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SEQ Market Factors Report

Department of State Development,
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As this report involves future market projections which can be affected by several unforeseen variables, they represent our best possible estimates at this point in time and no warranty is given that this particular set of projections will in fact eventuate.

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1 Introduction

1.1 Purpose of Study

Bull & Bear Economics was engaged by the Department of State Development, Infrastructure, Local Government and Planning to undertake the 2022 SEQ Market Factors report. This report analyses several factors which influence the demand for residential land and development in South East Queensland and provides insights on housing affordability, which is a key focus area for the State Government. This report builds on previous iterations of the SEQ Market Factors report, with an increasing sub-regional focus to understand the unique challenges faced across SEQ and to understand the appropriate policy levers to action across the region.

At the time of compiling this report, industry engagement was yet to occur, with the analysis reliant only on publicly available data sources. It is intended that future iterations of the SEQ Market Factors Report will incorporate insights from industry bodies to provide additional market insights, recognising data lags and their impact of the currency of outputs in the SEQ Market Factors report.

The SEQ region is comprised of 12 sub-regions, comprising 11 local government areas in their entirety and the urbanised parts of Toowoomba Regional Council (referred to as Toowoomba Urban Extent). Given the significant quantum of data analysed at the sub-regional level, the report has provided further disaggregation of the SEQ region for selected metrics, as described in Table 1-1 below.

Table 1-1 Disaggregation of SEQ by Local Government Area

Major Urban Growth Areas of SEQ	Remainder of SEQ
Brisbane	Redland
Gold Coast	Noosa
Sunshine Coast	Scenic Rim
Logan	Somerset
Ipswich	Lockyer Valley
Moreton Bay	Toowoomba Urban Extent

1.2 Report Structure

The report is structured as follows:

- + **Chapter 1: Introduction** – outlines the purpose of the study and outlines the report structure;
- + **Chapter 2: Summary Findings** – provides a high level overview of the key findings of the analysis, considering a range of factors at the national, state, SEQ and LGA level;
- + **Chapter 3: Economic Overview** – provides an overview of trends in gross domestic product and state final demand, movements in the consumer price index, shifts in the cash rate target and housing lending rates and an overview of the labour market;
- + **Chapter 4: Population Growth** – provides an overview of the trends in population growth (state, national and SEQ) and the components of population growth;
- + **Chapter 5: Dwelling Structure and Development Activity** – provides an overview of the composition of the dwelling stock across SEQ by typology and shifts over time, analyses trends in development activity and discusses housing fit;

- + **Chapter 6: Finance Activity** – provides an overview of the value of loans, including refinancing activity and considers the average value of loans for first home buyers, owner occupiers and investors;
- + **Chapter 7: Housing Cost and Affordability** – provides discussion of median property prices, median weekly rents, implied gross rental yields, mortgage and rental stress and an overview of trends in the first home buyer market;
- + **Chapter 8: Dwelling Vacancies** – provides a discussion of both rental vacancy rates and an overview of the scale of unoccupied private dwellings across SEQ;
- + **Chapter 9: Construction Costs** – provides a high level overview of trends in construction costs, including an understanding of the inputs driving cost escalation in the sector;
- + **Chapter 10: Summary** – provides a high level summary of the key findings of the assessment; and
- + **Chapter 11: References** – outlines the sources utilised to compile the report.

2 Summary Findings

In preparing this report, an assessment of several indicators was considered, including those contained in previous versions of the SEQ Market Factors report. Additional analysis at a sub-regional level to contextualise variations across the region and several additional metrics were considered to enhance the assessment of market trends.

The timing of this report has also allowed for an analysis of the outcomes as of the 2021 Census, which whilst only representative of a single point of time, is also considered more comprehensive, particularly at a small area level.

The analysis identifies that the key challenge facing South East Queensland is rental affordability, with approximately a third of residents in SEQ facing rental stress as of the 2021 Census. It is anticipated the proportion of rental households facing rental stress in SEQ has only increased further post 2021 Census.

There are several factors driving the increasing level of rental stress, including:

- + Housing preference: As a result of COVID-19, demand for rental properties increased significantly due to households splitting, particularly group households looking for alternative living arrangements and increased relationship breakdowns. This trend has placed upward pressures on rents in SEQ due to increased demand for rental properties (i.e. more households competing for the same number of rental properties);
- + Historically low residential vacancy rates across South East Queensland due to the impacts of COVID-19. This trend has been further exacerbated by residential vacancy rates sitting at the lower end of a balanced market prior to COVID-19. This tightening of the rental market resulted in increased median weekly rents (well above inflation), hence increasing the proportion of household income being spent on rent;
- + Increased interstate migration from metropolitan Sydney and Melbourne, with residents of these localities (in particularly Melbourne) escaping the repeated and lengthy lockdowns which did not occur in South East Queensland. Additionally, migrants from metropolitan Sydney and Melbourne had the capacity to pay higher rents, with South East Queensland perceived as relatively affordable to their previous place of residence; and
- + Composition of housing stock, with limited options for families. The review of dwelling structure across SEQ identifies that most of the housing stock is detached houses, with limited attached product being delivered outside Brisbane and the Gold Coast. However, where attached product is being delivered, the nature of product being delivered is typically units in four or more storey developments, which does not typically align with the expectation of families and often is unaffordable due to the locations in which this product is being delivered (e.g. inner city Brisbane and beachfront locations on the Gold Coast and Sunshine Coast) and the relatively higher construction costs associated with higher density residential development.

