HERRON TODD WHITE RESIDENTIAL

Residential

May 2019

National Property Clock: Houses

Entries coloured orange indicate positional change from last month.

Dubbo
Gippsland
Lismore
Mid North Coast

Canberra
Central Coast
Coffs Harbour
Geelong
Gold Coast
Tamworth

Illawarra
Melbourne
Newcastle
South East NSW
Sydney

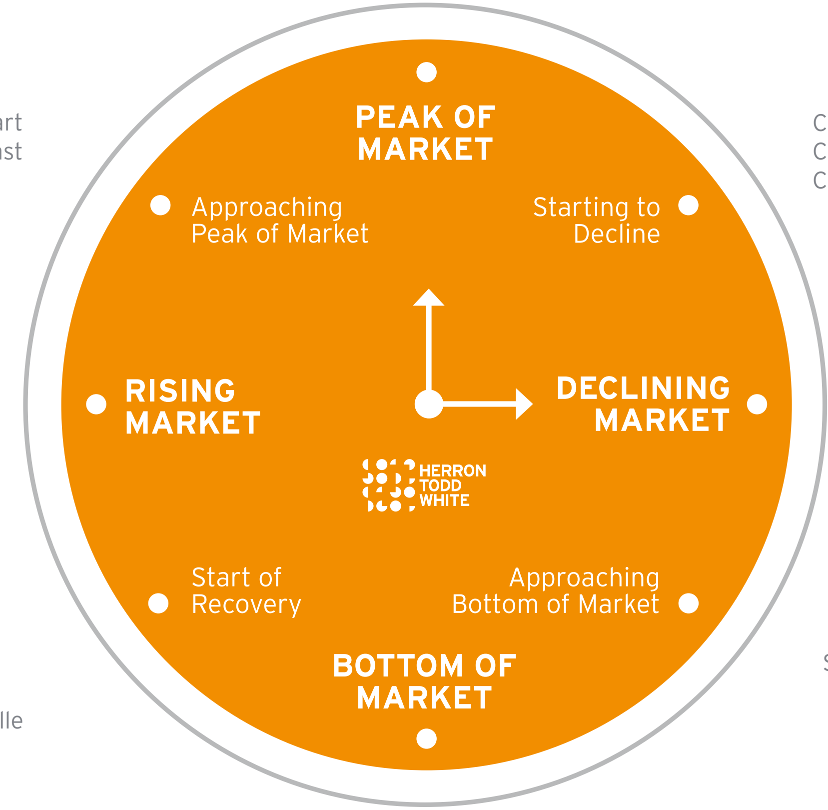
South West WA

Alice Springs
Bundaberg
Darwin
Perth
Rockhampton
Toowoomba

Brisbane
Cairns
Gladstone
Ipswich
Mackay
Townsville

Adelaide
Adelaide Hills
Albury
Barossa Valley
Bathurst
Burnie-Devonport
Emerald
Hervey Bay
Launceston
Mildura
Shepparton

Hobart
Sunshine Coast



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RESIDENTIAL

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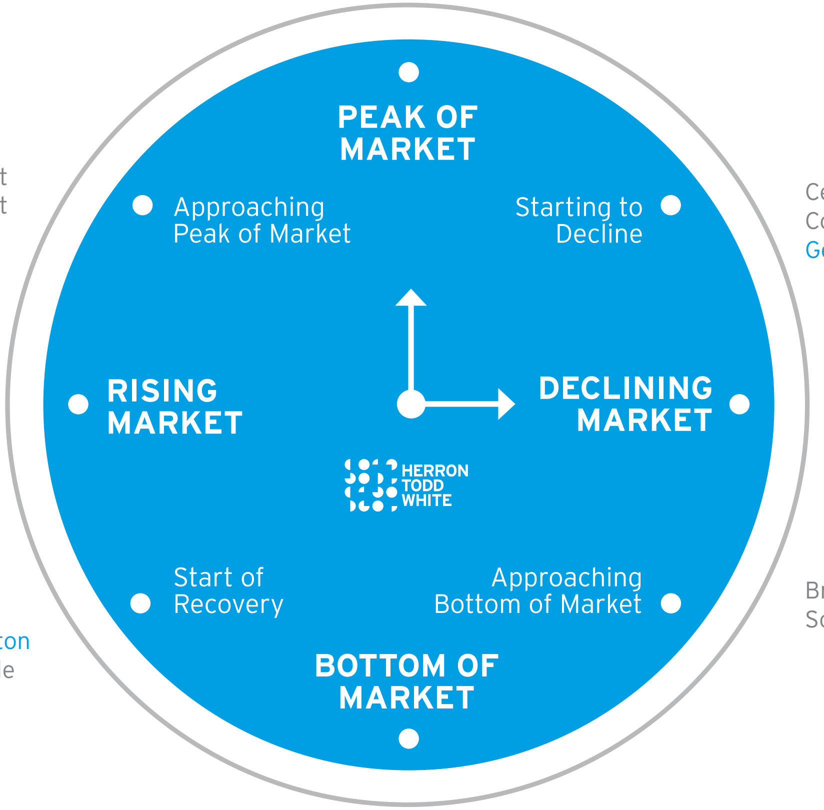
National Property Clock: Units

Entries coloured blue indicate positional change from last month.



Peak of Market:
Lismore
Mid North Coast

Starting to Decline:
Central Coast
Coffs Harbour
Geelong
Gold Coast
Tamworth

Declining Market:
Canberra
Illawarra
Melbourne
Newcastle
Perth
South East NSW
Sydney

Approaching Bottom of Market:
Brisbane
South West WA

Bottom of Market:
Adelaide Hills
Alice Springs
Barossa Valley
Bundaberg
Cairns
Darwin
Rockhampton
Toowoomba
Whitsunday

Start of Recovery:
Adelaide
Gippsland
Gladstone
Ipswich
Mackay
Mildura
Shepparton
Townsville

Rising Market:
Albury
Bathurst
Burnie-Devonport
Dubbo
Emerald
Hervey Bay
Launceston

Approaching Peak of Market:
Hobart
Sunshine Coast

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HERRON TODD WHITE RESIDENTIAL

New South Wales

Overview

Many property people like to venture into the world of construction, whether it's to build a home or as an investment. For the average punter however, the question of whether Land + Construction = Value is difficult to answer, particularly because different locations bring different results.

This month's residential contributors are coming to the rescue and providing local info on where the numbers do and don't add up in markets throughout the nation.

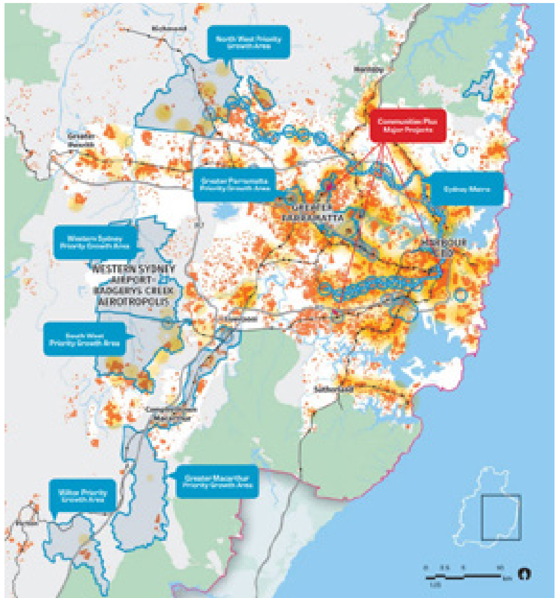
Sydney

The majority of new vacant land releases in Sydney are located on its fringes in the south-west and north-west priority growth areas. This will extend into the Western Sydney priority growth area in conjunction with the development of the Western Sydney Aerotropolis. These are regions that have been identified by the state government as priority areas for housing development.

Western Sydney

The north-west precinct covers suburbs such as Marsden Park, Box Hill, Riverstone, Schofields and North Kellyville and is set to provide around 33,000 homes by 2026 (source: Planning NSW).

In Box Hill, land is selling for around $1,050 to $1,400 per square metre depending on land size. For around $350,000 you can buy 250 square metres of land or for around $550,000 you can buy 490 square metres of land. In recent months, we have seen a softening of land values with resales occurring at or below original purchase prices. We find that resales of vacant land within new estates are generally motivated vendors wanting to sell quickly and in many cases for a loss. An example of this is a 305 square metre parcel selling for $380,000 in January 2019 after being purchased in 2016 for $399,000 and another 375 square metre parcel selling recently for $402,000 after transacting for $422,000 in December 2015.



Draft Greater Sydney Region Plan 2017 Source: Greater Sydney Commission

$350,000
you can buy
250 sqm of land

$550,000
you can buy
490 sqm of land

Vacant land in Box Hill Source: CoreLogic

The south-west growth area covers 18 smaller precincts and plans to deliver around 200,000 new homes over the next ten years (source: Sydney Water). Residential suburbs within this area include Oran Park, Gregory Hills, Gledswood Hills, Leppington and Austral. To the north of this precinct will be Badgerys Creek Airport and surrounding Aerotropolis and further north will be the Western Sydney Employment Area.

In the south-west, land in Leppington is generally selling at between $950 and $1,400 per square metre depending on land size and there are a number of examples of resales occurring for less than the original purchase price. In Leppington, a 375 square metre parcel sold for $382,000 in January 2019 after transacting for $385,000 in September 2016. In addition, a 451 square metre parcel also sold for $425,000 in January 2019 after transacting for $455,000 in May 2017.

In recent months, we have seen a softening of land values with resales occurring at or below original purchase prices.

Overall, dwelling construction has seen an uplift in rates over the past few years on the back of demand for new dwellings, but in recent times the market has weakened with builders offering more features, offers and discounts to win business in a competitive market. We are also seeing competitive initial building rates but it appears a lot of the profit is being made with variations and additional inclusions driving up the end contract price. We have also seen rebates, cash incentives and other offers for individual land sales from developers, in building contracts from builders and also in the sale of house and land packages.

$950 - $1,400
cost per square metre for land in **Leppington**

A large portion of our work is valuing property as if complete based on approved plans, detailed inclusions and a signed building contract. In completing these valuations, we support our assessment with recently transacted resales of new dwellings within the local area. We have seen a trend over the past six months of recently built dwellings having the new car syndrome, with the value of the house and land being worth less than the purchase of the land and the cost to construct, similar to driving a new car out of the dealership and it being worth less than the purchase price. This is being driven by the sale prices achieved of recently constructed dwellings offered to the market. When valuers are putting together their assessment, it's just not simply a land + build = value situation as in many cases the recent sales evidence simply can not support it.

NEW CAR SYNDROME

We have seen a trend over the past six months of recently built dwellings having the new car syndrome, with the value of the house and land being worth less than the purchase of the land and the cost to construct.

Recently built dwellings on the market have to compete with not only the surrounding dwellings for sale but the available vacant land as well, as new home buyers have the option to buy existing stock or build their own new dwelling.

Southern Sydney

In the Sutherland Shire, new land releases in recent years have been limited to Greenhills Beach on the Kurnell Peninsular and on its western fringes in the suburbs of Barden Ridge and Menai. In Greenhills Beach, the most recent estate was Shearwater Landing just to the north of Cronulla which consisted of 160 lots. The majority of these blocks sold in 2015 and 2016 for between $1.2 million and $1.7 million depending on position within the estate, while a row which fronted a beach front reserve achieved between $2.5 million and $3 million (Source: CoreLogic). Land areas generally range from 600 to 800 square metres.

The estate has seen a variety of quality builds from $500,000 project homes through to $2 million plus architect designed houses with a high standard of finishes. Generally, land prices have increased and then declined since these blocks sold with prices typically now in line with 2016 purchase prices. We are therefore currently seeing the value of most newly finished properties being in line with the cost of the land and build. The exception to this is at the top end build costs where the market is untested. The highest completed property sale in the suburb was 11 Peregrine Drive for $2.96 million in December 2018.

11 Peregrine Drive, Greenhills Beach Source: CoreLogic

In Barden Ridge, a new estate known as The Ridgeway is due for completion in late 2019. The development will comprise 123 lots ranging in area between 550 and 900 square metres, with prices currently listed from $759,000 (Source: Dahua Group).

Inner Sydney

The inner west area, along with most areas in the inner and middle rings of Sydney, rarely sees new land releases come up. Therefore, there is a reliance on the knock down of older homes to create opportunity for new builds.

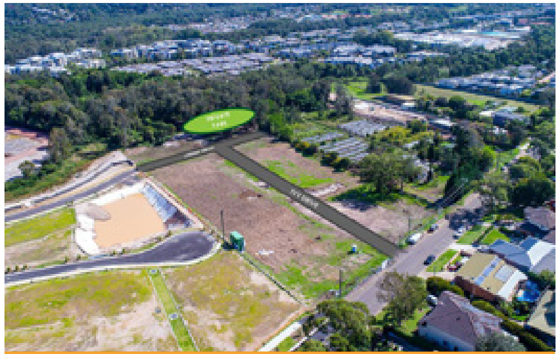
Strathfield has seen post-war and inter-war dwellings attracting a lot of interest from buyers looking to demolish and rebuild. We've noticed a drop of about ten per cent in the past twelve months in these land values, however they are currently quite volatile. Examples which illustrate this decrease in value are the sales at 66 Arthur Street, Strathfield in December 2017 for $2.175 million and the sale next door of 68 Arthur Street, Strathfield for $1.765 million in December 2018 (Source: CoreLogic).

$3,000 - $3,500
Construction costs per square metre

66 Arthur Street, on 765 square metres of land, has had the dwelling demolished with works for a single dwelling currently under construction. 68 Arthur Street, on 740 square metres of land, was sold to a buyer preparing to demolish and construct a new single dwelling. Construction costs are ranging between $3,000 and $3,500 per square metre of living area plus ancillary improvements and generally include a relatively high level of finishes. The land plus build equation has generally equated to value however it is dependent on how long ago the buyer purchased the land due to the drop off in these values since mid-2017.


66 (left) and 68 (right) Arthur Street Strathfield   Source: CoreLogic

Northern Sydney
The availability of land on the Northern Beaches is generally limited to older houses being knocked down in established areas. There are a small number of subdivisions occurring in Warriewood, where the remaining rural parcels are in the process of being subdivided into 20 to 40 lot Torrens or Community Title estates. The majority of the created parcels range between 250 and 500 square metres in land size and sell for roughly $2,500 to $3,000 per square metre.


