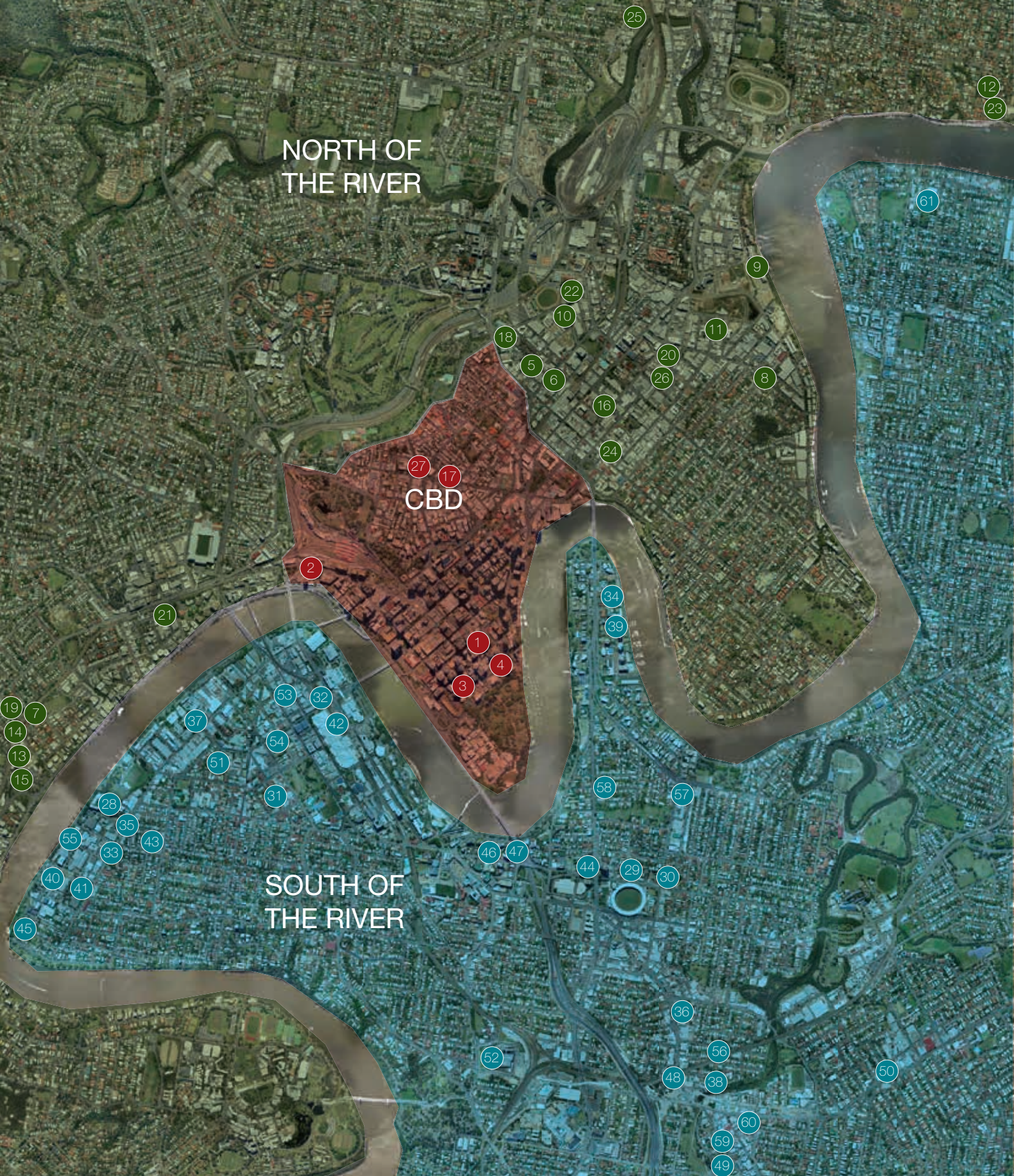




MARKET REPORT | Inner Brisbane Apartments
March Quarter 2017



NORTH OF THE RIVER

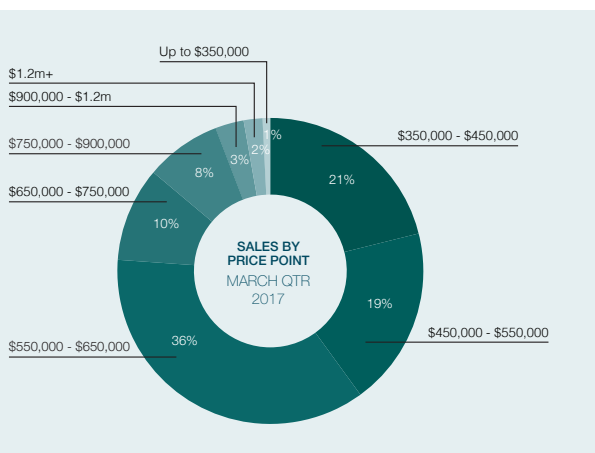
CBD

SOUTH OF THE RIVER

- | | | | | |
|---------------------------|---------------------------|---------------------------|-------------------------|-----------------------|
| CBD | 12 Hercules | 26 Chester and Ella | 38 Lincoln on the Park | 52 Boggo Road Stage 2 |
| 1 The Midtown | 13 Illumina | 27 Pure | 39 Linc | 53 Brisbane 1 |
| 2 111 Quay Apartments | 14 Augustus Residences | | 40 Virtuoso | 54 Skyneedle |
| 3 Mary Lane | 15 38 High Street | SOUTH OF THE RIVER | 41 Ferry Rd. | 55 Soko Waterfront |
| 4 Skytower | 16 Utopia Space | 28 The One | 42 Atlas | 56 Cedar |
| NORTH OF THE RIVER | 17 The Johnson | 29 The Duke | 43 Allure Apartments | 57 Corde Residences |
| 5 The Baxter Apartments | 18 Henley Towers | 30 Linton Apartments | 44 The Establishment | 58 The Marc |
| 6 The 28 | 19 White Dawn | 31 Olympia on Russell | 45 Habitat | 59 Florence |
| 7 Landmark | 20 Newstead Central | 32 Brisbane Casino Towers | 46 St Julien Residences | 60 Stoneham |
| 8 Mode | 21 Aura | 33 Light & Co | 47 Oxley & Stirling | 61 Eastpark |
| 9 Pier at Waterfront | 22 Belise | 34 Affinity | 48 Princess Regent | |
| 10 The Yards | 23 Gallery House | 35 Citro | 49 Oxy | |
| 11 Nero | 24 The Winn | 36 The Mews | 50 Massra Apartments | |
| | 25 The Hudson at The Mill | 37 Ink | 51 Black Fold | |

1 OVERVIEW

The Inner Brisbane apartment market recorded 272 unconditional transactions for the March 2017 quarter, totalling approximately \$171.4 million worth of sales.