The analysis identifies whilst mortgage costs have been increasing due to rising interest rates, households in SEQ are typically well placed to absorb these additional costs through a reduction in discretionary spending. Unemployment rates have remained at historic lows and wage growth has remained positive, indicating mortgaged households generally still have capacity to repay their mortgages. Between the 2016 and 2021 Census it was clear that growth in average mortgage repayments was significantly less than growth in average household incomes across SEQ.

There is evidence that the average size of a mortgage taken out by a first home buyer is lower than the market more broadly, with dwelling finance data also identifying a widening gap in the average value of a mortgage between first home buyers and other owner occupiers. This suggests that first home buyers are either reaching their maximum borrowing capacity or unwilling to borrow additional funds to purchase their first home. The data also highlights that first home buyers in SEQ are taking on higher debt to income ratios to secure their preferred property but in doing so are increasingly vulnerable to further interest rates increase and any downward shift in the value of their property.

Table 2-1 provides a high level overview of summary findings in the 2022 SEQ Market Factors report, which are explored in further detail in subsequent sections of the report.

Table 2-1 Summary SEQ Market Factor Findings, 2022

Theme	Summary Findings
Economic Overview	<p>The SEQ, Queensland and national economies remain resilient, with economic growth improving significantly post-COVID and low but stabilising unemployment rates across SEQ. Growth in state final demand is being driven by continued growth in discretionary spending, with growth in final consumption expenditure on hotels, cafes and restaurants and clothing and footwear remaining significantly higher than CPI.</p> <p>Continued low unemployment rates have placed upward pressure on wage growth, with wages on average increasing by almost 3% in the most recent year. Inflation remains persistently high, as evidenced by CPI increases, despite continued increases in the cash rate.</p> <p>The analysis highlights that the economy remains resilient and price pressures persist despite the increasing cash rate, reflective of high levels of employment and increasing wages within the SEQ economy.</p>
Construction Costs	<p>Construction cost pressures have escalated significantly since the September Quarter 2021, within annual growth peaking in the June Quarter 2022 at 18.7% in Brisbane and 17.3% in Australia. Whilst there are early signs of growth in construction costs easing, the rate of growth in construction costs remains significantly above long term average (~2.5% prior to COVID-19) and is indicative of continued supply chain pressures in conjunction with continued strong demand for housing.</p> <p>Sustained demand for housing has driven continued growth in construction costs in SEQ, although there are early signs that construction cost pressures are beginning to ease, albeit from levels significantly above longer term averages.</p>
Housing Affordability – Purchasers	<p>Between 2016 and 2021, average monthly mortgage repayments were relatively stable in SEQ, increasing at 0.5% per annum in this period. Across SEQ, mortgage repayments recorded the highest rate of growth in the coastal regions but remained well below inflation over the same period. The relatively low growth in average monthly mortgage repayments can be attributed to declining interest rates, with the cash rate at 0.1% at the time of the 2021 Census, as compared to 2.6% at the time of the 2016 Census. Additionally, average household income increased between 2016 and 2021, increasing the borrowing capacity of households in this period.</p> <p>The 2021 Census indicates that within SEQ, an estimated 12.4% of households were in mortgage stress (defined as spending more than 30% of household income on mortgage repayments). Whilst Noosa Shire was identified as having the highest proportion of households in mortgage stress, the incidence of households with a mortgage was significantly below the SEQ average.</p> <p>Logan would appear to be most vulnerable to changes in mortgage costs, as it had both a higher incidence of mortgage stress and a higher proportion of households with a mortgage.</p> <p>Redland is also particularly vulnerable to shifts in mortgage costs, with the incidence of households facing mortgage stress only slightly below the SEQ average but recording the highest incidence of households with a mortgage as of the 2021 Census.</p> <p>As previously identified, at the time of the 2021 Census, the cash rate was at record lows, indicating that the proportion of households in mortgage stress is likely to have</p>

Theme	Summary Findings
	<p>increased given multiple increases in the cash rate in 2022. The gap between fixed and variable rate home loans has increased over time, indicating that mortgage holders coming off fixed rates will face significant increases in their minimum repayments, although it is clear that mortgage holders are refinancing in order to reduce borrowing costs.</p> <p>However, the continued strong economic performance of the SEQ region, historic low unemployment rates and accelerating wage growth is likely to have moderated the impact of rising mortgage repayments, with mortgage holders likely to have the capacity to reduce their discretionary spending to accommodate higher minimum mortgage repayments.</p> <p>In short, whilst mortgage pressure is likely to increase, it is not likely to result in wide spread loan defaults or distressed sales significantly above historic averages.</p> <p>The analysis highlights that mortgage stress, whilst increasing, is not of a scale for concern across the SEQ region and within the property market more broadly. However, there are clear segments of the market which are particularly vulnerable, including mortgaged households in Logan and Redland.</p>
Housing Affordability - Renters	<p>The 2021 Census indicates within SEQ, an estimated 33.9% of rental households spent more than 30% of their household income on rent, highlighting that significant affordability challenges are faced by rental households.</p> <p>Over 40% of rental households in Noosa, Gold Coast and Scenic Rim were in rental stress as of the 2021 Census. However, it is also noted that both Noosa and Scenic Rim have significantly lower proportions of rental households.</p> <p>Whilst the incidence of rental households facing rental stress in Brisbane and Ipswich is lower than the SEQ average, the proportion of rental households is significantly above the SEQ average, highlighting relative vulnerability in these markets.</p> <p>The analysis identified that rental stress is significantly more prominent in SEQ than mortgage stress, highlighting a clear need for affordable rental opportunities. Renters in Brisbane and Ipswich are particularly vulnerable to further shifts in weekly rents, with these markets comprising relative high incidences of rental households.</p>
Residential Vacancy Rates	<p>Data published by SQM Research highlights that residential vacancy rates are at close to historic lows, with the Brisbane CBD the only market to record a residential vacancy rate above 1% in the most recent data. All regions recorded a significant drop in residential vacancy rates from 2020, with the COVID-19 pandemic leading to persons reconsidering their living arrangements. Circumstantial evidence points to several factors at play which led to demand for additional rental dwellings, relative to the start of the COVID-19 pandemic, including:</p> <ul style="list-style-type: none"> • Couple households reconsidering their living options due to the shift in working at home and the need for dedicated space to effectively work from home on a more permanent basis than pre COVID-19; • Persons in group households looking for alternative living arrangements; and • Increased relationship breakdowns. <p>Prior to the significant increase in demand for rental dwellings, most rental markets in SEQ recorded residential vacancy rates at the lower end of what is considered a balanced market (between 2% and 4% vacancy rate), except for Brisbane CBD. This highlights that the residential rental market was tightening pre-COVID-19 and has hence exacerbated the impacts of COVID-19.</p> <p>Whilst Brisbane CBD has traditionally had a residential vacancy rate above what is considered balanced, this market was also adversely impacted by migrants returning overseas to be with their families at the start of the COVID-19 pandemic.</p> <p>The decline in residential vacancy rates since mid-2020 has placed significant upward pressure on median weekly rents across all markets, worsening affordability for all renters and in some cases, shifting renters down the housing continuum.</p>
First Home Buyers	<p>Outside of Brisbane and Gold Coast, first home buyers in SEQ are typically purchasing houses. This is generally consistent with the composition of dwelling stock across SEQ and the availability of houses relative to attached dwellings in greenfield residential communities in fringe markets.</p>

