March 2017.
66 Wesley Road, Griffin.	Mar-15	\$11,550,000	115,761 m ²	\$100/m ²	Sold without development approval. A development application was submitted in April 2015 for a 183 lot residential subdivision.
3 Mclennan Court, North Lakes.	Sep-14	\$4,070,000	11,590 m ²	\$351/m ²	Sold with development approval for a five stage, 88 dwelling unit development, with four commercial tenancies.

Source: RPData, Cordell Connect, m3property

OUTLOOK

NORTH LAKES REGION RESIDENTIAL

Looking ahead, the North Lakes Region residential market is expected to strengthen.

The North Lakes Region is forecast to see strong population growth over the coming decade. Population growth is an important driver of demand for housing and this will therefore continue to encourage residential development (and the development of associated infrastructure and amenities) in the region.

Affordability is a key influencer of where people choose to reside. With a number of economists forecasting increases to the official interest rate target during the coming 18 months, we expect that potential buyers (particularly first-home buyers) will increasingly be pushed out of the Inner Brisbane market and look to outer suburban locations such as the North Lakes Region to enter the market.

However, the region is also expected to increasingly come into its own. The development of the USC Campus and the wider PDA area (which is adjacent to Kallangur and Murrumba Downs) as well as the proposed Laguna North Lakes development will provide

new sources of employment in the region. Furthermore, the MBRC's Incentivising Infill Development Policy (IIDP) is expected to encourage stronger development activity along the Redcliffe Peninsula Rail Corridor, which includes the Kallangur, Murrumba Downs, Mango Hill and Mango Hill East stations.

We expect that these proposed developments (and those that may occur as a result of the IIDP) will increase amenity, employment and the desirability of living in the Moreton Bay Region. Demand for housing is expected to strengthen and price growth is likely to follow. The region will also benefit from the completion of the Gateway Upgrade North project (scheduled for 2018) which will significantly ease congestion.

Residential rents in the North Lakes Region are likely to be relatively stable over the short-term due to vacancy remaining above the equilibrium level and new supply forecast to come to the market. As this supply is absorbed over the longer term, however, rents are expected to show stronger growth. The completion of the USC Campus is expected to see demand for rental accommodation strengthen.

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