As expected, the March 2017 quarter brought another period of subdued sales activity across Inner Brisbane's off the plan apartment market as sales momentum continues to soften.

The Inner Brisbane apartment market saw just 272 unconditional transactions take place throughout the first quarter of 2017, a substantial decline of 67% from the same period 12 months prior, which recorded 828 unconditional sales. Meanwhile, the weighted average sale price recovered over the past 12 month period, increasing by 5% from \$602,415 in the March 2016 period to \$629,963 in the March 2017 period.

The following points summarise the results recorded for Inner Brisbane's apartment market for the three month period ending March 2017.

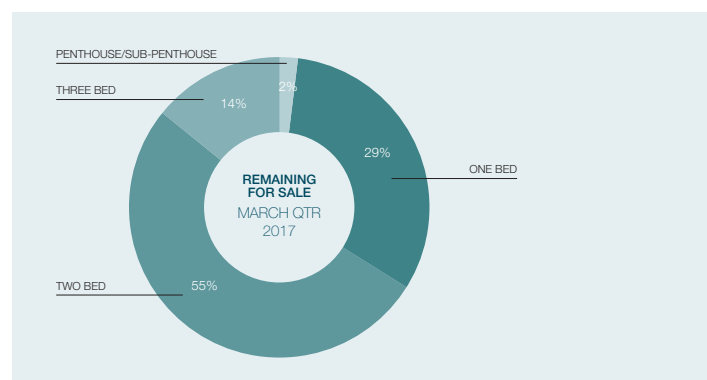
SUMMARY OF THE MARCH 2017 QUARTER

- Inner Brisbane's off the plan apartment market recorded 272 unconditional transactions over the March quarter, the lowest level of sales since the June 2011 period. This reflects a 13.7% decline from the December 2016 quarter.
- Just over \$171.4 million worth of apartment sales were recorded throughout the quarter.
- There are currently 67 projects being sold off the plan in Inner Brisbane, with just two projects reporting for the first time during the quarter. These include Augustus Residences and The One, adding an additional 151 apartments to the market.
- A weighted average sale price of \$629,963 was recorded for the period, an increase of 5% from the corresponding period 12 months prior. This is indicative of a slight change in the product mix across the market, resulting in higher sale prices.
- Augustus Residences, located in Toowong, was the top performer for the quarter, recording 61 unconditional transactions.