'The Ivy Estate - Warriewood'   Source: Realestate.com.au

Alternatively, like other established areas, purchasing an older house in an established suburb is popular. A recent example is 15 Quinlan Parade, Manly Vale, on 742 square metres of land, which sold for $1.3 million in February 2019. This property type has not been immune to the weakening residential market and has seen a decline in value levels across the board.


15 Quinlan Parade, Manly Vale   Source: CoreLogic

There is a diverse range of building options and designs in the Northern Beaches. Hamptons style housing is very on-trend and we are seeing a greater emphasis on the quality of finishes. Project builders such as Icon Homes have a strong Northern Beaches customer base and provide a quality and cost-effective option. There are also a large number of private builders constructing custom designed homes. Costs can vary dramatically depending on quality, design and size, but most fall within the $1,500 to $3,000 per square metre range.

Generally speaking, land value and construction costs correlate to market value. There are obviously exceptions to this rule, and anything outside of the norm or greatly exceeding the median may struggle to achieve a value at cost. However, building a good quality product in an established area will generally result in a favourable outcome. A recent example is 18 Laurie Road, Manly Vale which sold for $2.41 million in March 2019.


18 Laurie Road, Manly Value   Source: Realestate.com.au

Ballina /Byron Bay
The majority of land within the Ballina Shire is available in the new estates of Lennox Head, Cumbalum and Wollongbar. Prices generally range

In recent times as the market has slowed and the cost of building has increased, there is less cream on top for those who choose to buy land and build.

from late $200,000s to early $300,000s for a block of land in Wollongbar, through to early to mid $400,000s for a block of land within the Epiq Estate at Lennox with gentle topography and local view. You would expect to pay somewhere in the mid $500,000s plus if you wanted a block of land within Lennox Head with some sort of ocean view. Build costs typically start at around $1,400 per square metre for a basic project home on a near level block. This would increase for a higher quality fitout or sloping block of land. Over the past five years, those who have bought land and built have typically done quite well, as the cost of land plus the cost to build has in most cases been noticeably less than the end value. In recent times as the market has slowed and the cost of building has increased, there is less cream on top for those who choose to buy land and build.

$450,000 - $550,000

Lennox Head
average price point range

$550,000+

Skennars Head

In the Byron Shire, vacant land parcels are more commonly available in the suburbs of Lennox Head and Skennars Head. Average sizes of these parcels range from around 500 square metres to 700 square metres. Average price points range from $450,000 to $550,000 in Lennox Head and $550,000 plus in Skennars Head. Values for vacant land in the current market are stacking up. As registration nears for each new deposited plan, resales from the original are indicating a rise of circa 10 per cent. There are no differing areas that appeal to that of investors versus owner-occupiers. Limited availability sees investors and owner-occupiers having to buy in the same market.

In relation to building costs in the Byron Shire, there are varying prices depending on the style of home. Project style dwellings range from $1,250 to $1,550 per square metre, whereas independent builders of a slightly higher quality finish range between $1,650 and $1,850 per square metre. It is a very competitive environment for finding builders at present. The rates per square metre in the past 12 to 18 months across all building genres (be it project or architectural) have risen significantly due to the lack of availability. It is known throughout this locality that builders are booked up almost 12 months in advance.

Values in the Byron Shire are holding up. The market for established housing between $800,000 and $1 million has been somewhat hurt given that the availability of land has changed. Prospective buyers are opting to build new on land for around the same cost as purchasing an older established home. This is quite consistent across this region and does not vary from location to location.

What is interesting to note is that rental prices continue to surge in Lennox Head and Suffolk Park which creates an opportunity for investors to buy and build.

Clarence Valley

The Clarence Valley boasts available residential land holdings in areas such as Grafton, Townsend and Yamba and rural residential vacant land lots in Gulmarrad. Across the valley, there is a plethora of vacant land lots for sale in the sub-$200,000 category with the median price currently at $170,000. Yamba on the other hand has recorded a median land sale price range over the past twelve months of $260,000 to $335,000, with infill in lots situated in highly desirable pockets achieving particularly high sale prices.

Given the current property climate, the supply of vacant land is equalled if not surpassed by the demand. Build costs in the valley remain relatively competitive with standard builds ranging from $1,200 to $1,800 per square metre.

At present, whether you're building new or dealing with an established product, the market remains steady with no indications of immediate decline.

Coffs Harbour

The Coffs Harbour market experienced very strong capital growth and activity in the vacant land market over the recent boom period.

There is never an oversupply in the market at any one time given the natural constraints of supply, however the increased demand over the past two to three years has seen values rise significantly. It has not been uncommon in developing estates such as North Sapphire Beach and Sandy Beach for a high proportion of sales to have occurred off the plan to either spec builders, owner-occupiers or investors with values rising five to 10 per cent as each stage becomes available for sale. Take the example of North Sapphire Beach when the more recent stages were released in 2014. Prices for 550 to 800 square metre sites ranged from $230,000 to $260,000. By the final release in 2017, sites were worth $280,000 to $350,000. If you can find a block for sale now, then $360,000 would be the expected price.

Seacrest estate at Sandy Beach also experienced similar value increases (although at a lower entry level) originally starting at $150,000 to $200,000 (2012 to 2014) currently selling for $230,000 to $260,000. These sites range in size from 450 to 650 square metres. There are many examples of similar price rises throughout the region and as vacant land has become scarcer, these values continue to climb.

Below is a list of recently completed, under construction and proposed projects within the locality of Coffs Harbour. Whilst not an exhaustive list, it does demonstrate the potential stock levels in this area.

As demand has increased for land, so has building activity and cost. It is no surprise that there is a direct correlation between building cost and land sales; the more land sold, the greater the demand for builders and with limited builders available, costs must go up. Typically, a project style brick and tile home on a level site would have set you back $1,000 to $1,200 per square metre of living area in 2013 to 2015. We see the same product in 2019 costing anywhere between $1,400 and $1,600 per square metre and if you wish to put in the high-end finishes, costs of up to $2,500 per square metre have not been uncommon for prestige builds.

What does this mean in terms of overall end product value? Entry level is now $500,000 to $550,000, which typically three to four years ago was $450,000 and this property rents for $480 to $550 per week. However, if you wish to live closer to the beach (east of the Pacific Highway) then entry level is $650,000 to $700,000.

Estate Name/Address	No. of Lots	Price Range	Project Status
Elements Estate, Lot 101 Stadium Dr, Coffs Harbour	16 lots (remaining in current stage)	$180,000 to $340,000 Lot sizes 600 to 2200 sqm	Early stages developed, with further englobo land available for development
Seacrest Estate, Somervale Rd and Sandcastle Rd Sandy Beach	Stage 4 - 6 remaining Stage 5 -33 lots	$223,000 - $270,000 Lot sizes 450 to 600 sqm	Stage 4 complete Stage 5 still to be registered
216 Shephards Ln, Coffs Harbour	8 lots (remaining)	$250,000 - $270,000 Lot sizes 592.8 sqm to 954.3 sqm	Developed
81 Shephards Ln, Coffs Harbour	6 lots	$260,000 - $340,000 Lot sizes 815sqm to 1,233sqm	Developed
Sunset Ridge Estate, Coffs Harbour	Stage 2 - 4 lots remain Stage 3 - 35 lots proposed	Stage 4 - $169,000 - $235,000 Stage 3 - $230,000 - $250,000 Lot sizes 600 to 800 sqm	Developed Under Construction
Korora Beach Estate, Korora	Stage 2 - 20 lots 5 remain Stage 3 - approx. 15 lots to be developed	$321,000 to $393,000 Lot sizes 500 to 720 sqm	Stage 2 - Developing Stage 3 - Yet to be registered
Woopi Beach Estate, Woolgoolga	150 lot subdivision, 67 lots released to date	$235,000-$265,000 (current release) Lot sizes 545 sqm to 680 sqm	Early stages developed
Woolgoolga Heights, Woolgoolga	52 lots	Priced from $195,000 to $300,000 plus Average lot sizes 500 to 800 sqm	Developing estate

Source HTW NSW North Coast

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Who is purchasing these new homes? That depends on the location and value level. In estates such as Sandy Beach where land value is still reasonably cheap at the circa $250,000 mark, we see a lot of investors and first home buyers, i.e. entry level product which shows reasonable rent versus value return. Beachside estates such as Sapphire Beach, Korora and Moonee Beach typically see second and third home buyers and retirees looking for more upmarket lifestyle homes and who can afford the $700,000 plus tags.

What does the future hold for the land and building market? Well, given the current limited supply, one would suggest not too much in the medium term, however we are seeing more spec homes currently on the market within some of these estates which may cause a slight oversupply in the short term.

Mid North Coast

Surrounding the Port Macquarie region are a number of outer fringe subdivisions that are highly concentrated on vacant land plus construction or home and land packages. Whilst some areas within these subdivisions may be classed as prestige lots, some areas or lots are not. With changing markets, there is always the risk that future development of new stages within a pre-existing subdivision may not lend itself to the same quality of dwelling.

In saying that, level or gently sloping vacant land is appealing to purchasers due to the fresh slate status and cheaper associated building costs. With the peaking and now slowing of the market, developers have adjusted their vacant land prices to attract a transaction.

Average building companies have stabilized their building costs and a range of $1,450 to $1,800 per square metre is the norm depending on the quality of build and improvements.

TO BUILD VERSUS TO PURCHASE DWELLING			
Strengths ◗ New home ◗ Fully depreciable ◗ No maintenance ◗ Part potential growth with increase market	**Weakness** ◗ Travel time to work etc ◗ Distance to facilities	**Strengths** ◗ Location ◗ Distance to facilities ◗ Full potential growth with increase in market ◗ Know the purchase price	**Weakness** ◗ Ongoing repairs and maintenance ◗ Dwelling not suitable
Opportunity ◗ Create own community	**Threats** ◗ Poor traffic infrastructure ◗ Unexpected build costs ◗ Hidden costs ◗ Full decline in market	**Opportunity** ◗ Optimum on re-sale ◗ Development potential	**Threats** ◗ Part decline in market ◗ Anti-social behaviour ◗ White ants ◗ Building defects ◗ Cannot find suitable dwelling

Other vacant land lots in the subdivision have higher build costs due to the contour of the land and the proximity to the beach and facilities. We have noticed that building activity in these areas has eased with land sales taking longer to achieve.

As a sign of the declining market, we have noticed that some building contracts have adjusted progress schedules and are front loaded. This adjustment allows builders to better manage their cash flow.

So, the question remains, is it better to build or buy?

Location! Location! Location! is always the winner. It should always be a priority to seek investment properties where there's strong potential for the land component of the overall value to rise.

Therefore, let's look at the comparisons in the table above.

Central Coast

The New South Wales Central Coast region sits midway between the Sydney metropolitan area and the Newcastle/Hunter region to the north. Many say our region has two parts – the northern end and southern end.

The southern end is pretty much closing in on fully developed status with very few opportunities available to secure vacant land. The last residential subdivision offering a decent number of new land parcels was the Kings estate at Terrigal. It provided good land and a controlled standard of new dwelling requirements. Resales of vacant land are now well above the $600,000 mark. There have been several infill subdivisions, but not a great number.

The northern end of the region is a different story and anyone looking for vacant land within new estates offering vibrancy, livability and affordability needs to be looking here in the suburbs that include Woongarrah, Hamlyn Terrace and Wadalba. Good quality land can be secured from a little over $300,000 with plenty of house and land packages also available.

On the subject of house and land packages, we see them generally as a good option for those wanting to move straight into a new home with minimal fuss. We do caution however that prices vary and sometimes we are at a loss to explain why when outwardly, there does not appear to be any apparent reason, so our advice is to investigate carefully and compare.

Cost versus value

By now, it's no secret that the market has turned. The heady period of being in a sellers' market with buyers scrambling to secure property are behind us for the time being. What we are now seeing is that the market has moved to correct itself.

This comes with a whole new range of issues and challenges and when we talk about new builds, there is definitely some heartbreak.

Building costs seem to be reasonably stable and have been for some time now, but we are increasingly seeing examples of land cost and new build cost falling short of current market values. This isn't just isolated to newer areas with project style homes around $1,700 to $1,800 per square metre across the living areas. Architecturally designed houses, often upwards of $3,000 per square metre of living have had some enjoyment on a cost versus value scenario, but this has also passed us and we are seeing a negative result on a market value basis. The upside of the architectural designed market is that values tend to hold stronger during the tough times as most are located in areas with a higher base value.

Newcastle

Buying vacant land and building your own home has always been a popular choice in the Hunter Valley, especially with family buyers looking for their first or new home with more room to move with kids in tow.

Speaking of house and land locations, we might just know the most popular location in our area. It's just west of Newcastle located conveniently around Maitland. This area has been a popular choice with many buyers due to lower property prices compared to the Newcastle areas and the availability of larger size blocks, which is exactly what you're looking for when the family grows.

There are many types of house and land locations around the Hunter Region and it would take some time to discuss them all at great length, but for this piece we are going to concentrate on the surrounding suburbs of Maitland, namely the suburbs of Chisholm, Thornton, Gillieston Heights and Cliftleigh.

Let's start with Chisholm, one of the more popular locations. Population indicators from RP Data state that in 2011, the population was 357 people. By 2016, the population had grown by 312 per cent to reach 1,471 people. The median house price currently is $630,000 and the median land price is $250,000. You can expect to see a number of properties selling for over the median with many recently selling between $750,000 and $800,000. This price bracket gets you on average a four-bedroom property with landscaping already established. On average, you can find land ranging in size from 450 to 700 square metres. Land values range from $240,000 to $320,000 (source: RP Data, 2019).

A four-bedroom, three-bathroom and three-car garage with extras and established landscaping sold in Chisholm for $702,000 in February 2019.

Recent sale in Chisholm $702,000 for 4 bedroom home. Source: RP Data

The next suburb of Thornton, which was established prior to Chisholm, had a population size in 2011 of 7,861. By 2016, the population had increased to 8060, an increase of 2.4 per cent in the five years. Currently the median sale price for Thornton is $510,000. Land sizes range from 400 to 600 square metres and land values range from $190,000 to $250,000.