Theme	Summary Findings
	<p>Between 2020-21 and 2021-22, there was a notable shift to attached dwellings across most markets, reflective of increasing property prices and affordability pressures starting to take effect. This has also translated to higher debt to income ratios (i.e. value of mortgage relative to household income) generally across SEQ, with the average debt to income ratio for first home buyers increasing to above five in the Sunshine Coast, Gold Coast, Brisbane, Redland and Logan markets.</p> <p>It is understood that lenders in Australia are currently offering mortgages with a debt to income ratio (DTI) of up to seven, but restrictions on the loan to value ratio (LVR) could apply on DTIs exceeding six¹. The data highlights first home buyers are increasingly borrowing to their maximum capacity to secure their preferred place of residence. The loan to value ratio for first home buyers in most SEQ markets (based on data published by recipients of federal government guarantees) is sitting at 95%, highlighting that first home buyers are particularly vulnerable to any decreases in the value of their home.</p> <p>First home buyers are increasing their levels of debt (both in terms of the value of the loan and their debt to income ratio) to secure their preferred property, but in doing so are increasingly vulnerable to further interest rate increases and any downward shifts in the value of their property.</p>
Dwelling Finance	<p>There was a significant increase in the number of new owner occupier loans in Australia in response to the HomeBuilder stimulus, with the number of owner occupier loans for the construction of dwellings peaking in February 2021, approximately four months after the peak in the volume of owner occupier loans for the purchase of residential land.</p> <p>The number of first home buyer loan commitments in Queensland in 2021-22 has declined from the previous year but remains above levels recorded in 2019-20.</p> <p>The gap in the average value of owner occupied loans relative to investor loans has widened since mid-2021, which is potentially suggestive of owner occupiers less willing to sacrifice on the configuration of their home, despite increasing building costs. Prior to COVID-19, the average value of loans was higher for investors than the owner occupier market.</p> <p>The average value of loans has widened between first home buyers and other owner occupiers in Queensland in the past two years, reflective of relative ability to pay.</p> <p>The share of first home buyers within the owner occupier market has declined from the peaks of early 2021, likely reflective of purchase decisions being brought forward by the HomeBuilder stimulus.</p> <p>There has been an increasing level of mortgages being refinanced, which is consistent with expectations of increasing interest rates.</p> <p>The analysis highlights an acceleration in the size of the average value of loans across all market segments, with the growth in the average value of loans for first home buyers somewhat constrained by the relative ability to pay. Increased activity in the refinancing market also highlights a willingness of mortgage holders to find a competitive interest rate, particularly given recent interest rate hikes.</p>
Dwelling Structure	<p>The 2021 Census identifies SEQ remains dominated by separate houses, accounting for over 70% of the dwelling stock. Gold Coast and Brisbane are characterised by a significantly higher proportion of attached dwelling stock than all other local government areas in SEQ.</p> <p>Whilst there has been an uplift in the share of semi-detached dwellings between 2016 and 2021, there have been relatively few additions to the apartment stock outside of Brisbane, the Gold Coast and Sunshine Coast between 2016 and 2021. This is likely due to a lack of marketability and/or development feasibility for</p>