- Other strong performers include Ella Apartments and Nero, both located in Newstead, which recorded 34 and 23 unconditional transactions respectively.
- Two bedroom apartments accounted for the majority of unconditional sales over the March 2017 quarter, representing 57% of sales. This was followed by one bedroom apartments, accounting for 31% of transactions. Three bedroom apartments totalled 9% of sales, whilst penthouse and sub penthouse transactions represented the remaining 3% of sales for the period.
- The majority of transactions that occurred during the March quarter were priced between \$550,000 and \$650,000, representing 36% of total transactions. The second most active price bracket was the \$350,000 to \$450,000 price bracket, accounting for 21% of sales for the period. This was closely followed by the \$450,000 to \$550,000 price bracket, totalling 19% of transactions, whilst a further 10% of sales for the period occurred in the \$650,000 to \$750,000 price bracket.
- The North of the River precinct saw the highest number of apartment transactions for the period, recording 169 unconditional sales. The South of the River precinct recorded a further 87 sales, whilst the remaining 16 transactions occurred in the CBD precinct.

Overall, the Inner Brisbane off the plan apartment market has experienced a significant change over the past 12 month period. The market has benefited greatly from the high levels of demand in recent years, however, Place Advisory expects that as we return to a more normal market, these lower levels of transactions will continue in the short term. We expect that the remainder of 2017 will bring some challenging periods as the Brisbane marketplace continues to adjust to the next property cycle.

Place Advisory looks forward to reporting on the sales volumes and new trends over the year to come. For a detailed review on what can be expected for Inner Brisbane's apartment pipeline throughout 2017, please turn to Section 5.



2 CBD

The CBD recorded the highest weighted average sale price of all precincts across Inner Brisbane during the March 2017 period, a market limited by supply.

The Brisbane CBD saw very little activity during the March 2017 quarter, with just 16 unconditional transactions recorded for the period. With no new projects released throughout the quarter, the CBD continues to sell down current apartment stock.

A weighted average sale price of \$668,750 was recorded for the three month period, reflecting a 3.8% decline from the previous quarter, indicating a slight increase in the level of investment stock that transacted during the period. Brisbane Skytower recorded the highest number of unconditional transactions across the CBD market during the March quarter, recording a total of 12 sales.

The majority of transactions that occurred within the precinct were in two bedroom configurations, accounting for 88% of total sales. The remaining 12% of transactions for the period were in one bedroom configurations.

A total of 225 out of 1,498 apartments remain for sale across four projects in the CBD including The Midtown, 111 Quay Apartments, Skytower and Mary Lane.

Of the remaining stock for sale over these four developments, the majority is made up by two bedroom apartments, accounting for 58% of available product. This is followed by three bedroom apartment configurations, representing 21% of available stock. A further 18% of available apartments are in one bedroom configurations, whilst the remaining 3% are penthouse and sub penthouse apartments.

The Brisbane CBD remains the most limited precinct in terms of new projects, buying opportunities and residential supply.

16
unconditional
transactions;
weighted
average price
\$668,750.

Development	Suburb	Status	Total Units	Sold to Date	Available for Sale	Sold March 2017 Qtr
The Midtown	CBD	Completed	144	128	16	1
111 Quay Apartments	CBD	Completed	78	75	3	0
Skytower	CBD	Under Construction	1,092	962	130	12
Mary Lane	CBD	Under Construction	184	108	76	3
CBD PRECINCT TOTALS			1,498	1,273	225	16

3 NORTH OF THE RIVER

The North of the River apartment market was the strongest selling precinct during the March 2017 quarter, representing 62% of Inner Brisbane's off the plan apartment sales for the period.