In 2011, the population was 357 people. By 2016, the population had grown by 312 per cent to reach 1,471. The current median house price is $630,000 and median land price is $250,000.

Gillieston Heights is located more to the south of Maitland and to the north of the township of Kurri Kurri. In 2011, the population was 1,372 and in 2016 it has risen 128.9 per cent to 3,141 within the five years. The current median price for houses is $490,000 with land size ranging from 400 to 600 square metres. Land values range from $165,000 to $230,000.

A recent sale in Gillieston Heights of a four-bedroom, two-bathroom and two-car garage with open plan living and established gardens was $485,000 in February 2019.

Recent sale in Gillieston Heights for $485,000 Source: RP Data

Cliftleigh is the furthest south of Maitland and has a closer proximity to Kurri Kurri. It sits to the south of Gillieston Heights. It has probably had the biggest growth in the past five years, increasing by 375.4 per cent from a humble 183 people in 2011 to 870 in 2016. The current median price is $407,000 with land size ranging from 400 to 650 square metres. Land values range from $165,000 to $230,000.

Construction costs range in price depending on the size of the build and the chosen finishes. On average, the price is around $1,800 per square metre, but this can range from $1,500 to over $2,000 per square metre for high quality finishes plus the additional ancillary improvements such as landscaping and driveways.

At the end of the day, it comes down to what the buyer wants: where they want to live, what type of dwelling they want to inhabit and the quality of finishes they would like to have in their brand-new home. The other important factor is how much they are willing to spend to create their humble abode.

(All data from Core Logic, 2019)

Southern Highlands

As mentioned in previous editions of the Month in Review, the Southern Highlands region is currently experiencing an oversupply of recently registered residential land sub-division projects throughout the region coming on line across the main townships of Bowral, Moss Vale and Mittagong such as Renwick (Mittagong), Darraby Estate and Throsby Views (Moss Vale) and Retford Park (Bowral) which has resulted in some vacant lots being discounted to achieve a sale within a normal selling period.

Since the beginning of the year, the outlook in the short to medium term has been uncertain, however there are signs that vacant parcels within these (either nearing registration or recently registered) sub divisions carry a greater inherent risk of value diminution over the next twelve months. This in turn is making it more difficult for vendors to obtain a construction loan, particularly now with tighter credit conditions.

A standard project style build contract will range from approximately $1,500 to $2,000 per square metre varying with location, size and quality of the construction. These contracts will almost always exclude provisions for driveways, fencing, floor coverings and basic landscaping. The lack of provision of the excluded items was seen as a minor detracting factor in the subject's presentation, saleability and end value, however we have seen in more recent times that newly built dwellings with an incomplete street appeal or of an incomplete nature internally which are placed on the market are being heavily discounted by the buying public.

Despite the Sydney market continuing to soften over the current period, we are noticing that particular dwellings of higher quality from local builders are still fetching good money in Bowral's most recent subdivision, Retford Park and the prestigious suburb of Burradoo. The current market values of the lower quality, stock standard style project homes in Renwick, The Darraby Estate and Nattai Ponds in Braemar have been more adversely impacted as the market changes direction.

Illawarra

New residential construction is happening predominantly within the new residential subdivisions in the Illawarra region.

Major subdivisions are located in West Dapto (Wongawilli, Kembla Grange and Horsley), Calderwood/Tullimbar, Shell Cove and South Nowra. The going price for a lot in Shell Cove can be anywhere from $400,000 to $800,000 depending on size, location and proximity to the new marina. Lots of around 700 square metres are currently selling for just under $300,000 in South Nowra. With the residential market downturn, vacant lots at West Dapto and Calderwood/Tullimbar have taken the biggest hit. The current price point for West Dapto is $350,000 for a level 450 square metre lot and for Calderwood, is $325,000 for a similar lot. These are down from $425,000 and $400,000 during the peak of the market. Oversupply and weaker demand are the contributing factors to the decline in values in these areas and at the current time, the slide is continuing.

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The competition between project style builders in these locations is high. Each of these locations has display homes for customers to inspect. Current rates per square metre for the living areas of a new dwelling on a level lot are approximately $1,500 to $1,750 (excluding external areas and ancillary items). Rates vary due to the inclusion of things such as floor coverings, air conditioning and client specific extras. Overall build costs for a standard 160 square metre four-bedroom, two-bathroom house can be around $325,000 to $375,000. Expect costs to be higher if the lot has any sort of a slope as excavation and site costs add additional work for the builder.

Tamworth

Over the past several years, Tamworth has seen an increase in land subdivisions with building being a popular choice when it comes to getting into a home. At present there are approximately 15 subdivisions underway, with lots ranging from around 600 square metres up to around 4,000 square metres, giving buyers and investors alike myriad choice in where to buy.

For smaller home sized blocks of 600 to 1,000 square metres, a buyer will typically look in Calala and North Tamworth with nearly half of all subdivisions occurring within these areas. A typical block will set you back between $125,000 and $160,000 depending on size and view. It is also these lots that attract investors as the finished houses tend to attract a higher rental return than houses on larger lots.

Now for those looking for a bit more space, Moore Creek and North Tamworth are the places to go, with four subdivisions underway, with lots between 1,000 and 4,000 square metres. These lots will cost between $160,000 and $240,000, with the higher end being the 4,000 square metres lots with good district views. It is certainly the domain of owner-occupiers for these areas as the added up-keep of such large blocks is less enticing for investors and tenants alike.

Overall, the vacant land market has held up well in Tamworth. Even with the array of options there has been stable value growth over recent years. The past six months or so has seen a slowing of construction which has in turn slowed down the turnover of vacant lots. Whilst we have not seen a decrease in values, we are certainly seeing longer marketing campaigns to get the lots sold.

Right, so now that you have your block, it is time to put a house on it.

Construction in Tamworth tracked well for the past several years, but has hit a slight slowdown in the past six months. Local builders are reporting that they have less projects in the pipeline than previous years, but this does not mean that they have not got anything on the books. With builders having fewer future projects, it is freeing them up for more work, giving buyers more options on builders who are ready to go and not having to wait for them to finish up other builds.

A typical project build by one of the major builders in town is going to cost you about $1,300 to $1,400 per square metre. This will typically include stone bench tops, ducted rc/ac, driveway and a mid-range quality fit-out. It will exclude landscaping, window furnishings and fencing. New builds are holding their values well and we are starting to see a few of the more recently built houses (one to three years old) hitting the market as the owners move on to their next project. A recent sale in Calala for $502,000 showed a return of approximately 17 per cent, with a cost to build of $430,000 (including land and excluding landscaping) over a two year period. This level of growth makes building a new home a strong option for those looking to get into the housing market, upgrading or even downsizing with values holding well, as well as increased tax benefits for investors.

$1,300 - $1,400

the cost per square metre for a typical project build by one of the major builders in town

With builders having fewer future projects, it is freeing them up for more work, giving buyers more options on builders who are ready to go and not having to wait for them to finish up other builds.

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Victoria

Melbourne

With inner Melbourne land in short supply, outer suburbs are booming with vacant land releases. At the height of the property market in 2017, developers were struggling to keep up with demand. Nowadays, sales have slowed and in many estates later releases that were not pre-sold are struggling to sell in the current market.

This brings us to the question - is building in this market still a reasonable option for owner-occupiers and investors? It's also worth noting that there has been an increase in construction in more established areas where older homes are being knocked down to make way for townhouses or multi-level dwellings.

We investigate the question of whether land and build really equals value in this current Victorian market and whether the trends are likely to continue.

North

The Melbourne population has risen immensely since 2010 with an increase of one million people over nine years. The rapid population increase has led to heavy migration to the outer northern suburbs where there is a high supply of house and land packages available in areas such as Craigieburn, Mickleham and Kalkallo.

Land sales in January 2019 show that purchasers can buy a 500 square metre block of land in Craigieburn for circa $380,000. The same block of land in January 2018 sold for $420,000.

Purchasers who bought their land off-the-plan in one of the estates such as Highlands (Craigieburn), Cloverton (Kalkallo) and Aston (Mickleham) are still in front from their purchase price in 2016. However, the bank's tightened lending criteria and more housing estates producing greater supply is restricting an increase of land prices in the outer north in 2019.

Land values are still strong, however with the scarcity of vacant land within close proximity to the CBD, the inner northern suburbs are well sought after. A 250 to 300 square metre block of land in Brunswick will come with a price point range of $900,000 to $1.1 million (source: Core Logic, 2019) which is only feasible for purchasers or investors with high capital available.

As the majority of land purchases are typically followed by a new housing construction contract, it is paramount to find a builder that will provide an excellent quality home for the lowest possible price. With an abundance of home builders in the area, it is important to establish a low price per square metre of living area and not over capitalise. In the outer north, a four-bedroom, two-bathroom, single-storey dwelling can be built for circa $280,000 with a liveable area of 175 to 190 square metres, for a rate of $1,475 to $1,600 per square metre.

Construction rates in the outer north compared to the inner north vary considerably, with Heritage overlays and increased building difficulty in Carlton, Brunswick and Collingwood. The construction or renovation of a dwelling with a living area of 160 to 180 square metres can be (depending on quality) from $550,000 to $850,000.

The high-end can reap rewards for owner-occupiers and investors, as A grade renovated dwellings are withstanding the downturn well compared to the B grade unrenovated stock which is being pushed down in value in the currently declining property market.

South-east

Construction is continuing to boom in outer south-eastern suburbs, as blocks purchased last year are settling and are now ready to build on. There are huge estates in Pakenham, Officer, Clyde, Clyde North, Cranbourne South and Botanic Ridge just to name a few. As the market has slowed, those who bought at the peak are having difficulty obtaining finance as the land value has either remained stagnant or in some cases, has even decreased. Conversely, in some estates where land was purchased a couple of years ago (circa 2016) and due to construction delays has only recently settled, we are seeing an increase in value compared to the initial contract price.

Land sales in January 2019 show that purchasers can buy a 500 square metre block of land in Craigieburn for circa $380,000. The same block of land in January 2018 sold for $420,000.

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People over capitalise by spending upwards of $800,000 on the build construction alone whereas the median house price is $625,000.

Vacant land values in the south-east remain largely stagnant. Some developers are even offering to pay building deposits in order to lure potential land buyers. This trend in land prices looks set to continue for the foreseeable future.

Some examples of vacant land prices are: Clyde North, 19 Kakadu Street sold for $275,000 in January (350 square metre block); a larger sized block (648 square metres) at 42 Ramlegh Boulevard sold in April for $410,000. In more established peninsula areas such as Dromana, 10 Somerset Drive sold for $680,000 in December (1,320 square metres) and 5 Monaco Parade sold for $440,000 in February (780 square metres).

There are some established builders with set plans and specifications, meaning the home can be built at a low cost. For owner-occupiers who wish to live in a brand-new home designed with their needs in mind, building in one of these new estates is indeed a viable option. Buying in a more established area will often cost the same as vacant land and a new build, with the downsize of having to purchase a much older dwelling. A typical three-bedroom, two-bathroom dwelling can be built for as little as $200,000 in a new estate.

Closer to the city, there are fewer estates being released. In Mulgrave we have Waverley Park and in Keysborough we have the Somerfield Estate. In these areas we tend to see much higher building contracts, in line with the premium paid for the land in an established location. Building contracts in these areas often range from $500,000 to $800,000. There are also more high-end builders in these areas who offer finishes including refrigerated heating/cooling, premium range appliances and full height wall tiling in bathrooms.

Building in more established areas does usually come at a premium due to increased traffic management needs, the need to demolish an existing dwelling and clearing/levelling the site. Owners in these areas tend to go with smaller local builders rather than the bulk building companies who are used to contending with these issues.

For investors, the difficulty with buying land and building in some of these new estates is having the capital tied up whilst the estate completes the infrastructure, and then the time it takes to complete the dwelling. In contrast, if an investor bought an existing dwelling and had tenants move in right away, they could start earning a return on their investment immediately. Developers tend to look to more established areas such as Bentleigh East, where they are able to demolish older dwellings and build dual occupancy sites.

There are examples of over capitalisation in areas such as Officer where people spend upwards of $800,000 on the build construction alone whereas the median house price is $625,000 (source: Propertydata.com.au). This can result in the final value of the property being a few hundred thousand dollars less than the combined cost of the land and construction.

East

Supply and demand of land in the east does not meet at an equilibrium, so most home buyers are left to buy properties to knock down and rebuild, or renovate and extend.

In the past few years we have seen a few developments such as the Tullamore in Doncaster, which was once the Eastern Golf Course for more than 70 years with 47 hectares of mature trees and greens. Mirvac acquired the site on Doncaster Hill in 2011 and has now transformed it into around 800 new contemporary homes. The development is located 13 kilometres from the CBD, 800 metres from the Westfield Doncaster shopping centre and 900 metres from Doncaster's bus terminal.

A stage 1 land sale was 2 Furlong Lane, Doncaster. This vacant land of 353 square metres was sold in 2015 for $615,000. If we allow $600,000 to build the dwelling, total costs would be approximately $1.215 million. After three years, this same property was sold in 2018 for $1.57 million, creating a capital gain of $355,000.

Later stage releases included vacant land in Caladenia Circuit of 375 square metres which sold in March 2018 for $1.01 million. It has a contract to build a five-bedroom, four-bathroom, two-car garage home for $730,000, reflecting a total outlay of $1.74 million. When compared to the sale of 4 Fromhold Drive, Doncaster with a land size of 733 square metres in June 2018 for $1.73 million, it does not stack up due to superior land size for almost the same price.


4 Fromhold Drive, Doncaster Source: RD Data April 2019

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Burwood Brickworks is located 19 kilometres from Melbourne's CBD in the highly sought-after eastern suburb of Burwood East. The precinct is set to feature a mix of 700 townhouses, apartments, 2.5 hectares of open space and parks where an additional 500 trees are to be planted, community facilities and an urban plaza next to the shopping centre, which will also have an urban farm on its rooftop.

Burwood's median house price is currently $1.39 million, while its median unit price is $724,000. Land lots at Burwood Brickworks range in price from $877,000 to $1.2 million. Apartment prices start at $388,000 for homes with one bedroom, one bathroom, one car space and storage, to $733,000 for two bedrooms, two bathrooms, one car space and storage. Just three semi-detached homes are available starting at $940,000 for three bedrooms, two bathrooms and one car space, to $1.2 million for four bedrooms, 2.5 bathrooms and two car spaces. Future releases are expected to include a range of four and five-bedroom family homes.