¹ Refer to: <https://timehomeloans.com.au/debt-to-income-ratio/>

Theme	Summary Findings
	<p>attached dwelling development in SEQ urban fringe Councils such as Moreton Bay, Ipswich, Logan and Redland.</p> <p>Dwelling approvals for attached product in SEQ have been predominantly for either 4+ storey unit product or townhouses, with very few approvals for walk up (1-3 storey) product. Whilst townhouse approvals have been distributed throughout the major urban Councils of SEQ, approvals for four or more storey unit development have been limited outside of Brisbane, Gold Coast and Sunshine Coast.</p> <p>Lot registrations in SEQ continue to be dominated by standard² residential allotments but have fallen in the past two years despite unprecedented demand for residential product. This is potentially indicative of reduced supply available to the market in conjunction with increasing delays between the timing of off the plan sales and lot registration.</p> <p>Whilst there have been some shifts away from detached dwelling development to semi-detached dwellings, there remains limited appetite to deliver attached dwellings (other than townhouses) outside of Brisbane, the Gold Coast and Sunshine Coast.</p>
Housing Fit	<p>An assessment of housing fit was prepared based on consideration of the ratio of small households (1-2 persons) to small dwellings (1-2 bedroom households) to determine areas of imbalance.</p> <p>The ratio of small households to small dwellings has increased throughout SEQ between the 2016 and 2021 Census and remained lowest in Brisbane, the Gold Coast, Sunshine Coast and Noosa, indicative of the prevalence of attached dwelling options in these localities.</p> <p>In addressing imbalances in housing fit in the regional SEQ local government areas, policy is likely to be targeted towards the delivery of dwellings on smaller allotments, as opposed to attached dwelling development. However, in the urban SEQ fringe Councils, this is suggestive of a lack of housing diversity being delivered and a potential opportunity to incentivise attached dwelling development into the future.</p> <p>At an LGA level, the imbalance between small households and small dwellings is highest in urban SEQ fringe Councils and the rural Councils of SEQ, which is an unsurprising outcome.</p> <p>Housing fit data indicates a growing imbalance between the ratio of small households and small dwellings across SEQ, with an opportunity to develop policy responses to moderate this imbalance over time.</p>
Unoccupied Dwellings	<p>As of the 2021 Census, there were an estimated 116,341 unoccupied dwellings identified in SEQ, representing 7.6% of the dwelling stock.</p> <p>Within SEQ, the areas which recorded the highest incidence of unoccupied private dwellings were mostly tourist localities on the Sunshine and Gold Coasts, the tourist localities of Moreton Island and North Stradbroke Island which are accessible only via ferry, the Southern Moreton Bay Islands which are similarly only accessible by ferry, Brisbane City and Kangaroo Point, which accommodate a number of apartment which flow in and out of the short term letting market and Eagle Farm – Pinkenba (which includes the Northshore Hamilton Priority Development Area (PDA)).</p> <p>Unoccupied private dwellings were mostly concentrated in tourist localities in SEQ and have been increasing over time, which is an unsurprising result. However, an understanding of the quantum and share of unoccupied private dwellings, particularly in tourist localities such as the coastal areas of SEQ, is crucial in assessing the housing needs of a local government area over time.</p>

² Standard residential allotments are defined as lots registered on a standard format plan intended for detached dwellings, including lots intended for detached dwellings in a community title scheme that are less than 2,500sqm in size.

Theme	Summary Findings
<p>Population and Components of Population Growth</p>	<p>State level data highlights that a significant population shift to Queensland is occurring, with net interstate migration to Queensland more than offsetting falls in net overseas migration relative to longer term averages. The average level of net interstate migration to Queensland has doubled in the first three quarters of 2021-22 relative to the previous year</p> <p>Whilst sub-regional data has not been released post June 2021, historic trends identify the Gold Coast, Sunshine Coast, Moreton Bay and Ipswich have traditionally benefited from net internal migration. Prior to COVID-19, net internal migration was the key factor driving population growth in most regions in SEQ.</p> <p>Falls in net overseas migration as a result of COVID-19 translated to negative population growth only in Brisbane, with the Gold Coast also experiencing significant population impacts from this trend, but overall still recording positive population growth.</p> <p>Both Logan and Ipswich have benefited from increases in net internal migration over the past three years, likely consistent with the increased availability of greenfield residential estates within these regions.</p> <p><i>Whilst it is understood that net internal migration to Queensland has increased in recent times, data is not available to confirm the regions in SEQ most likely to have benefited from this trend. Anecdotally, it is understood that the regions that have benefited most significantly to date are the Sunshine Coast and Gold Coast. The uplift in net internal migration is likely to have also cushioned the impact of the net outflow of almost 9,000 residents from Brisbane due to the COVID-19 pandemic.</i></p>

3 Economic Overview

3.1 Economic Growth

To provide a high level overview of economic growth, the analysis has considered the Australian National Accounts data published by the Australian Bureau of Statistics on a quarterly basis, specifically:

- + Gross Domestic Product (GDP): measure of the total value of goods and services produced in Australia; and
- + State final demand: measure of the total value of goods and services sold in the Queensland economy (excluding international and interstate trade).

The analysis has provided discussion of the data in seasonally adjusted, chain volume measures to smooth out quarterly shifts (i.e. GDP/state final demand typically peak in the December Quarter of each year and are lowest in the March Quarter of each year).