The North of the River precinct, which spans 27 various projects, recorded 169 unconditional transactions for the first quarter of 2017, reflecting a 9.7% increase on the December 2016 quarter. It was however a decline of 20% in comparison to the same period 12 months prior, which recorded 211 transactions.

A weighted average sale price of \$635,059 was recorded for the March 2017 quarter, reflecting a 6.8% price growth over the same period 12 months prior.

Augustus Residences, located in Toowong, was the only new project to enter the sales cycle during the March quarter. This development also saw the highest number of transactions across the precinct, recording 61 unconditional sales.

The North of the River precinct recorded a high number of two bedroom apartment transactions during the most recent period, accounting for 60% of total sales.

A further 32% of the quarter's transactions were one bedroom apartments. 5% of total sales during the March 2017 quarter were penthouse and sub penthouse apartments, whilst the remaining 3% were three bedroom apartment sales.

At the close of the March 2017 quarter, there were 895 apartments remaining for sale across the precinct. Of these apartments, the majority are in two bedroom configurations, accounting for 59% of stock. This is followed by one bedroom configurations, representing 30% of the available apartments. A further 7% of available stock are in three bedroom configurations, whilst the remaining 4% are made up by penthouse and sub penthouse apartments.

Development	Suburb	Status	Total Units	Sold to Date	Available for Sale	Sold March 2017 Qtr
Pier at Waterfront	Newstead	Completed	99	96	3	1
Belise	Bowen Hills	Under Construction	228	220	8	1
The Hudson at The Mill	Albion	Under Construction	140	81	59	0
North Yards	Bowen Hills	Under Construction	208	207	1	0
South Yards	Bowen Hills	Under Construction	182	180	2	0
Newstead Central - Laguna	Newstead	Under Construction	189	168	21	0
Newstead Central - St Tropez	Newstead	Completed	231	224	7	4
Newstead Central - Capri	Newstead	Under Construction	207	164	43	0
Mode	Newstead	Under Construction	157	139	18	0
Hercules	Hamilton	Under Construction	228	226	2	0
Pure	Spring Hill	Under Construction	93	82	11	0
The Johnson	Spring Hill	Completed	193	185	8	2
Baxter St Apartments	Fortitude Valley	Under Construction	56	44	12	4
Henley Towers	Fortitude Valley	Awaiting Construction	301	178	123	1
Utopia Space	Fortitude Valley	Awaiting Construction	300	237	63	2
The Winn	Fortitude Valley	Under Construction	63	55	8	0
Gallery House - Stage 1	Hamilton	Awaiting Construction	164	100	64	21
Chester Apartments	Newstead	Awaiting Construction	170	146	24	10
Ella Apartments	Newstead	Awaiting Construction	149	52	97	34
Nero	Newstead	Awaiting Construction	107	67	40	23
The 28	Fortitude Valley	Awaiting Construction	139	9	130	0
38 High St	Toowong	Completed	136	118	18	1
Landmark	Toowong	Under Construction	119	114	5	0
White Dawn	Toowong	Awaiting Construction	60	52	8	3
Illumina	Toowong	Under Construction	221	200	21	0
Aura	Milton	Awaiting Construction	82	12	70	1
Augustus Residences	Toowong	Under Construction	90	61	29	61
NORTH OF THE RIVER TOTALS			4,312	3,417	895	169

169 unconditional transactions; weighted average price \$635,059.

4 SOUTH OF THE RIVER

The South of the River precinct recorded 87 unconditional apartment transactions during the first quarter of 2017. This reflects a significant decline over the previous quarter, with off the plan apartment sales decreasing by over 30%.

A weighted average sale price of \$612,931 was recorded for the March 2017 period, representing a 6.3% price growth from the corresponding period 12 months prior.

The One, located in West End, was the only new project to report for the first time during the March quarter. This development also saw the highest number of transactions across the precinct, recording 19 unconditional sales.

The majority of stock sold during the most recent three month period were two bedroom apartments, totalling 46% of the period's sales. This was followed by one bedroom transactions, representing 31% of sales. A further 21% of total sales during the quarter were three bedroom apartments, whilst the remaining 2% were four bedroom apartment transactions.

1,257 apartments currently remain for sale across the South of the River precinct. Of these apartments which remain for sale, 52% are in two bedroom configurations. This is followed by one bedroom apartment configurations, totalling 29% of remaining stock. A further 17% are in three bedroom configurations, whilst the remaining 2% of apartments that are available for sale across the South of the River precinct are in penthouse and sub penthouse configurations.