$1.39 MILLION

Burwood's median house price

In the outer east, we expect demand to increase as the Kinley development at the old Lilydale Quarry was released to buyers in late 2018. It's expected that the $2 billion project will create 3,200 new homes for 8,000 people and a 70 percent increase in Lilydale's population. House and land packages range from $700,000 to just under $1 million.

$979,360 - 4 Bed, 2 bath, 2 car   Source: Kinley, April 2019

$716,000 - 4 Bed, 2 bath, 2 car   Source: Kinley, April 2019

Geelong

Geelong currently has a number of large englobo developments with land for sale. Although there are concerns about the market slowing, with longer days on the market, increased stock levels and changes in lending policy in the wake of the Royal Commission into banking, there are still good opportunities in the current climate.

Land developments such as Armstrong Creek, Charlemont; Mt Duneed, Torquay; Lara; Curlewis, Clifton Springs/ Drysdale; Highton; and Ocean Grove are still proving popular with first home buyers. Within these locations, developers are purposely selling 350 square metres blocks where purchasers can build a 20-square house on the land for $430,000.

Buyers need to weigh up the costs of building a brand new house within a developing area for a similar cost of a renovator in an existing suburb. It appears to be popular with approximately 30 to 40 per cent of the sales within these developments being purchased by first home buyers.

However, is purchasing land within a developing estate the best decision given all the recent market doom and gloom? Typically, land within these locations doesn't have as high capital return due to the oversupply levels. On the other hand, established residential areas often have a higher entry point of value, therefore affecting affordability. However, often it's the established areas that tend to have a higher return on value due to the fact that a modern dwelling is constructed within a location closer to established infrastructure.

With those things in mind, affordability will be the decision maker at the end of the day.

Cost of construction is an important factor that needs to be considered when selecting an allotment. Typical building rates within the Geelong region vary from $1,200 to $1,500 per square metre for a standard volume build and increase to $2,000 to $5,000 per square metre for custom designs. This large variation in price is due to a number of variables from site topography, planning requirements, soil conditions, shape and size of the site, client selections, inclusions and builder's margin.

Within larger, developing estates, typical building rates are lower than established residential areas often due to the straight forward nature of the build. Established areas have extra costs associated with unforeseen events, for example issues with access for equipment to and from site, noise, clean up, fencing as well as the surrounding neighbours to contend with.

Although the Geelong market has cooled, we are still seeing construction values stacking up against comparable properties sold, however this may not be the case moving forward. Currently, there are signs in the west for areas such as Melton, Rockbank and Aintree where cost of construction and land are not falling into line with surrounding sales. If this is the case then purchasers may need to be do their due diligence to ensure that what they intend to purchase and build reflects the surrounding market or their affordability.

Mildura

Mildura's expansion is constrained by the Murray River on one side, resulting in most of the new subdivisions over the past ten years being located to the south and south-west of the CBD and now reaching Sixteenth Street.

Recent subdivisions have sold out quite quickly, with lots of between 600 and 750 square metres selling in a range between $120,000 and $135,000, equivalent to between $180 and $200 per square metre. Land values have risen steadily over the past five years, meaning that re-sales have generally resulted in a profit.

It's expected that future subdivisions will include some smaller lots below 500 square metres, as well as lots containing between 600 and 700 square metres. This will help achieve average sale prices above $200 per square metre to offset the increased cost of service connection.

There are also subdivisions occurring in the satellite towns of Irymple, Red Cliffs and Gol Gol, within seven and 16 kilometres of Mildura's CBD respectively. These subdivisions tend to contain larger average lot sizes, giving a cost of below $200 per square metre, however serviced lots in these locations still cost usually over $100,000 and up to $150,000.

The cost of building new homes (including ancillary components) in the Mildura region is generally in the range between $1,700 and $2,200 per square metre of living area, depending on the size of the dwelling, extent of ancillary improvements and standard of fit out. Most new homes tend to contain living areas of between 165 and 240 square metres and usually include double garages and verandahs or outdoor living areas. Construction costs tend to be at least $250,000, ranging up to $450,000 for larger dwellings with good finish.

Over the past few years, most new homes have been built by owner-occupiers intending to spend between $425,000 and $525,000 on land and construction. Few of these new homes have been put to the market, however a recent example of a re-sale is 10 Toorak Drive, Irymple, which sold in mid 2018 for $507,500 and comprises a 907 square metre lot improved with a recently completed, four-bedroom dwelling with good external improvements.

10 Toorak Drive, Irymple Source: Corelogic

The current strength in the Mildura market means that we are seeing the value of most newly finished properties being in line with the cost of the land and the build.

Investors have built a number of homes in locations with cheaper land costs in parts of Red Cliffs and Mildura, however the majority of new home construction in recent times has been undertaken by owner-occupiers. The rental market remains tight, however in recent times investors have concentrated on buying older, established homes, which provide slightly higher gross returns.

Shepparton

Shepparton (including Kialla, Shepparton North and Mooroopna) has some 18 residential estates on offer with blocks ranging from 350 to over 2,000 square metres. Some blocks are snapped up for under $80,000 which seems to be appealing to investors in estates where investment style housing is the norm. Land in the majority of estates is priced around the $140,000 mark with the likes of the Kialla Lakes and Seven Creeks estates to the south and The Vines estate in the north. These blocks are offering around 800 to 900 square metres of land which are appealing to the majority of the owner-occupier market.

Building rates appear to have risen slightly over the past twelve months. Some volume builders are offering a basic style plan with basic finishes for around the $1,000 per square metre of living, with a majority of the building contracts in the area priced at $1,250 per square meter. This includes ducted heating and cooling, 900 millimetre appliances, 2,550 millimetre ceiling heights, an alfresco area, stone bench tops and better quality flooring. The private builder market starts at around the $1,200 per square metre mark and only goes up from there depending on the builder and the quality of home being built.

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In recent times, we have had additional companies enter the market to carve out a slice of the action.

There is no shortage of building companies in the area and construction in the Shepparton area has been very strong for an extended period. In recent times, we have had additional companies enter the market to carve out a slice of the action.

Estates such as Kialla Lakes, Sanctuary Park and the Boulevard are seeing some resistance with values when the total house and land cost is nearing $500,000, as a number of the display homes have sold in the $500,000 to $550,000 bracket. Estates with larger blocks such as Riviera Park in Kialla as well as Grammar Park in Shepparton North have good demand due to the quality of the homes offered and the boon of a larger than average block.

Queensland

Brisbane

One of Brisbane's great boasts as a capital (and let's face it, there's plenty to boast about) is there's an abundance of land available within a very commutable distance of our CBD.

This ease of supply coupled with affordable pricing is a primary driver for the new Queenslanders coming up from down south. A very bearable drive on major roadways will get you a quick trip into town on the weekdays and award-winning beaches on the weekends.

Yes, there's plenty of dirt providing a blank canvas for your dream build, but is it wise to take on a construction project when there's plenty of established housing already on offer at reasonable prices?

While your own circumstances will dictate what's best in terms of property purchases, here's our locational guide on land + build throughout the Brisbane region.

Inner City

Not surprisingly, vacant land in inner city addresses is relatively expensive due to limited supply and higher demand compared to outer suburbs, and many buyers seem keen to create a twist when it comes to vacant land too, with splitter blocks being all the rage.

A great suburban example is Camp Hill in the city's south.

Camp Hill has seen a surge of buyers looking to knock down post-war dwellings on large lots, split the land and sell off the resultant blocks individually.

This ease of supply coupled with affordable pricing is a primary driver for the new Queenslanders coming up from down south.

That said, the price of vacant allotments is beginning to soften after a value peak around mid-2018. Camp Hill vacant lots range from $550,000 to $750,000 for a 405 square metre site with no major views. In contrast, a 607 square metre lot with a demolishable house will sell for between $675,000 and $750,000. Properties that can be split are limited to a small number of allotments which most local agents know about. As such, they achieve a premium in this very competitive area.

Owners will usually spend around $550,000 to build a home in Camp Hill, but that's exclusive of landscaping or a pool, both of which will be required if an end value above $1.2 million is expected. We are also seeing a push toward Hamptons design, which can be a simple descriptor for a monochromatic house with a gabled roof.

Construction costs in Camp Hill for owner-occupier product run at around $2,500 per square metre of living area, with the per square metre rate of the garage running at about 75 per cent of this. Investor-grade product reflects $1,400 per square metre for the living area with the same discount applied for the garage.

Approximately ten months ago, a $600,000 construction on a 405 square metre allotment would reflect an end sale price of $1.4 million. Changes in market conditions since have seen this outcome reduce somewhat to now reflect a price around the low $1.3 million mark.

Buyers who have been pushed away from Bulimba, Balmoral and Hawthorn by higher prices are driving demand for good quality houses on 405 square metre allotments in Camp Hill.

A great example is 40 Brisbane Avenue, Camp Hill which sold for $1.805 million in April 2018. This dwelling was a high-quality build that ticked all of the boxes. It illustrates the level of demand for high-end product compared to a circa 2005 build reproduction Queenslander across the road at 37 Brisbane Avenue, Camp Hill which was a little tired and had no pool. It sold for $985,000 in November 2018.

40 Brisbane Ave, Camp Hill   Source: realestate.com.au


37 Brisbane Ave, Camp Hill Source: realestate.com.au

Western corridor
Our western corridor, out to and surrounding Ipswich, has become a major growth zone in south-east Queensland.

Stimulated by the establishment of Forest Lake and Springfield (the precursor to Springfield Lakes), there's also been moves afoot in Ripley Valley to produce more land.

In general, western corridor estates provide typically investor-grade product with the cheapest allotments being around the $170,000 ($453 per square metre) to $180,000 ($480 per square metre) for 375 square metre sites in Redbank Plains.

Bellbird Park reflects land priced at around $200,000 ($533 per square metre) to $220,000 ($586 per square metre) for 375 square metre allotments. Springfield Lakes, Brookwater and Springfield have a range of $220,000 ($586 per square metre) to $250,000 ($667 per square metre) for 375 square metre allotments.

Of note is that land sizes are beginning to shrink. This is designed to help developers maintain acceptable profit margins while keeping the end product price reasonable for buyers.

Land contracts in estates being marketed toward owner-occupiers are stacking up pretty well on valuation. These estates often have better amenity such as shops or green spaces.

In developments pitched more toward investors, contract prices for land + build can be a little shakier on valuation.

Lowset brick and tile or Colorbond dwellings will run at a construction cost of around $1,200 per square metre for an investor-grade product with a rate of $800 per square metre for the garage space and $600 per square metre for the outdoor area. In addition, the majority of building contracts do not include landscaping or window coverings.

In most cases, we've found building contracts have become more expensive over the past twelve months despite limited evidence supporting an increase in as if complete values.

It's becoming increasingly difficult to support the cost of land plus construction as equal to or above the end value of the completed property. Competition is coming from second hand property within each development that's comparable in accommodation and utility, but is trading between private sellers at $30,000 to $40,000 cheaper than new stock. In addition, many of the older homes are substantially larger than new homes, making them an attractive option for buyers.

Northern corridor
Brisbane's northern corridor includes multiple estates with a variety of allotments and housing types on offer.

Newport estate in Newport.
Vacant land sales range from $300,000 for 350 square metres to approximately $385,000 for 500 square metres, although many lots are smaller than 425 square metres.

Sites in this estate achieve a premium compared to vacant land in surrounding suburbs.

The entry level price for new housing is circa $550,000 to $625,000, with higher quality dwellings commanding up to $750,000.

As this estate is still in its infancy, having not yet garnered local market momentum, there are a limited number of resales, which creates higher volatility in sale price ranges.

Build rates for new homes range from $1,200 per square metre for investor-grade product to $1,800 per square metre for higher quality, owner-occupier dwellings.

Capestone Estate in Mango Hill
Vacant land sees sales range from $220,000 for 280 square metres to $300,000 for a 450 square metre site, to $375,000 for 600 square metres. We note that many newly-created lots are smaller in size than they were in earlier stages, with most having an area of 450 square metres or smaller.

The estate is around five years old and investor-grade housing is priced at $425,000 to $500,000. If priced above this, expect to see larger homes with higher quality finishes.

The estate has gained increased demand from local buyers, with many residents moving from North Lakes. Capestone has achieved sale prices of circa

Brisbane's northern corridor includes multiple estates with a variety of allotments and housing types on offer.

$850,000 for high quality homes on 700 plus square metre lots.

Build rates for new homes range from $1,100 per square metre for investor-grade product to $1,400 for a higher quality, owner-occupier dwelling.

There is a high percentage of investor-standard product for sale in this estate and properties listed at sub-$500,000 are taking longer to sell.

Griffin
Griffin's vacant land prices range from $230,000 for 300 square metres to $300,000 for 500 square metres.

Build rates for new homes range from $1,100 per square metre of living area for investor-grade product to approximately $1,400 for a higher quality owner-occupier dwelling.

Entry-level homes start at around $400,000 and there are opportunities to purchase second hand dwellings at below replacement cost in the area.

Investors are mostly active in the small lot size and new construction market whereas owner-occupiers are drawn toward second-hand stock offering a little more space and less chance of the "new car" premium.

Of note in Griffin is the large number of dual occupancy dwellings being constructed. These mostly appeal to cash-flow oriented investors. It will be interesting to monitor the price and volume of resales achieved in dual occupancy properties over the next few years.

North Harbour in Burpengary East
North Harbour has vacant land at $235,000 for 450 square metres and $300,000 for 600 square metre blocks.

Entry-level homes are priced at around $430,000 to $480,000 for new product, which is an appealing price point for investors and first home owners.

For owner-occupier stock, properties are realising $480,000 to $600,000 with many of these purchasers upsizing into their new home.

House construction costs run from $1,200 per square metre for investor-grade stock through to $1,400 per square metre for owner-occupiers.

Other suburban projects
In Narangbah and Burpengary, vacant land is priced around $170,000 for 199 square metre allotments up to $280,000 for 550 square metre blocks, with the majority of new lots being below 500 square metres in area.

Build rates for new homes range from $1,200 per square metre of living area for investor-grade product to $1,400 per square metre of living area for owner-occupier stock.