3.1.1 Gross Domestic Product

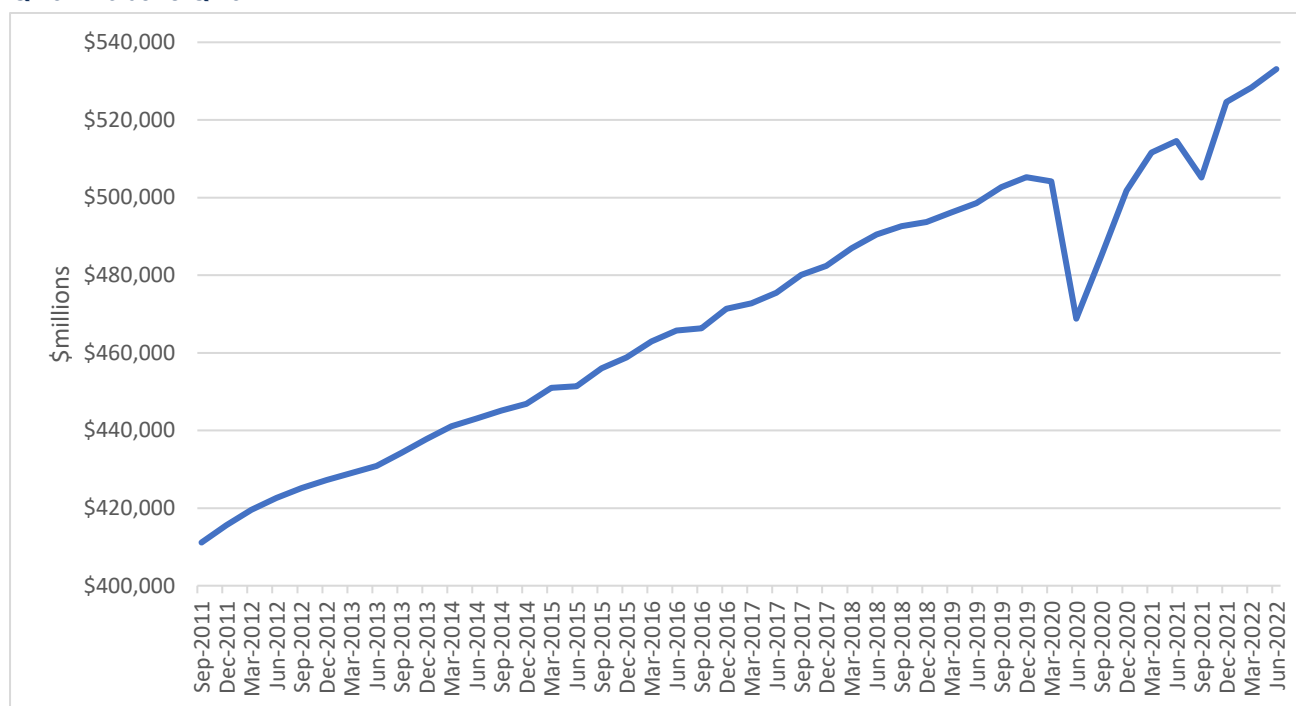
In 2021-22, Australia's GDP increased by 3.9% to \$2,091.2 billion, illustrating a strong recovery from the impacts of COVID-19, which had subdued growth in the previous two years. The rate of growth in the most recent year was over one and a half times the average rate of growth in GDP in the past ten years.

Whilst GDP growth is anticipated to remain robust for the remainder of 2022, a decline in the rate of GDP growth is forecast in 2023 as a result of higher prices for goods and services, increasing interest rates and declining house prices. Forecasts released by the Reserve Bank of Australia anticipate GDP growth to slow to average 3.5% in 2022-23 and 1.5% in 2023-24³.

Table 3-1 and Figure 3-1 illustrate the trends in GDP growth in Australian at both a quarterly and annual basis over the past ten years.

³ Refer to: [https://www.rba.gov.au/publications/smp/2022/nov/economic-outlook.html#:~:text=The%20Australian%20economy%20is%20forecast,and%202024%20\(Table%205.1\)](https://www.rba.gov.au/publications/smp/2022/nov/economic-outlook.html#:~:text=The%20Australian%20economy%20is%20forecast,and%202024%20(Table%205.1).).

Figure 3-1 Gross Domestic Product (\$millions) - Chain Volume Measures, Seasonally Adjusted, September Q 2011 to June Q 2022



Source: ABS (2022a)

Table 3-1 Gross Domestic Product (\$ million) - Chain Volume Measures, Seasonally Adjusted, 2011-12 to 2021-22

Year	Gross Domestic Product (\$ million)	Annual Growth
2011-12	\$1,668,864	
2012-13	\$1,712,258	2.6%
2013-14	\$1,756,142	2.6%
2014-15	\$1,794,289	2.2%
2015-16	\$1,843,482	2.7%
2016-17	\$1,885,806	2.3%
2017-18	\$1,939,949	2.9%
2018-19	\$1,980,941	2.1%
2019-20	\$1,980,866	0.0%
2020-21	\$2,013,120	1.6%
2021-22	\$2,091,287	3.9%
10 Year Average Annual Growth		2.3%
5 Year Average Annual Growth		2.1%
3 Year Average Annual Growth		1.8%

Source: ABS (2022a)