Two developments, Habitat and The Establishment, have now sold out of their apartment stock and will be removed from Place Advisory's future reports.

Development	Suburb	Status	Total Units	Sold to Date	Available for Sale	Sold March 2017 Qtr
Emporium Residences & Emporium Apartments	South Brisbane	Under Construction	221	214	7	1
Habitat	West End	Under Construction	150	150	0	1
Citro	West End	Under Construction	106	65	41	0
Light & Co - Radiance	West End	Completed	139	119	20	0
Light & Co - Illuminate	West End	Completed	90	56	34	0
INK	West End	Under Construction	107	87	20	0
Olympia on Russell	South Brisbane	Under Construction	65	62	3	0
Brisbane Casino Towers	South Brisbane	Under Construction	378	373	5	1
Virtuoso	West End	Awaiting Construction	77	40	37	5
St Julien Residences	South Brisbane	Awaiting Construction	80	79	1	0
Black Fold	West End	Under Construction	40	38	2	0
Oxley and Stirling	South Brisbane	Under Construction	218	215	3	0
Brisbane 1	South Brisbane	Awaiting Construction	578	261	317	0
Skyneedle Stage 1	South Brisbane	Awaiting Construction	110	81	29	0
Princess Regent	Woolloongabba	Completed	78	43	35	3
Atlas	South Brisbane	Under Construction	210	164	46	0
Soko Waterfront Apartments	West End	Under Construction	120	82	38	16
Allure Apartments	West End	Under Construction	53	38	15	1
Ferry Rd.	West End	Awaiting Construction	60	16	44	4
The Mews	Woolloongabba	Awaiting Construction	140	118	22	1
Linc	Kangaroo Point	Completed	45	44	1	0
Affinity	Kangaroo Point	Completed	44	37	7	2
The Establishment	Kangaroo Point	Completed	105	105	0	1
Cedar	Greenslopes	Completed	61	58	3	1
Corde Residences	East Brisbane	Under Construction	60	42	18	0
The Marc	Kangaroo Point	Under Construction	69	53	16	0
Boggo Road Stage 2	Dutton Park	Under Construction	79	51	28	1
Linton Apartments	Kangaroo Point	Under Construction	144	110	34	0
Lincoln on the Park	Greenslopes	Under Construction	93	39	54	0
The Duke	Kangaroo Point	Under Construction	125	93	32	17
Eastpark (Stage 1)	Bulimba	Under Construction	39	28	11	8
Stoneham	Greenslopes	Awaiting Construction	99	34	65	2
Florence	Greenslopes	Awaiting Construction	107	40	67	3
Maasra Apartments	Coorparoo	Awaiting Construction	131	17	114	0
Oxy	Greenslopes	Awaiting Construction	60	14	46	0
The One	West End	Awaiting construction	61	19	42	19
SOUTH OF THE RIVER TOTALS			4,342	3,085	1,257	87

87 unconditional transactions; weighted average price \$612,931.

5

SITE SALES AND FUTURE PIPELINE

Place Advisory has analysed all residential development applications within the Inner Brisbane precinct with a development value over \$10 million or which contain greater than 30 apartments.

Projects in Brisbane's Inner Ring have been categorised by their various stages of planning, which include development application, development approval and deferred projects pending market conditions.

The following points summarise the approval changes for Inner Brisbane apartment sites for the first quarter of 2017.

In total, the potential residential development pipeline now sits at approximately 25,480 apartments across 110 projects. This pipeline of potential projects are currently in the planning stages and the likelihood of them making it into the marketplace at the same rate as seen in previous years is unlikely.

The March 2017 quarter saw the overall number of new development applications decline, whilst the number of development approvals and deferred projects increased. The most significant change was the increase in deferred projects throughout the quarter, increasing by 5% from the December quarter to sit at 38%.

When compared to the corresponding period 12 months prior, Inner Brisbane's development pipeline has changed dramatically. Development applications to the Brisbane City Council have declined by 29% over the past 12 month period, currently accounting for just 21% of the total pipeline.

Meanwhile, the number of deferred projects have risen substantially. Over the past 12 months, deferred projects have increased from 19% in the March 2016 quarter to 38% in the March 2017 quarter.