In comparison to many of the new multi-stage estates in adjoining and nearby suburbs, developments here do tend to attract a higher proportion of owner-occupiers.

The entry level pricing of new homes starts from $380,000 with many priced up to $500,000. Investors and first home owners are mostly active in this price bracket, while upgrading owner-occupiers purchase homes in the $500,000 to $750,000 price range.

Looking to the suburbs of Caboolture and Morayfield, vacant land starts from $180,000 for 400 square metres and goes up to approximately $230,000 for 750 square metre blocks.

Entry-level new homes are priced from $330,000 to $390,000, with typical owner-occupier properties comprising larger homes and blocks, priced at around $400,000 to $450,000.

Build rates for new investor-grade homes sit at approximately $1,100 per square metre of living area, while owner-occupier homes cost around $1.200 per square metre to construct.

Many buyers are taking advantage of the opportunity to purchase second-hand dwellings at below replacement costs in this area. Investors are mostly active in the small lot sizes or new construction markets compared to owner-occupiers who tend to purchase second-hand dwellings on larger lots.

Gold Coast

Given the vast majority of new land estates are in the northern fringe of the Gold Coast, we will concentrate on that area. The estates vary in land value for the same size lots by up to 15 per cent depending on the quality of the estate and homes built within it. This is often the result of the target market, ie owner-occupier estates are usually more valuable and prices hold firmer than investor market driven areas.

The southern land estates have limited balance stock, with the exception of resale lots, Altitude, Banora Point and a new release at Casuarina, NSW which has reportedly sold out off the plan.

Many of the housing estates in the northern fringe region have been targeted at interstate investors but in the past six to twelve months, there was a noticeable decline in the number of sales of land and building packages in this segment of the market. Consequently, some developers found themselves having to rely on first home buyers to ensure the continuity of their projects. In some estates, we have noticed a slowdown in construction activity, especially for those with a heavier dependence on interstate investors for their products. In recent months, some estates in Pimpama and Coomera have expanded to new stages, having sold all or almost all of the earlier stages during the period of stronger demand. The new home sites appear to be impacted by the slower take up as many are left vacant for a long time.

Despite the slower sales, several new estates are popping up along Foxwell Road in Coomera, riding on the hope of stronger demand driven by the recently opened Westfield Coomera Town Centre regional shopping centre as well as the construction of a new secondary school. Accessibility to this region is also expected to improve in the near future, with the proposed Coomera Connector arterial road now in a more likely to be built situation. On the other hand, this new transport corridor which is hoped to ease the traffic congestion on the Pacific Motorway has brought some trepidation to local homeowners regarding the negative impacts of traffic noise and pollution, particularly to those with homes located very close to the alignment of the future thoroughfare. Sellers of homes which are perceived to be somewhat impacted could find it harder to dispose of their properties in the normal time frame without some consideration of discount. Nevertheless, it is not all bad news because there would be some buyers who regard the new route as a benefit for commuting purposes that outweighs the adverse impacts.

The increasing supply of home sites in this region did not deter developers and builders from upgrading the price of land. Small allotments of 200 to 400 square metres continue to be priced in the $190,000 to $270,000 bracket whilst the larger allotments of 400 to 600 square metres are priced near the $300,000 mark or more. There are more expensive home sites in the market but they are priced to reflect either the lower density, provision of specific infrastructure such as state of art recreational parks, high views and proximity to water. It is common to find that buyers of the more expensive sites are financially stable owner-occupiers looking to build their dream homes whilst investors tend to prefer the less expensive small lots, which have an overall cheaper cost, are easier to rent and provide a sustainable rental income. First home buyers are also the major buyers of small lots due to affordability. New homes can be expected to cost from $210,000 up to $350,000 to build depending on size and quality. The total cost of land and building may not be realisable if the new home has to be sold immediately on completion, judging by the few resales that have occurred in the market.

Up to this time, local developers do not seem to consider a market correction for pricing as a necessity although there have been rebates and incentives being given to individual buyers. In the case of projects that did not achieve 100 per cent sale, some developers have let the remaining unsold completed dwellings or units go at discounted prices. As holding costs for unsold land can become a burden after some time, some form of correction in the market may occur if the market does not pick up momentum.

The market in this region remains patchy with local agents experiencing slow to strong buyer interest. One thing is for sure - current demand is strong for houses priced between $400,000 and $500,000 but for the more expensive homes, it is a case of too many trying to sell at the same time and eventually, price reduction is the only way forward for some.

The region west of the M1 has a variety of vacant land options. These include standard residential lot estates closer to the coast to larger acreage estates out west. Examples include:

Standard/conventional size lot residential estates:

- **Maudsland** – Huntington Rise, located approximately 21 kilometres north-west of Surfers Paradise. Stage 5 (Woodside Heights) (over 90 per cent sold) has 51 lots. Lots range in size from 450 to 2,090 square metres. All services available. Lots have sold for between $270,000 to $340,000. Lot 230 Electric Avenue, 464 square metres sold for $275,000 ($592 per square metre). Lot 186 Electric Avenue, 1,122 square metres sold for $315,000 ($280 per square metre) and Lot 193 Victoria Court, 1,208 square metres sold for $340,000 ($281 per square metre).


Huntington Rise - Stage 5 Source: huntingtonrise.com.au

- **New Stage 6** Natures Way has 47 lots. Lots range in size from 450 to 1,550 square metres. There were 12 lots remaining at the time of writing. Lot 276, 464 square metres sold for $280,000 ($603 per square metre). Lot 283, 1,520 square metres sold for $365,000 ($240 per square metre).
- **Oxenford** – Harriet Lane, located approximately 20 kilometres north-west of Surfers Paradise.

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Has 19 lots that range in size from 634 square metres to 1,761 square metres. Lots are generally easy sloping or retained. All services are available. Lot 13 which is 844 square metres is currently under contract for $275,000 ($325 per square metre). Lot 4 Aingeal Place, 1,761 square metres, is listed for sale for $295,000 ($167 per square metres). Lot 2 Aingeal Place 802 square metres sold for $275,000 ($342 per square metres).

Larger acreage lot estates:

- **Maudsland** – Tuxedo Junction located approximately 23 kilometres north-west of Surfers Paradise. 55 lots. Majority of lots have sold. Lots range from 4,000 to 9,620 square metres plus some larger lots of up to nine hectares. Power, phone, town water, NBN are available. Lots vary in topography but the average blocks are easy sloping. Lot 48 Burley Griffin Drive, 9,213 square metres is currently listed for $375,000. Lot 8 Arbuckle Place 6,901 square metres is listed for $390,000. Lot 13 Burley Griffin Drive, 5,000 square metres is listed for $465,000. Lots have sold for between $375,000 and $550,000 depending on size and topography.
- **Canungra** – Canungra Rise is located approximately 34 kilometres west of Surfers Paradise. The estate began circa 2016 and currently has 29 lots available in the new elevated section (currently under construction). Lots range from 993 to 4,635 square metres. The older existing estate on Roxborough Street was sold from circa 2016 to 2017, with prices ranging from $190,000 to $230,000. The new stage is selling lots from $220,000.
- **Woodhill** – Mahoneys Pocket located approximately 68 kilometres north-west of Surfers Paradise. Includes 100 lots. Lots range from 4,000 square metres to 2.84 hectares. Power, town water, NBN available. Lots are mostly level or easy sloping. One lot of 6,237 square metres is listed for $258,000; another lot of 4,520 square metres is listed for $259,000 and another lot of 4,529 square metres is listed for $265,000. Lots have sold for between $253,000 for a 4,026 square metre block ($62 per square metre) and $345,000 for a 2.8 hectare block ($12 per square metre).

The larger acreage blocks located closer to the coast (for example Tuxedo Junction at Maudsland) have a price point of approximately $350,000 to $500,000. Larger acreage blocks located out west (for example Mahoneys Pocket at Woodhill) have a price point of approximately $250,000 to $375,000 depending on size, topography, views and services available.

Residential estates closer to the coast (for example Huntington Rise at Maudsland and Harriet Lane at Oxenford) have a price point of approximately $275,000 to $350,000 depending on size, topography and views.

Most developments seem to have land prices equivalent to market value, however we have noticed some developers have tried to increase land values recently, even though the market has not seen an equivalent increase over the past year. For example, the Huntington Rise stage 5 had some 450 square metre blocks sell for $270,000 to $275,000 in 2018. The developer recently tried to sell one of the remaining lots in stage 5 (450 square metre block) for $295,000, stating that the price was in line with the new stage 6 pricing. The $295,000 contract was not supported and the developer ended up decreasing the contract price to $280,000. Land prices appear to be stable or slightly increasing for both average residential and larger acreage blocks.

135-169 Country Crescent Nerang Source: realestate.com.au

More established built up suburbs such as Nerang have seen a number of older acreage blocks subdivided or strata titled and sold. These have attracted good interest due to the limited amount of existing larger than average land closer to the coast. For example, 135-169 Country Crescent, Nerang has recently been subdivided into four parcels and marketed through Ray White Mermaid Beach. The original parcel was three hectares. Lot 1 (vacant land) has an area of 5,136 square metres and has recently sold for $540,000 including a shed or flat; Lot 2 (dwelling block) has an area of 10,391 square metres and sold for circa $1.1 million; Lot 3 (vacant land) has an area of 4,076 square metres and sold for circa $500,000; Lot 4 (vacant land) has an area of 10,587 square metres and is currently listed for $719,000.

Larger acreage type estates tend to attract owner-occupiers. Estates closer to the coast with generally higher price points such as Tuxedo Junction have also been actively pursued by owner-occupiers. Investors and first home owners are attracted to estates with lower price points to maximise value.

Typical building costs can vary depending on size and quality of build, however for an average dwelling in a standard residential estate, prices seem to range from approximately $220,000 to $350,000. For example, Hunting Rise in Maudsland has Ingenious Homes as the major builder in the estate. The majority of the standard four-bedroom, two-bathroom, double garage homes have a rate of approximately $1,185 per square metre. This price usually provides for the dwelling, including reconstituted bench tops, split cycle air conditioning, driveway, fencing, landscaping and turf. Larger acreage type estates tend to have larger dwellings with premium features and can vary in price (anywhere from $1,350 to $2,000 per square metre).

In general, values seem to be holding up, however with the upcoming election and possible changes to negative gearing and the economic climate, land values within the residential estates will have to remain viable, especially for investors and first home owners.

Median house values in the Lower Logan area (Mount Warren Park, Beenleigh, Edens Landing), are estimated at between $350,000 and $450,000. Local agents have reported good interest for homes that are priced right with more interest from local buyers than investors.

There is plenty of residential land available in the developing locations and estates within Flagstone, Yarrabilba, Bahrs Scrub and Belivah. Although construction has slowed, there are still buyers out there purchasing house and land packages within the estates in these suburbs. Land in these areas is generally valued at between $180,000 and $220,000 for a 400 to 450 square metre block with build cost values for these locations generally ranging from $175,000 to $220,000. In some instances, land values have come back and are in line with the market, whereas construction costs have increased.

House and land packages have increased in pricing slightly, resulting in difficulty in supporting tender prices and ultimately, the value of improvements being valued at less than the cost to build. The median house values for these areas range from $370,000 to $420,000.

Over the border – northern NSW

Residential property prices in the far northern New South Wales areas have remained subdued with some signs of easing at mid-range and higher price points during the first and second quarter of 2019. Local selling agents have reported longer marketing periods in most instances with signs pointing towards a buyer's market.

However, vacant land in the more sought after beachside localities in the area is limited, with steady demand and restricted supply.

The final stages of Casuarina, south of Kingscliff, have seen strong buyer interest, particularly with the existing, smaller, medium density zoned allotments east of Casuarina Way. Land sizes now start at 380 square metres for $515,000 up to 480 square metres for $645,000. The trend has been to construct higher quality homes, with construction costs ranging from $1,350 to $2,000 per square metre (circa $1,500 to $3,000 per square metre of gross floor area including pools and landscaping). It seems, at this stage that those dwellings with closer proximity to the beach are achieving strong re-sale prices and justify the high building costs.

At the end of the day, owners need to be aware that cost over-runs can escalate quickly and do not always translate to market value. In addition, a falling market reveals the sins, such as poor design, and prices for those inferior properties will fall quicker and harder than well designed (internal and external) properties.

Sunshine Coast

The Sunshine Coast has been growing significantly over recent years. The major infrastructure projects under construction, high standard of education and health care not to mention the amazing geographical diversity are all factors helping to attract people to one of the fastest growing regions in Australia.

When we look at the land estates on offer we note that they are quite diverse. There is a wide range of product type and the rise of small lot housing is assisting with affordability.

The breakdown of sizes for new vacant residential allotments sold is below. It shows that lot sizes are ranging from sub-300 square metre allotments up to large lots from 1,200 to 2,400 square metres. Sales specifically of sub-300 square metres have emerged from almost nothing ten years ago to account for 26 per cent of all new allotment sales in 2018. Sub-300 square metre allotment sales have also contributed to sales of new allotments of less than 450 square metres growing to over

Sales specifically of sub-300 square metres have emerged from almost nothing ten years ago to account for 26 per cent of all new allotment sales in 2018.

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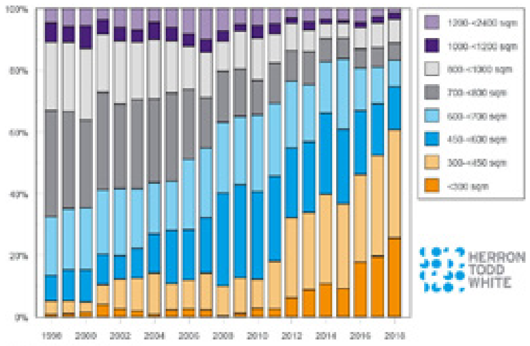
60 per cent of all new allotments sold during 2018. These changes are reflected in the average size of new vacant residential allotments sold reducing from 769 square metres in 1998 to 455 square metres in 2018.