3.1.2 State Final Demand

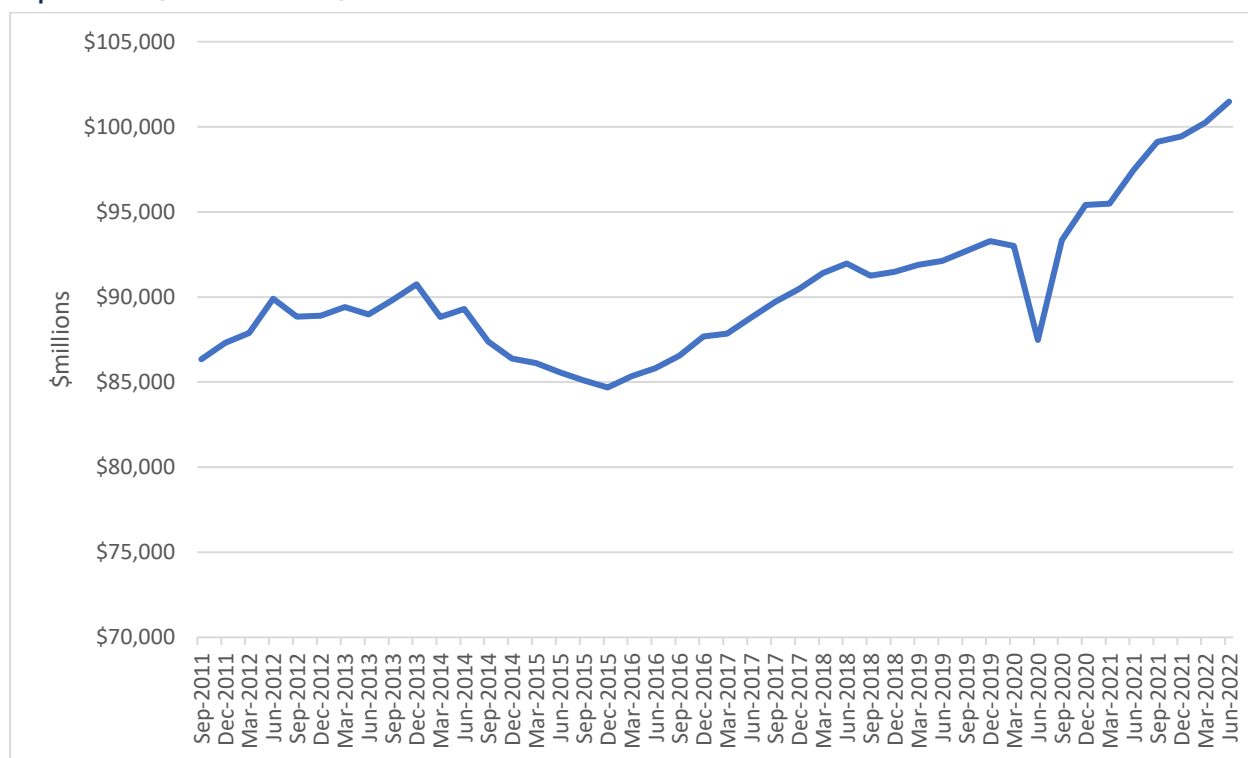
The data highlights continued strength in the Queensland economy, with state final demand in 2021-22 increasing by 4.9%, the highest rate of growth recorded in the past ten years and representative of an economic recovery from 2019-20, where economic growth was marginally negative. This result was driven by growth in several sectors, including continued strength in discretionary spending, with a \$1.73 billion increase (or 13.5% increase) in final consumption expenditure on hotels, cafes and

restaurants and a \$971 million increase (or 12.6% increase) in expenditure on clothing and footwear in 2021-22.

As with GDP growth, the rate of growth in state final demand is also anticipated to decline relative to current levels, but likely remain above national GDP growth in 2022-23 and 2023-24, as identified in the 2022-23 Queensland Budget Update⁴.

Table 3-2 and Figure 3-2 summarise growth in Queensland state final demand at both a quarterly and annual basis over the past ten years.

Figure 3-2 State Final Demand (\$millions) - Queensland (Chain Volume Measures, Seasonally Adjusted), September Q 2011 to June Q 2022



Source: ABS (2022a)

Table 3-2 State Final Demand (\$ million) – Queensland (Chain Volume Measures, Seasonally Adjusted), 2011-12 to 2021-22

Year	State Final Demand (\$ million)	Annual Growth
2011-12	\$351,451	
2012-13	\$356,115	1.3%
2013-14	\$358,700	0.7%
2014-15	\$345,471	-3.7%
2015-16	\$340,929	-1.3%
2016-17	\$350,875	2.9%
2017-18	\$363,540	3.6%
2018-19	\$366,754	0.9%
2019-20	\$366,439	-0.1%

⁴ Refer to: <https://budget.qld.gov.au/files/2022-23%20Budget%20Update.pdf>

Year	State Final Demand (\$ million)	Annual Growth
2020-21	\$381,700	4.2%
2021-22	\$400,269	4.9%
10 Year Average Annual Growth		1.3%
5 Year Average Annual Growth		2.7%
3 Year Average Annual Growth		3.0%

Source: ABS (2022a)

3.2 Consumer Price Index

The consumer price index (CPI) measures the change in consumer prices based on a representative basket of goods and services, hence represent a measure of household inflation. This section of the report has provided an overview of CPI trends in both Brisbane and Australia for both all groups and housing CPI measures.

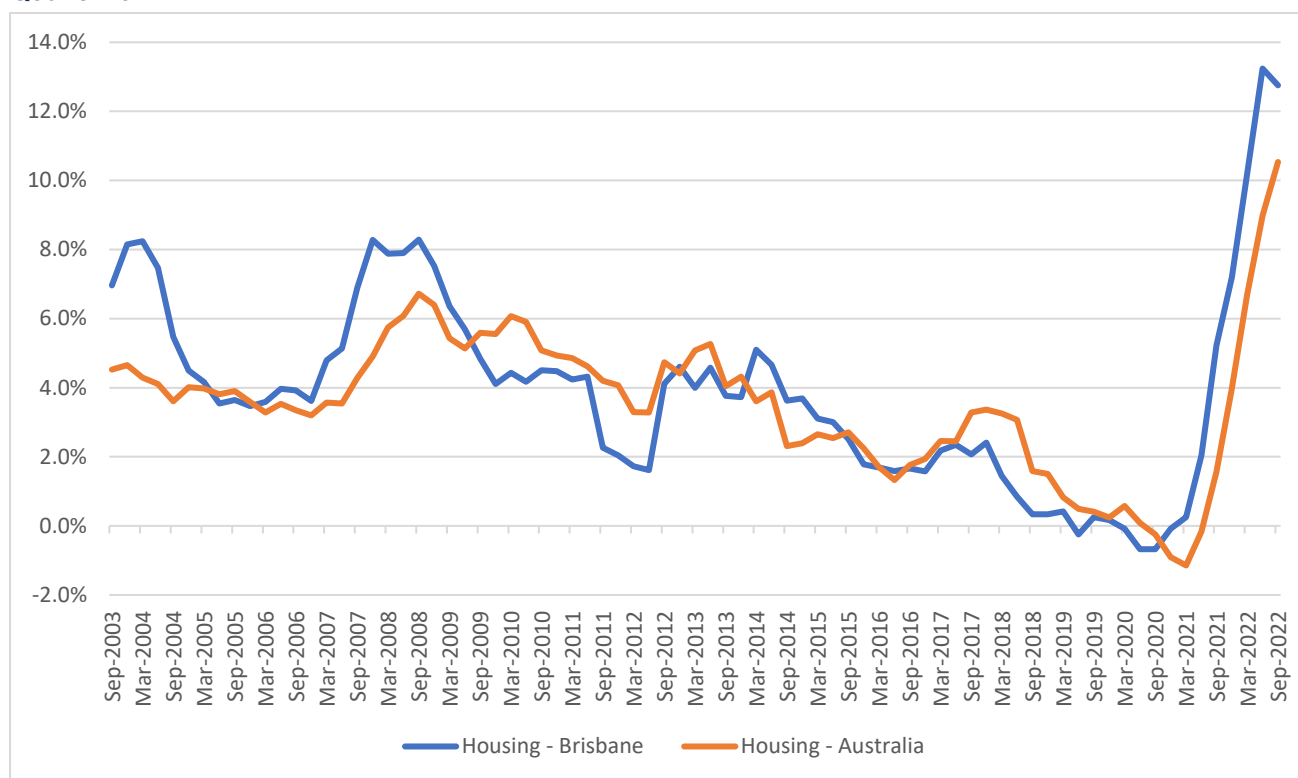
Since the June Quarter 2021, yearly growth in the CPI remains persistently high and increasing, reaching 7.9% in Brisbane and 7.3% in Australia. Housing is a key factor driving CPI growth, with double digit growth in Brisbane for the first three quarters of 2022 and an accelerating rate of growth nationally. Annual growth in the CPI is currently at the highest levels recorded in over twenty years, as evidenced by Figure 3-3 and Figure 3-4.