This significant increase in deferred projects over the past 12 months can be attributed to various changing economic factors. These include softening sales volumes, tougher lending policies, a shift in buyer profiles and restrictive policies for foreign investors.

The majority of apartments in Inner Brisbane's development pipeline is in two bedroom configurations, accounting for 51% of total stock. This is followed by one bedroom configurations, representing 42% of the pipeline. Three bedroom apartment configurations account for just 6% of total stock, whilst the remaining 1% are penthouse and sub penthouse apartments.

The North of the River precinct retains the majority of planned apartments across Inner Brisbane, totalling 10,488 potential apartments. These apartments are centred predominantly around Fortitude Valley, Newstead and Bowen Hills.

FUTURE SUPPLY PIPELINE - Stock Type



FUTURE SUPPLY PIPELINE - Stage of Development



Inner Brisbane's development pipeline has changed dramatically.

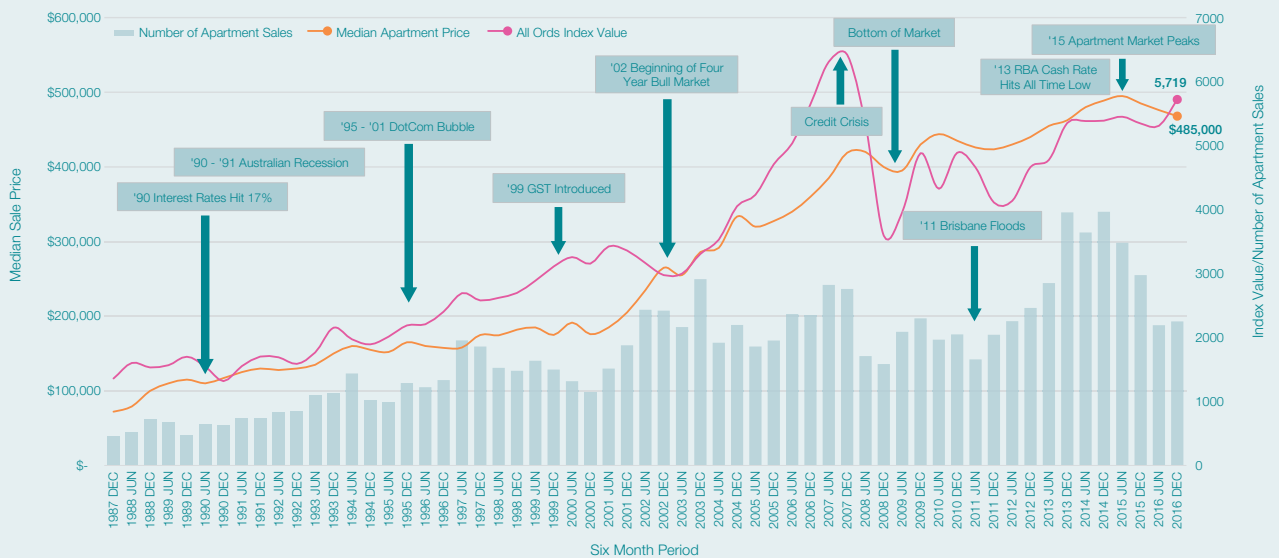


SPECIAL REPORT SHARES VS PROPERTY

The share market and property market often compete for a slice of the investors' pie. In an effort to compare the two asset classes, Place Advisory has used the ASX All Ords Index to represent the share market, alongside the Inner Brisbane apartment market. These have been compared over the past 30 years to provide a full picture of both assets and to provide a review of their long term performance.