Lot Sizes of New Residential Allotment Sales



Source: HTW Analysis of RPData

There are a number of estates that cater for small lots with the main options being Aura by Stockland and Harmony by Avid. Aura is Australia's largest master planned community in single ownership and is part of the Queensland government's priority development area scheme. Upon completion it will provide housing for 50,000 people and will have created 20,000 jobs. Lot sizes generally range from circa 70 square metres to a maximum of 600 square metres with building rates per metre range between $1,100 and $1,800 depending on the size and construction style. For sub-100 square metre lots, house and land packages can be as little as low $300,000. These estates are located a little way inland off the coast but still east of the Bruce Highway.

When trying to find more land of old traditional sized 700 square metre lots, west of the highway in and around the hinterland townships is your best bet. The bulk of this supply comes from the smaller in fill subdivisions. Depending on where you are located, this type of lot tends to be positioned around $250,000 to $300,000 with four-bedroom, two-bathroom low set house and land packages being around the $550,000 to $600,000 mark. A number of these larger lots are being targeted towards dual occupancy investment grade product.

Up to the end of 2018, values for this estate product had been performing pretty well, however with the recent slowing in the southern Sydney and Melbourne markets, the effects of the Royal Commission into Banking and now the looming federal election, we have begun to see a slowing. In some estates there appears to have been an increase in supply with agents advising that there are fewer buyers in the market are these are more hesitant to pay full asking price.

Darling Downs/Toowoomba

The majority of new estates are concentrated in the western suburbs of Toowoomba, including Glenvale, Harristown, Torrington and Cotswold Hills and satellite suburbs including Highfields and Kleinton to the north and Westbrook, Wyreema and Cambooya to the south, however the most popular location based on rate of sale and price point is Kearneys Spring and infill estates within the established south Toowoomba suburb of Middle Ridge.

Traditional lots generally range from circa $150,000 to $200,000, however in Kearneys Spring and Middle Ridge, the price point shifts to circa $200,000 to $300,000, with larger lots in desirable locations achieving above this level.

Typical building costs for standard new homes in Toowoomba range from $1,000 to $1,200 per square metre plus site improvements, with higher spec dwellings up to $1,500 per square metre and beyond. Architecturally-designed, prestige dwellings can cost $2,000 to $3,000 per square metre plus site improvements.

Costs often vary by soil type, with some western areas with E class soils requiring additional foundation costs, while the volcanic red soils in the established urban areas and northern satellite suburbs often reflecting M-H class soils which provide a more favourable building platform and suit standard foundations.

Across Toowoomba and indeed the broader Darling Downs, land + build does not always equal value. Buyers appear to be willing to pay a new home premium, which in some locations can disappear once the keys are handed over, much like the new car premium which evaporates once the car is driven out of the showroom. This phenomenon is more likely to occur in less desirable locations and in smaller rural and regional markets and is less likely to be experienced in larger established areas with a good depth of market demand.

Owners are prepared to pay a premium price to build their own home as this gives them flexibility to personalise their investment. Buyers of completed new or near new homes are unable to influence dwelling features such as size, layout, aspect, kitchen and bathroom style and appliances. Accordingly, there can be some resistance in the market place to this product.

Across Toowoomba and indeed the broader Darling Downs, land + build does not always equal value.

Townsville

The trend in new dwelling approvals in Townsville has been consistently declining since the middle of 2017, trailing away to historic low levels since records began in 1991. As at December 2018, the trend number of new houses being approved each month had reduced to just 26.

This slow rate of new housing approvals is reflected in the vacant land market that has seen the number of lots being sold and settled by developers slow to a trickle. As at December 2018, the trend number of land sales per month was just 11, which represents a whopping 84.7 per cent reduction in the trend volume of sales over the five year period since April 2013.

There is currently a variety of land sizes available in locations across the Townsville region with entry level pricing from low $100,000 for a small lot. Building costs range depending on size and quality of fitout with a typical first home buyer entry product including land generally priced from the mid to high $300,000s. Second home buyers are typically in the $450,000 to $500,000 price bracket for entry level product including land.

Demand and confidence in the new housing sector is currently very slow with no drivers in sight to halt this slowdown. With the median sale price in the residential market soft, the economics of building a new home versus buying an established home is proving difficult in some cases to stack up.

Rockhampton

The Rockhampton and Capricorn Coast area offers numerous options when it comes to vacant land availability. In recent times, sales have slowed around Rockhampton, whilst the Capricorn Coast has been more buoyant, albeit steady as she goes.

Rockhampton's land stocks are starting to languish with the ever-popular Forest Park only having minimal blocks left. Further developments are now on the northern fringes growth corridor. Land parcel sizes vary in these estates with allotments from around 400 square metres up to around 4,000 square metres plus in rural residential estates.

$1,250 - $1,450

Costs generally range per square metre for the main living area of property in the Rockhampton and Capricorn Coast area

The smaller 400 square metre lots are generally on offer to first home buyers and are mostly sold as house and land packages with overall packages starting from around the $350,000 mark. Creeping up to 600 square metres in size, prices generally start around the $150,000 mark and go up from there depending upon the size, shape and topography of the allotment. For larger residential allotments, prices generally start around $175,000 and get up over $200,000 for larger allotments over 1,000 square metre.

The Capricorn Coast has numerous estates currently developed and being developed, offering a wide range of options for a purchaser. With the various options, there's also a variance in price range with some land as low as $140,000 for a general sized allotment of around 650 square metres up to a price range of $180,000 for larger allotments. The lower priced allotments may vary in topography and may have higher building costs for sloping allotments. There are a number of estates that have allotments available in the $180,000 price bracket with some estates offering retained, near level land with restricted distant ocean views reasonably close to major amenities.

Construction prices are pretty similar across the Rockhampton and Capricorn Coast area. Most estates are offering reasonably flat land to build upon which helps keeps costs consistent. Most average homes constructed in this region consist of three or four bedrooms, two bathrooms and double lock-up garage with a small to average sized covered outdoor area. Costs generally range between $1,250 to $1,450 per square metre for the main living area of the property depending upon the quality and inclusions. Sloping blocks and more unique designs tend to be above this range. These costs in most instances cover a turn-key build (i.e include construction, landscaping, fencing, driveway and paths).

Construction of new homes has been relatively slow in the Rockhampton area and moderate in the Capricorn Coast region. It has been evident over the past few years that in some instances, construction values (land plus construction cost) have not always been met. There have been many instances where resales of modern homes (two to seven years old) have occurred for between 10 and 30 per cent below replacement cost depending on the location, estate and condition of the home. Finance for the purchase of these existing homes however can be a challenge, especially for first home buyers as the first home owners grant does not apply to them. As we have seen a more positive outlook of late we would envisage that this may not be as prevalent going forward.

Gladstone

For approximately six years after the peak of the market in Gladstone, building a new home was pretty much a no go zone. The fact that you could purchase a near new (up to about eight year old)

Now that the market has bottomed and stabilised, the value gap between existing modern homes and newly constructed homes has shrunk.

home for between about $50,000 and $200,000 less than building a new home of exactly the same size and style was pretty much a no brainer. However, things started to change in 2018 and have continued in 2019. Now that the market has bottomed and stabilised, the value gap between existing modern homes and newly constructed homes has shrunk. Make no mistake, there is still a gap, however it is getting easier to support new builds and that is evident across Gladstone by the upward trend in construction activity.

There are various patches of vacant land available in the Gladstone region. There's still an abundance of small lots which typically are very difficult to get across the line. There are two recent sales of roughly 300 square metre lots in New Auckland for approximately $30,000 each. Unfortunately, most small lots (sub-500 square metres) are not priced appropriately and are therefore not selling. These small lots were originally targeted at investors during the boom, but investors building new homes in Gladstone are virtually non-existent due to the low returns currently available. These small lots are now targeted toward first home buyers or those on tighter budgets.


Jabiru estate in Glen Eden Source: realestate.com.au

Average size lots of 600 to 800 square metres range between about $100,000 up to about $150,000 and can vary widely based on location, slope, contour and views available. Most lots above 800 square metres are single infill lots in established suburbs. New lots in the rebranded Jabiru estate in Glen Eden are mostly above 1,000 square metres in size and start in price at around $110,000. These larger lots are again very dependent on location and are worth up to around the low $200,000s.

As noted above, most lots in existing estates are small and demand for these is thin. There are few lots above 600 square metres in size in estates in Gladstone. There are some stocks in larger estates but to date, developers have been reluctant to meet the market in terms of price and therefore sales rates are extremely low. As the market improves and prices rise further, we can expect these estates to start filtering through new lots to meet demand.

There are about half a dozen mainstream builders in town that do most of the new builds in Gladstone. They range in quality and therefore price. Most building rates currently sit between $1,350 and $1,500 per square metre. A new build at $1,350 per square metre for the main living area will typically comprise an average quality, on ground, brick, four-bedroom, two-bathroom, double garage dwelling with features including laminate bench tops, standard appliances, 2.4 metre ceilings and air conditioning to the main bedroom and living area. As the rate per square metre increases, the features and quality of the dwelling typically improve to include ducted air conditioning, high or raked ceilings, stone bench tops and higher quality tapware and appliances. Most new builds also include allowances for a driveway, fencing and turfing or landscaping in order to comply with building covenants in modern estates. It's with these ancillary improvements that the gap between new and established comes further into play. It typically costs between $5,000 and $10,000 to fully turf an approximately 600 square metre yard. Fencing costs have also increased and can cost up to $10,000 to fully fence a 600 square metre lot. These items typically increase the property's marketability and presentation, however the full cost does not equal the added value to the dwelling.

Mackay

The Mackay market has continued its improved momentum in 2019, with good sales volumes and shortening listing times and slight increases in value. This improved momentum has also included the new home market, with increased builder activity and construction across Mackay. This increase in construction has occurred at all price points across most new estates.

Local builders had a very difficult time during the downturn in the Mackay market. Values fell anywhere between 20 and 30 per cent between 2013 and 2017, with building costs rising during these periods. Resales of two to five year old dwellings were often selling well below replacement cost.

Dwelling approvals eased considerably during these years from a high in 2012/2013 of 1,806 or 151 per month to a low in 2016/2017 of 204, or 17 per month. Latest figures for 2018/2019 year to date are at 223 (as at 28 February) or 28 per month and highlight the recovery and improved sentiment in new house construction.

Entry level house and land packages can be purchased for around the mid to high $300,000 mark. These are generally small three-bedroom, two-bathroom dwellings with build costs around the $200,000 to $250,000 mark and built on land under 500 square metres which can vary from low to mid $100,000s.

The mid-point, which appears to be the most popular, is for medium sized four-bedroom, two-bathroom dwellings with double lock up garage located in a number of estates on both sides of the river. They usually consist of a total house area of between 180 and 200 square metres and are full turn-key at around the mid $400,000s give or take $20,000. Construction costs are between $250,000 and $300,000 depending on fit out. Land sizes are around the 600 square metre mark and can be purchased between $160,000 and $190,000.

If you prefer to go big, then larger 750 to 900 square metre allotments can be purchased for just over $200,000 to $250,000, with build cost of large executive style homes (over 250 square metres in total area) starting at around $350,000 and higher depending on fitout. The total house and land cost of this style of property is around $550,000 to $600,000.

Hervey Bay

Residential lots continue to be developed across Hervey Bay with in excess of ten larger scale estates currently offering lots. In addition, there has been an increase in the number of infill developments of less than ten lots developed over the past two years due to a change in planning scheme zonings in 2014.

With the high number of estates, there is a risk of oversupply however developers currently seem to be managing stock levels to ensure values do not diminish. Values have shown a slight increase from two to three years ago. Most estates are offering lot sizes from 450 square metres up to 900 square metres. Pricing can range from $135,000 up to $195,000 depending on location. Lot pricing appears to be accepted by the market, however be wary of some estates that blanket-price the lots, meaning they have the same price no matter what size. These situations can see the larger lots sell first and the smaller lots remain on the market for extended periods.

Owner-occupiers and investors are currently active in our market.

Some estates only offer house and land package deals with pricing from $330,000 up to $380,000 turn-key. Most homes generally comprise four bedrooms, two bathrooms with a double garage under main roof. There are a large number of builders in town from project packages to the more executive style homes. Display homes are found throughout Hervey Bay with the most recent concentration of display homes being situated in The Springs at Nikenbah.

Those that do opt for a building contract separate to a land purchase should shop around as pricing can be broad. General rates range from $1,000 to

The Springs at Nikenbah Source: realestate.com.au

$1,350 per square metre of main area for homes from 125 to 165 square metres of main area plus garage and covered outdoor areas with average quality finish. Larger, more executive style homes can cost up to $1,500 per square metre however, of late, larger homes seem to be showing a slightly lower rate with some as low as $1,200 per square metre.

There appears to be a premium paid for new housing across Hervey Bay which is not achievable for older established homes. We understand some builders are offering incentives not disclosed in the contract which can negatively impact market sentiment and market value upon resale within these particular estates. Given the current level of supply and number of lots available to be developed in the pipeline, there is a heightened risk that in some cases, total package prices may not be achievable upon resale. On the flip side, rental vacancies continue to be very low with strong demand. Rental rates can range from $360 to $400 per week for

There has been an increase in the number of infill developments of less than ten lots developed over the past two years due to a change in planning scheme zonings in 2014.

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new homes within these estates, realising a gross return in the vicinity of five per cent.

Emerald

The Emerald residential market continues to slowly firm.

Vacant land is limited but so is demand with Maranda Heights holding the majority of vacant lots in town ranging from 600 to 1,000 square metres and selling from $85,000 to $114,000. These lots were selling as low as $65,000 only eighteen months ago. Council also holds a large parcel of vacant lots and rumour has it they may test the market soon with some of those. Otherwise a few vacant lots belonging to the government in the old parts of town have firmed over the past twelve months from $30,000 up to $60,000. There is a steady but small demand for new housing with most building rates sitting between $1,300 and $1,400 per square metre. We are also seeing modern homes under seven years of age selling at near replacement cost at present. If they're in a good location, well established and include a shed or pool, we are seeing them sell for prices about 10 to 15 per cent off the values achieved in the last boom in 2011/2012. We are yet to see a pickup in non-local investors but as rents and values continue to firm and positive resource sector activity continues, it is only a matter of time.