Continued high inflation indicates further cash rate rises are likely into the future as the RBA attempts to curtail inflation, given that the overall rate of inflation remains significantly above the RBA's target inflation rate of 2% -3%.

The RBA anticipate that growth in the CPI is likely to peak in the year ended December 2022 at 8%, falling to 6.25% in the year ended June 2023 and further moderating to 4.75% in the year ended December 2023.

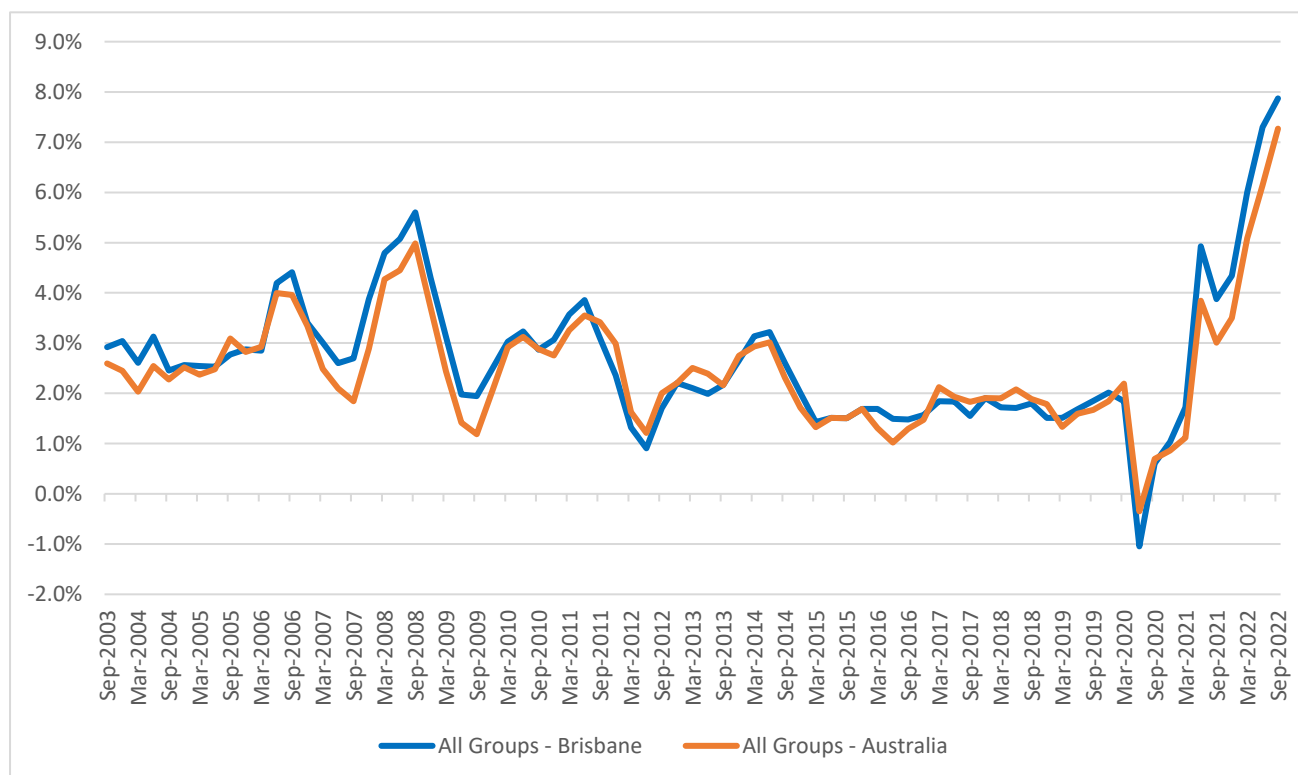
Figures 3-3 and 3-4 provides an overview of growth in the consumer price index (All Groups and Housing) in both Brisbane and Australia over the past twenty years.