LONG TERM PERFORMANCE

Prepared by Place Advisory. Source RP Data/ASX



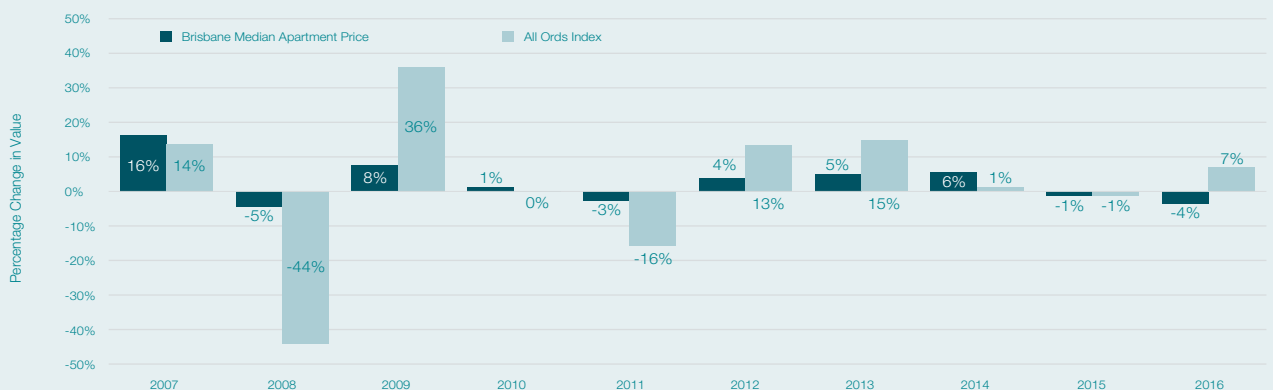
To start off with, what do these two markets represent?

- Place Advisory has used the ASX All Ords Index within this report as it is Australia's premier market indicator, representing the 500 largest companies listed on the ASX.
- The Inner Brisbane apartment market, which is currently going through a tougher period of sales, refers to all apartment sales within a 5 kilometre radius of the Brisbane CBD.

As shown above, both markets have experienced numerous highs and lows over the past 30 years. Generally speaking, both asset classes have moved in similar cycles, with the exception of the Global Financial Crisis where we saw a significant variation between shares and property. Significant volatility and decline was recorded across share markets globally, when the GFC's impacts were recognised in financial markets. Overall, the property market has outperformed the share market over the past 30 years, with the Inner Brisbane apartment market recording 6.5% price growth per annum, whilst the share market has recorded an annual return of 4.5%.

2016 PERFORMANCE

Prepared by Place Advisory. Source RP Data/ASX



The graph above demonstrates how the share market and the Brisbane apartment market has performed in terms of growth, over the shorter ten year period. Overall, the share market is much more volatile in comparison to the property market, with greater fluctuations from period to period. For example, in the wake of the GFC, the share market recorded a 44% decline in 2008, which then saw a 36% increase in the following year.

Over the past 12 month period, the ASX recorded strong growth. As at 31 December 2016, the All Ords Index stood at 5,719, reflecting an increase of 7% compared to the previous 12 months. Meanwhile, Brisbane's apartment market saw a decline of 4%, recording a median price of \$485,000.

Major differences between shares and property

Overall, property is deemed to be the safer option, particularly if you are looking for stability and long term growth. However, if you are an investor seeking strong capital growth, liquidity and willing to take some risks, the share market may be the way to go. At the end of the day, informed decisions based on fact and good investment timing will generally see better returns on investment.

SHARES VS PROPERTY

Shares are highly liquid, and therefore have an immediate reaction to any economic volatility.

The property market is less liquid, however this means it has a slower overall response to economic conditions.

In the short term the share market has performed better than Brisbane apartments, recording **7.0% growth over the past 12 months** and **6.8% growth per annum over the past five years**.

The Inner Brisbane apartment market has **declined by 3.5% over the past 12 months** and has recorded just **2.0% price growth per annum over the past five year period**.

The longer term growth rates are not as attractive as the property market. The share market recorded just **4.5% growth per annum over the past 30 years**.

Over the longer term, the apartment market has seen stronger growth, recording **6.5% price growth per annum over the past 30 years**.

The share market has outperformed the property market in terms of the longest period of consecutive growth. From the start of 2003 through to the end of 2007, the share market recorded continuous growth. **Over these five years the All Ords Index recorded 116% growth**, increasing from 2,976 to peak at 6,421 points.

Brisbane's apartment market has experienced stable growth, with fluctuations generally not being as severe. However, the four year period from December 2000 to December 2004, **Inner Brisbane's apartment market almost doubled, recording 90% growth over the four year period**.

Following this, the share market also recorded the **most severe periods of continuous decline** due to the Global Financial Crisis. From the peak of 6,421 index points at the close of December 2007, to the trough of 3,591 in December 2008, **the All Ords Index recorded a fall of 44% - the worst decline in history**.

The Inner Brisbane apartment market is currently experiencing one of the longest periods of consecutive decline. Since median apartment prices peaked at \$495,000 during the June 2015 six month period, prices have declined by 2% for each period following, with the median apartment price currently sitting at \$468,000.