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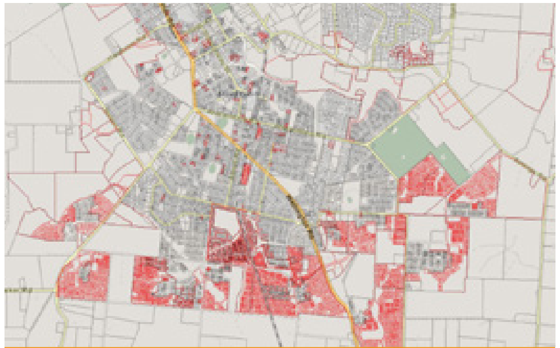
South Australia

Adelaide

There is an abundance of land available throughout metropolitan Adelaide, particularly at the extremities. Given the metropolitan area is bound by the hills to the east and ocean to the west, the majority of the available land is north and south of the city.

Typically, new developments are centred around existing townships which allows developers to use the already established community services and facilities as a selling point. Townships such as Virginia, Angle Vale and Evanston Gardens to the north and Aldinga Beach, Seaford and Mt Barker to the south or south-east of the city have all been the centre of recent residential expansion. As an example, the areas designated in red in the maps below represent current proposed land divisions surrounding Angle Vale and Mount Barker.

Angle Vale Development Source: Property Location Browser



Mount Barker Development Source: Property Location Browser

Typically, premiums are paid for vacant allotments in new subdivisions. Allotments are marketed with the developer's vision with mission statements spruiking new services, facilities and a lifestyle choice. Allotments are priced in line or slightly above the market ceiling for vacant allotments selling outside of the developments. In most cases, values can be supported however there are always a small handful of contracts which fall above what's considered acceptable in the market.

$70,000 - $110,000

The price range for courtyard allotments in the city

Throughout the multitude of subdivisions, allotment sizes range between 150 and 1,000 square metres. Whether you are purchasing north or south of the city, land values remain relatively constant. Courtyard allotments range between $70,000 and $110,000 with a ceiling of $250,000 being reached for the traditional quarter acre blocks.

When buying in a subdivision, it's important to be aware of the development guidelines and resale restrictions. Development guidelines provide details on the styles of dwelling which can be constructed, the building materials which can be used and timelines in which construction must commence and complete. Resale restrictions of vacant land are in place to protect the developers from a purchaser then advertising a vacant allotment for an amount less than the developer's price point. Typically, allotments are only saleable back to the developer at a discounted value, usually 90 per cent of the original purchase price.

Allotments within these subdivisions are commonly sold as land and build packages. Typical building costs for single level brick veneer construction range between $1,200 and $1,500 per square metre. This rate is considered constant throughout metropolitan subdivisions. Build costs fluctuate with dwelling size, fit out, level of establishment and each individual builder. For a rate at the upper end of the range, a purchaser should expect to have a relatively established build with stone bench tops, floor coverings, air conditioning, driveway, paths, fencing and landscaping.

Combined land and build prices are in most cases supportable by evidence outside of the subdivisions. Issues can arise when the subdivision is the first to occur in a region with

The rule of thumb is don't build a castle if everyone else is building the servants' quarters.

no defined market for new builds. Further, purchasers need to be aware of price points within the market they will be building in. This is to ensure that their land and build cost will be acceptable to the broad market once completed. The rule of thumb is don't build a castle if everyone else is building the servants' quarters.

Investors and owner-occupiers are active in seeking out land and build packages. In the short-term, benefits are there for investors seeking tax incentives and rental returns. Prices can remain stagnant for extended periods as the developer controls the supply of available land to the market. Price growth will remain stagnant until the surrounding areas become fully developed, reducing the supply to the market.

The sale of 16 Red Gum Crescent, Mount Barker ($430,000) is a fair representation of what one could expect as a finished product after buying and building in a new subdivision. This is a single level brick veneer dwelling comprising four bedrooms and two bathrooms with a small entertaining area on a 480 square metre allotment.

16 Red Gum Crescent Mount Barker Source: realestate.com

Looking closer to the CBD, the general starting point for vacant land throughout the inner north, east and south is $1,000 per square metre. This price can jump to $1,500 to $2,000 per square metre within the metro area's blue ribbon suburbs. Recently 131A Beulah Road, Norwood achieved a sale price of $670,000 which equates to a rate per square metre of $2,042. This is a regular shaped allotment of 328 square metres located a drop punt from The Parade, Norwood.

131A Beulah Road Norwood Source: realestate.com

With beach proximity, ocean views and accessibility to high quality services and facilities, vacant allotments along Adelaide's city beaches are in high demand. Allotments with these attributes can achieve rates per square metre in excess of $3,000. The recent sales of 47A Esplanade, Henley Beach South ($1.665 million) and Lot 1 Seaview Road, Tennyson ($1.075 million) are representations of this, achieving rates of $3,183 and $3,237 per square metre respectively.

47A Henley Beach South Source: realestate.com

Within the inner metro areas, builds move away from standard brick veneer construction to the more ostentatious. Build costs can range anywhere from $1,500 to $3,000 per square metre and above. Builds of this nature are typically architecturally designed and include above average fit outs such as underfloor heating, integrated audio, passenger lifts, swimming pools, outdoor entertaining areas and humidified wine rooms.

So, you bought a block in a blue-ribbon location and built a house with all the mod cons... but what does it look like? The Sale of 46 Wootoona Terrace, St Georges ($1.65 million) might reflect the finished product. This is a modern, two level dwelling with high quality fixtures and fittings featuring a passenger lift, home theatre, large outdoor entertaining area and outdoor kitchen.

46 Wootoona Terrace St Georges Source: realestate.com

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

You can source the perfect block, find the right builder and have the ability to select everything from the colour of the bricks to the type of toilet roll holder.

For those of us who are picky about what they want, a land and build project could be the perfect answer. You can source the perfect block, find the right builder and have the ability to select everything from the colour of the bricks to the type of toilet roll holder. The key word to remember though is project. It's not as simple as signing a contract today and having a habitable dwelling tomorrow. These things take time and have been the cause of many grey hairs.

Mount Gambier

Mount Gambier has numerous land divisions currently available. Within the city there are standard residential blocks available that are situated on 700 to 900 square metres and range from approximately $70,000 to $135,000. There are also new land divisions on the outskirts of Mount Gambier. These blocks are generally more sought after as they are larger, ranging from 1,000 to 5,000 square metres with a price range of $120,000 to $190,000. The allotments located on the outskirts of town generally appeal to owner-occupiers, whereas some of the cheaper, smaller allotments in town such as The Meadows appeal to investors. A large number of allotments within this estate have been purchased by investors.

$1,1000 - $140,000

The building cost per square metre within Mount Gambier

A typical building cost within Mount Gambier for a standard dwelling of roughly 150 to 200 square metres of living may range from approximately $1,100 to $1,400 per square metre. Depending on the size of the dwelling, a higher quality of build will generally result in a higher dollar rate per square metre and vice versa. We have seen build costs from as cheap as approximately $900 per square metre and as expensive as approximately $1,800 per square metre. Build costs don't generally vary too much between township blocks and those on the outskirts of town, however properties located in isolated regional areas where travel is a factor will have a higher cost per square metre.

In the Mount Gambier region, building a new home is a popular choice amongst home owners. It does make sense for home owners to build in terms of value as it allows them to build and configure a property to their particular taste.

Western Australia

Perth

Perth's weather is just now starting to turn and with winter creeping up on us, the next quarter should also bring a chill to the property market (though we wouldn't say that it has been particularly hot recently anyway).

During the March 2019 quarter, there were 6,636 properties sold in Perth, 1.1 per cent higher than the quarter previous – an improvement but a nonetheless shallow figure, on par with March 2018 sales volumes. On a positive note, Perth's overall median house price increased 0.6 per cent to $500,000 in the March 2019 quarter. Perth's unit median also held stable at $380,000 showing that we most definitely are bouncing along the bottom. However, with Perth's current two-speed property cycle, oversupplied developing suburbs will likely see value decreases for some time.

TRADING MONTHS OF STOCK (as at Q4 2018)

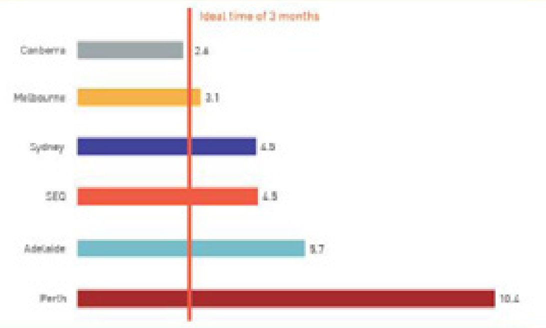


Figure 1 - Trading Months of Stock Source: UDIA

Weak market conditions, particularly in Perth's urban fringe, following the post-resource construction boom have perpetuated stock levels. UDIA's State of the Land 2019 report demonstrates Western Australia's current position.

At the current rate of sale, it would take 10.4 months to absorb Perth's remaining stock. This is more than twice the current national average and nearly 3.5 times the ideal time of three months. This figure is a good starting point when analysing why Perth's prices have been declining over the past few years. Sharp decreases in population coupled with strong construction activity and greenfield development created a divide in the number of residents available to fill these vacancies.

Western Australia's economy seems to be caught between a rock and a hard place currently. The residential construction industry accounts for a significant portion of the gross state product, so the more properties being built, the better. However, our stock levels are so high and population growth so low that any further development, greenfield in

Annual Greenfield Activity

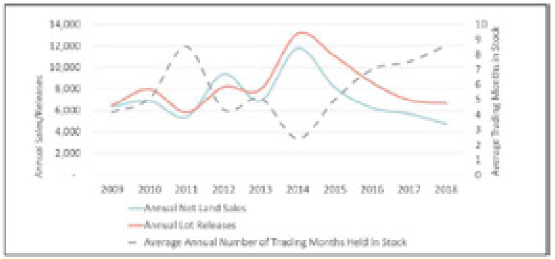


Figure 2 - Annual Greenfield Activity Source: UDIA

Greenfield Summary Table

	Annual Net Land Sales	Average Annual Number of Active Estates per Quarter	Median Lot Size (SQM)	Annual Median Lot Price ($'000s)	Annual Median Land Price ($/M)
2009	6,354	81	502	$205	$408
2010	6,921	105	488	$210	$431
2011	5,421	124	479	$230	$479
2012	9,416	140	465	$227	$487
2013	6,921	105	488	$210	$431
2014	11,805	141	427	$261	$612
2015	8,144	153	389	$253	$650
2016	6,259	162	375	$237	$633
2017	5,700	167	375	$226	$603
2018	4,811	163	375	$222	$591

Figure 3 - Greenfield Summary Table Source: UDIA

particular, will only result in greater depression of property prices for already struggling suburbs on Perth's outskirts. This is one reason why Perth's economy is so reliant on the mining industry. The more activity and spending in the resource sector, the more our population growth increases and therefore, the more construction activity there is.

Land values have been at an all-time low recently with purchasers being able to snap up vacant lots at as low as $99,000 in Two Rocks (156 square metres), $115,000 in Baldivis (265 square metres), $130,000 in Alkimos (180 square metres), $149,000 in Aveley (188 square metres) and $170,000 in Ellenbrook (326 square metres). There are a number of vacant lots across multiple suburbs that have been on the market for close to three years. Baldivis is seeing some of the longest selling periods Perth has seen and this has a devastating effect on values. The Baldivis lot mentioned above has been on the market for 1,014 days and is extremely affordable at $434 per square metre. This shows that entry into the Perth property market is more than attainable if you are willing to make the locational sacrifices. Unfortunately, urban sprawl has its limitations for attracting buyers.

Vacant land options are limited in Perth's more established suburbs. The majority of opportunities come in the form of residential subdivisions and green title subdivisions are more commonly seen in older suburbs with medium to high land values. There's a plethora of strata subdivision options available across Perth presently so if you're okay with sharing common areas, then you will be able to find one in most localities for investors or owner-occupiers on almost any budget.

Beyond this, construction prices have also been exceedingly low, which alongside the First Home Owner's Grant, has helped to create a fair amount of activity in the first home buyer segment. Dwellings are being constructed through volume builders for as little as $160,000, though this is for an incomplete product with the most basic of fixtures and finishes. This type of contract can omit an array of items including landscaping, internal wall painting, floor coverings, window treatments, lighting and air-conditioning.

Many home buyers desire a finished product so they don't have to complete any further works on the new home at handover, so purchasers are often happy to pay a slight premium for completed, turn-key contracts. Building prices vary significantly depending on which builder you choose and what they offer. Recently, the cheapest building contracts have come in at just above $900 per square metre. In June 2018, the average cost in Australia was $1,270 per square metre according to the Australian Bureau of Statistics. Architecturally-designed houses generally start from around $3,000 per square metre and even press upwards of $5,000 per square metre.

Beyond this, construction prices have also been exceedingly low, which along-side the First Home Owner's Grant, has helped to create a fair amount of activity in the first-home buyer segment.

Unfortunately, in the current market many properties are being valued at less than what purchasers are paying for the land and building – from $5,000 to $50,000 and even lower. This trend is being exacerbated particularly in the establishing suburbs on Perth's outskirts. In the past, a general rule for new builds was that land value plus the construction cost equals market value, however the chronic oversupply of new dwellings has caused a drop in value.

Since purchasing a house and land package is so cheap, many people would just prefer to build a new home to their own specification instead of buying in a lived-in, four year old property for a similar price. This is one of the reasons why selling periods for established dwellings in new, large scale land developments are far surpassing the Perth average of 72 days. Extended selling periods relate directly to value decreases as owners often end up discounting in order to sell.

Over capitalisation can also spell disaster for new dwellings. Valuers are looking for balance between the land and construction in regard to its suitability for the location. For example, you wouldn't generally see a high-specification, architect-designed project home in Whitby or Eglinton. The typical home buyer searching in these areas would not want to purchase that type of product and therefore that property would be hard to sell. As a result, the owners may have to lower their price significantly to find a buyer. However, if this dwelling was in Mount Pleasant or Wembley Downs, then you would likely find more home buyers searching for that type of product, so there may be no loss of value. Another way to put it is that you wouldn't want to purchase a $1 million home if the land is only worth $200,000. The typical consumer would rather spend a greater portion of their budget on greater land area or to live in a location that better suits them. Dwellings depreciate by age, but land at least has the chance to increase, so you don't want the ratio of building and land to be too top heavy.