An intimate knowledge of potential buyers and the marketplace can minimise risk and give your development the edge over competitors.

place projects

At Place Projects, we understand the importance of ongoing market research. In fact, we have our own full-time researchers, so we're able to retain and have easy access to all of the information we gather. We know that by providing our clients with accurate, up-to-date research, it ensures they can make informed, financially sound business decisions. It enables us to identify opportunities for our clients, provide advice on choosing the very best site and create the optimal package for each project. We can then make qualified recommendations on the product mix, positioning, design, finishes and even price. Access to such comprehensive buyer information also helps us pick early market trends. We believe that our in-depth local market knowledge can help you develop a product that will yield greater returns, experience faster sales and achieve the best financial result.



The Place Project Marketing Team is led by some of the most experienced and high achieving sales consultants in the industry.



LACHLAN WALKER

As a Place Researcher, Lachlan's role is to gather both internal and external market intelligence to gain a comprehensive understanding of residential projects and provide product specific advice to our clients.

This reduces the associated risk and provides the information necessary for them to make an informed decision.

He has worked closely with a number of developers, from site conception through to product delivery. Lachlan has also provided professional consultancy and advisory services to leading property clients, including Valad Property Group, Lend Lease, Australand, Stockland, Laing O'Rourke, Kenlynn Properties Australia, Anthony John Group, FKP, Leighton Properties and Devine.

Lachlan Walker
M: 0438 710 888
E: lachlanwalker@eplace.com.au



BRUCE GODDARD

Bruce Goddard has a reputation as a prominent leader in the field of Residential Project Marketing, which has led to numerous major appointments for some of Australia's most prominent institutions and banks.

As licensee of Place Projects, Place now holds appointments for a number of Brisbane's major residential projects, supplying advisory, sales and marketing services to various Public as well as smaller Private Companies. Often sought after by property developers through reputation, Bruce's offices have been involved in the setting, marketing and selling of numerous residential projects. Bruce was also recognised by the REIQ as Queensland's Agent of the Year in 1994. Bruce's Project Marketing career spanning over 25 years has resulted in sales in excess of \$1 Billion dollars.

Bruce Goddard
M: 0418 185 209
E: brucegoddard@eplace.com.au



SYD WALKER

After a successful career in marketing rural commodities, Syd moved into Real Estate and Project Marketing on the Sunshine Coast in 1992 before a move to Brisbane in 2010.

Over a 20 year period Syd has been involved in site acquisitions, project consultancy and the sale of a number of landmark residential and mixed use buildings. During this period his agency has won the prestigious REIQ Sunshine Coast Real Estate agency of the year, seen his staff take out awards for REIQ salesperson of the year and the Sunshine Coast business employee of the year. At Place Projects Syd is responsible for managing project sales teams, identifying new project opportunities and servicing various investment channels throughout Australia. Syd works closely with the management team in project marketing to meet developers required rates of sale and the overarching project objectives.

Syd Walker
M: 0418 710 888
E: sydwalker@eplace.com.au



07 3107 9223

research@eplace.com.au

placeprojects.com.au

DISCLAIMER © PLACE ADVISORY PTY LTD 2017

All rights reserved. No part of this publication may be reproduced, stored in or introduced into a retrieval system, transmitted or copied in any form, or by any means (graphic, electronic or mechanical, including photocopying or scanning), without prior written permission from Place Advisory Pty Ltd. As this publication involves data that has been supplied externally through surveys, Place Advisory accepts no responsibility for the accuracy or completeness of any such material. The information is subject to change without notice and Place Advisory is under no obligation to update the information or correct any assumptions or inaccuracies which may prove to be incorrect at a later date. This study has been prepared for the sole use of Place Advisory and is not to be relied upon by any third party for the purposes of financial investment without specific approval. This publication is subject to copyright. Except as permitted under the Copyright Act 1968, no part of it may, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise) be reproduced, stored in a retrievals system or transmitted without prior written permission. Enquiries should be addressed to the publishers.

SUBJECT TO COPYRIGHT NOT TO BE REPRODUCED

Publications are for subscribers use only. A subscription entitles employees of the same organisation to the use of its contents for internal reporting purposes only. Only employees of your organisation may have access to the publication. Place Advisory publications must not be uploaded to an internet or intranet facility, nor should they be used for inter-library loans, without written authorisation to do so.