Items that can add value to new builds include well presented, low maintenance landscaping, ducted air-conditioning, better quality standard features (this depends on your chosen builder), stone bench tops in kitchens and bathrooms, kitchen overhead cupboards, high ceilings, double vanities and showers, floor coverings and undercover outdoor areas, but these features are costly and don't always result in a 1:1 return, so be very careful not to over capitalise and always engage a property professional for advice.

Money can be lost in contracts through multiple variations for minor adjustments such as floor plan changes, higher quality or more tiling, mitred tiling, additional electrical sockets or external water taps, shower recesses or seats, dual shower rails, kitchen drawer types or styles, moving windows and owner-supplied fixtures and fittings. On top of this, valuers look out for rebates from builders or developers that alter the contract amount and are used to entice customers, but add nothing to the value of the property.

As stated before, value often depends on the appropriateness of the home for the location. Think about what the typical dwelling looks like in your desired area and compare that to what you want in your new home – do you think there will be enough demand for a home of your specification and design? The take away from this is to balance your desires with your budget and think about whether you want to regain the full cost of the property upon resale. Can you settle for the standard features or do you really need that ultra-modern, kitchen sink faucet and don't care about the cost?

South West WA

The vacant land market and construction industry throughout the south-west region of Western Australia has weakened over the past 24 months. Despite this, there are a high number of successful subdivisions across most of the major cities and towns in the region with some areas seeing more land releases and new sub-divisions coming on line.

Where is all this land? The south-west's traditional land releases can be found in the Greater Bunbury regions such as Australind, Millbridge and Dalyellup. There is also land being released throughout the Greater Busselton area in Broadwater, Vasse, Dunsborough and Port Geographe. Margaret River also has a large vacant land release.

We have also seen some upturn in vacant land sales in the more outlying towns such as Bridgetown which can largely be attributed to the growth in the mining industries associated with those towns.

Price points for vacant land within the estates can vary quite significantly depending on location and block size. The entry point for outlying regions and suburbs is around $130,000 (for a 350 square metre block) however in the slightly more prestigious subdivisions such as Dunsborough Lakes, prices can reach up to $350,000 (700 square metre block with golf course views).

Overall the vacant land market has started to stabilise, with a reasonable balance between supply and demand.

These variations are also visible when you start to talk about how value is stacking up in the market and it is all about location and perception. The areas that are currently considered value for money are largely in the Busselton Margaret River region because of their proximity to the sea change lifestyle, with pristine beaches, award winning wineries and attractions on your doorstep.

While there are significant numbers of land subdivision areas, the south-west is also seeing larger green title lots located in close proximity to the town and beach being subdivided into smaller strata lots. This is also adding supply to the market.

Overall, the vacant land market has started to stabilise, with a reasonable balance between supply and demand.

The building industry is showing some signs of recovery as sales representatives are reporting an increase in sales volumes - a positive sign. Given the slow nature of the industry over recent years we have seen building costs reduce and currently in the south-west region it costs $1,000 to $1,100 per square metre for a basic project home and $1,300 to $1,500 per square metre for a quality project home. There are also a number of specialty builders in the region who will build your forever home in some of the prestigious locations in the south-west for anywhere up $3,000 to $4,000 per square metre.

In regard to value, we are seeing that cost does not equal value in outlying residential areas in Bunbury with sales of modern established homes coming in below the value of the land and the cost of the build. This is especially evident in the rural lifestyle market, with values being well below replacement costs.

This is not as obvious throughout the Busselton region, however the gap between value and cost is starting to diminish. Margaret River does seem to buck this trend as purchasers are willing to pay a premium for an established product rather than build.

In conclusion, land + build does not always equal value, however when you consider the location and perception factors, the gap is closing.

Northern Territory

Darwin

The current state of residential land supply within Darwin and Palmerston is akin to being amidst a federal election campaign – over saturation, modest interest and government policy aimed at the lowest common denominator.

The Inpex effect is well reported and likely to be far too familiar to readers, so for the sake of brevity, we won't go down that rabbit hole this time around. However, it is worth noting that it was no surprise that following the spike in population drivers during this time (2011 to 2015), demand for housing, including vacant residential land, was insatiable and inevitable. Naturally a time lag occurred in the release of land to the market during this period and we are now faced with a situation of a large over supply of residential land given the current contraction in population growth.

In August 2018, Herron Todd White (Darwin) was commissioned by the Property Council of Australia to undertake a research paper to accurately assess the total supply of land and buildings across the greater Darwin market. Part of this research was to specifically include residential land estates. It must be stressed that these are not completed lots on the market at present, but a supply pipeline which is now available to meet demand as it is warranted.

The full report can be found on the Herron Todd White website (www.htw.com.au), however the upshot was that as at August 2018, the total supply line for residential lots in the Darwin and Palmerston regions was in excess of 6,000, representing a minimum supply of around 17.72 years to a maximum of 24.81 years dependent on the rate of sale (consistent with previous historical data).

		Sales Per week Across Greater Darwin		
Location	No of Lots	5	6	7
North Crest	2,000	7.7	6.4	5.5
Zuccoli	1,900	7.3	6.1	5.2
2Cru	500	1.9	1.6	1.4
The Heights Durack	400	1.5	1.3	1.1
Muirhead & North	300	1.2	1.0	0.8
Urban Infill	250	1.0	0.8	0.7
Farrar West	300	1.2	1.0	0.8
Holtze	800	3.1	2.6	2.2
		Years of Supply		
Total Available Lots	6,450	24.81	20.67	17.72

Source : HTW/Property Council

The current situation sees basic economic principles at play, with downward pressure on price being a natural consequence of oversupply. Competition for buyers in the different estates has also seen some developers offer incentives in the form of paid building works to sweeten the deal, ranging from fencing to cash grants directly to the chosen builder.

The competition within the market coupled with a slowdown of the Northern Territory economy generally has rippled through the construction sector, traditionally the backbone and measuring stick of the Darwin economy. Competition for builders to secure work is a result of a smaller pool of available jobs which has seen an adjustment to pricing - a downward contraction in favour of the client.

During the healthy construction periods of 2011 to 2015, it was common for the average four-bedroom, two-bathroom rendered block home of say 150 square metres to have a cost of between $2,000 and $2,300 per square metre of living area (excluding verandah, garages etc) and very rare to see pricing below $1,900 per square metre.

These days, the pencil is a lot sharper and costs are more consistently around $1,700 to $2,000 per square metre of living area. This can obviously have a large degree of variance depending on the size of the dwelling, quality of fixtures and fittings and any variations to standard layouts. We note that this still far exceeds rates applied for dwellings in southern states, which is largely due to the cyclone coding requirements for dwellings in the Northern Territory.

The Northern Territory government is attempting to arrest the slide in population (see Boundless Possible) and downturn in the construction industry by releasing the latest round of building stimulus packages. Territorians would now be familiar or at least aware of the packages available to not only first home buyers but also new comers to the local market. On 8 February this year, the Gunner government released these new measures with

The total supply line for residential lots was in excess of 6,000, representing a minimum supply of around 17.72 years to a maximum of 24.81 years, dependent on the rate of sale.

the aim to "create local construction jobs, build our population and support first home owners by increasing eligibility".

Source: http://newsroom.nt.gov.au/mediaRelease/28668

It is too early to tell whether or not this stimulus package has had the desired effect. Our discussions with local developers and builders have seen that they are reporting an immediate uplift in enquiries from locals, however this is yet to translate to a significant increase in land sales or housing starts. Whilst we are hoping that it can stimulate this sector of the market, there is some apprehension out there that this significant promotion and support of the new homes sector with financial incentives may stifle any possible recovery in the established housing market. Despite the fact that they comprise typically older dwellings, areas such as Roseberry, Gunn and Bellamack are examples of suburbs with relatively modern dwellings (circa 2000 to 2012 construction) on good size blocks of land (600 square metres plus) which seem to show great bang for your buck compared to newer areas such as Zuccoli and Johnston being within the same price bracket ($450,000 to $650,000) yet having land areas 30 to 50 per cent smaller and dwellings of typically inferior layouts. The market appears to be keener on a new dwelling on small blocks of land with limited maintenance although it is very price sensitive – an issue the build bonus package is attempting to address.

The question regarding land plus build contracts comes up frequently, with the expectation in the market that the sum of the two must equal the capital value of the property. Whilst generally this does have some relationship, we are seeing more situations where land and construction contracts are not stacking up. For example, a land contract of say $210,000 and a build contract of $360,000 on completion effectively owes $570,000. In this case it appears to be higher than the property would achieve when sold as a completed dwelling based on resales of other modern (recently constructed) dwellings in the area. Here, the market is demonstrating that the relationship between cost and value are not directly related. There are some concerns of over capitalisation creeping into the equation in certain circumstances, however as mentioned previously, it is largely dependent on size, quality and finish of the construction.

The other obvious piece is that the second purchaser doesn't have access to as many build bonus grants as the original building client which can limit the deposit of the buyer. The added cost of stamp duty to the overall sale price also increases over the stamp duty which would have only been paid on the land.

The current over supply of vacant residential land can only be addressed and equalised by population growth or a complete shift in market demand from established dwellings to new homes. This would largely be driven by government policy and incentives the likes of which are available and accessible now. We sit and wait for more thorough results to show what impact the latest building stimulus package has had on the market and cautiously watch any shifts in building contract pricing as a result so that we can identify particular market characteristics and movements. We don't expect that the current situation is likely to change in the short to medium term.

Here, the market is demonstrating that the relationship between cost and value are not directly related.

Alice Springs

In what is usually a pretty active period for the Alice Springs real estate market, the March quarter statistics revealed numbers that are tough to get excited about.

There were 61 house sales for the quarter and 29 unit sales, down from 70 and 36 respectively for the previous quarter. Demand continues to be somewhat soft as the market continues to adopt a wait and see approach to the upcoming election and possible implications stemming from mooted changes to negative gearing rules should a Labor government be voted in. On a more regional level, the Northern Territory government's financial woes are impacting on infrastructure spending, which is affecting local hip pockets (and consumer confidence) in a negative way.

Gillen continues to be the flavour of the month, with strong sale numbers continuing in that part of town, in part influenced by a further tranche of base houses going on the market. The market has shown mixed results in recent months, which is likely to continue. Some strong sales figures are coming from the golf course area, which is always popular and fairly tightly held.

Larapinta has languished in the March quarter, with only one sale recorded in the suburb for the past three months. Social problems being highlighted in the media (particularly via social media) in that area, may be impacting its desirability, particularly with young families.

As locals gear up for winter and the famous Finke Desert Race, like Toby Price's rear-view mirror, there appears to be nothing in sight on the real estate horizon to indicate any major change to the current market position.

Australian Capital Territory

Canberra

A generous amount of vacant land has been offered to the ACT market over the past three years, owing to various new housing estates and the Mr Fluffy buyback scheme. Green fill land releases have been sold in the Gungahlin and Belconnen areas with Moncrieff, Throsby, Taylor and two new subdivisions in the Holt area. Price points for these new sites are usually around $800 to $1,000 per square metre of land.

The Mr Fluffy buyback scheme resulted in the knockdown of many established houses in the established suburbs of Canberra. This created the opportunity for the market to purchase and develop vacant blocks in older parts of the city. These blocks are being purchased by developers looking to develop and split units, or owner-occupiers and investors looking to build houses to occupy or rent. These blocks are located in multiple suburbs all around Canberra, so price points vary based on location and block size.

Land values over the past three years have been strong but appear to have flattened in the past six to twelve months, which is to be expected given the change in lending environment and the long period of growth.

Build rates are pretty similar across the ACT, but are slightly higher in the prestige and inner city areas. Standard build rates in suburban locations are generally between $1,650 and $2,500 per square metre based on the quality of build, inclusions and size of the build. Prestige and high end build rates are often around $3,000 per square metre and sometimes as high as $4,000 per square metre.

The cost of the land and build adds up to the value on completion for the majority of the valuations we undertake. There are occasional cases of over capitalisation, usually when the owner decides to pay extra for specialised or over-the-top inclusions that the general market would not pay for, or where the land value is significantly lower than the build cost. Values are holding up for most new, vanilla constructions with a reasonably even break up between land and construction cost.

This has created the opportunity for the market to purchase and develop vacant blocks in the older parts of the city.

Tasmania

Hobart and Launceston

The Tassie real estate boom has certainly pushed up the price of land. Much has been said about the housing shortage, especially in and around Hobart. Put simply, a growing population needs more houses to live in.

So, where and what is available? Well, prices can vary greatly.

For example, north of the CBD in the medium ring suburb of Glenorchy, a good sized 888 square metre lot in Elliot Road just settled at $131,000. Closer to the CBD in the inner-city suburb of West Hobart, an 816 square metre lot in Stevens Farm Drive just settled for $332,000. Just a bit further out in Lenah Valley, an 813 square metre lot just sold for $198,000 and another 706 square metre parcel for $235,000 in Westinwood Road.

Want a cheapie? Believe it or not, a residential lot of 667 square metres just sold in Plymouth Road, Gagebrook for $51,500!

Moving forward we envisage ongoing low vacancy rates and a growing population will continue to place upward pressure on price levels.

Launceston in the north of the state tells a similar story albeit at a lower price point. A steeper sloping lot of 776 square metre just sold in Thrower Street, West Launceston for $101,000 while a larger 1,934 square metre lot in Deek Street, Kings Meadows sold for $166,000. Closer in, a 600 square metre lot sold in Ivy Lane, Newstead for $270,000.

Affordable land can be found in the commuter townships of Hadspen ($125,000), Longford ($110,000), Legana ($130,000) and Perth ($125,000).

Construction costs are typically higher in Tasmania compared to other regions of the country.

That said, project style homes are being built for around $1,500 per square metre of living (plus garages and decks etc) offering 170 to 180 square metres of living with four bedrooms, two bathrooms and double garaging. This can lift substantially with the involvement of an architect or project team with recent building contracts reflecting in excess of $3,000 per square metre for higher quality projects.

Generally, we find that land plus build cost is holding up favourably in the market state wide however as always this is tempered in the event the build cost is out of line.

There are a few examples of local building companies doing their own speculative building work actually bypassing Bunnings or a Melbourne-based distributor and importing building materials directly from China themselves. While requiring a bit more logistics, this approach can lead to more profit at the end of the project.

Generally, we find that land plus build cost is holding up favourably in the market state wide however as always this is tempered in the event that a build cost is out of line.