Figure 3-3 Consumer Price Index – Housing, Brisbane and Australia, September Quarter 2003 to September Quarter 2022



Source: ABS (2022b)

Figure 3-4 Consumer Price Index – All Groups, Brisbane and Australia, September Quarter 2003 to September Quarter 2022



Source: ABS (2022b)

3.3 Changes in Interest Rates

This section of the report provides an overview of movements in interest rates, based on the following datasets published by the Reserve Bank of Australia:

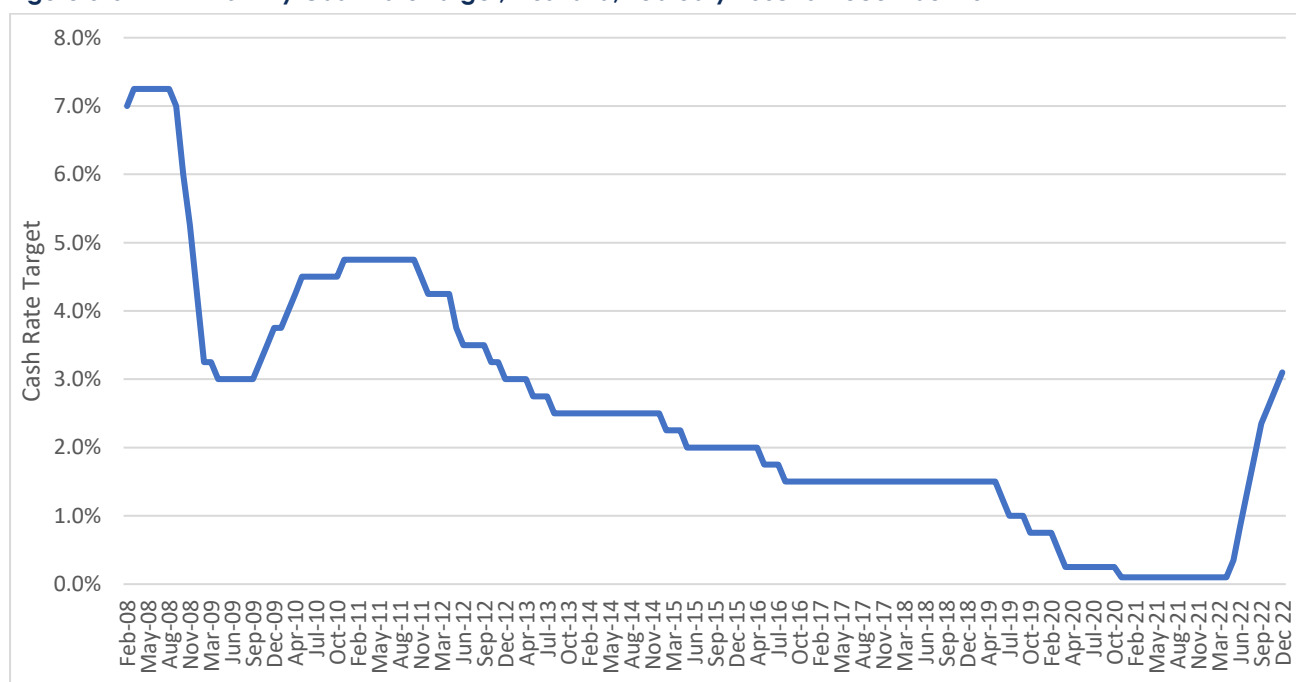
- + Cash Rate Target – to understand how the cash rate has shifted over time. A higher cash rate typically leads to higher interest rates charged on variable mortgages. The assessment has presented this data from early 2008 onwards (to capture the largest peak in the cash rate since 1995);
- + Housing lending rates – to understand how shifts in the cash rate have translates to mortgage rates paid by borrowers, including a breakdown by owner occupiers and investors (recognising that investors typically pay higher lending rates).

3.3.1 Cash Rate Target

The cash rate is the interest rate on unsecured loans between banks and is consider the near risk-free benchmark rate.

Figure 3-5 below outlines the cash rate target in Australia from early 2008 onwards, as this illustrates the highest cash rates in Australia for some time (prior to early 2008, cash rates at this level had not been seen since 1995). In early 2008, the cash rate in Australia peaked at 7.25%, with the cash rate then subsequently falling significantly in response to the Global Financial Crisis (GFC), one of many measures taken at the time to ensure Australia did not enter a major downturn.

Figure 3-5 Monthly Cash Rate Target, Australia, February 2008 to December 2022



Source: RBA (2022a)

This graph shows that the cash rate was on a consistent downward trend since November 2011, reaching a historic low of 0.1% between November 2022 and April 2022.

In response to rising inflation and confidence in the continued strength of the Australian economy post COVID-19, the Reserve Bank of Australia has been increasing the cash rate monthly by 0.25% to

0.5% since May 2022, with the cash rate reaching 3.10% in December 2022, the highest level since November 2012 (where the cash rate was 3.0%).

The implication of higher cash rates for housing is higher retail interest rates charged for loans and the reduced borrowing power for those wishing to purchase a home. As outlined in subsequent sections of the report, increases in the cash rate (and hence retail interest rates on home loans) has placed downward pressure on median property prices in SEQ. It is anticipated that this downward pressure will remain in the immediate to short term, although home price depreciation is anticipated to be lower than in other parts of Australia, due to continued strong interstate migration to the SEQ region.

There are various forecasts regarding future cash rate movements, with both Westpac and ANZ anticipating the cash rate to peak at 3.85% by 2023⁵. By comparison, CBA anticipate that the cash rate has peaked, whereas NAB anticipate the cash rate to peak at 3.60% in March 2023⁶.

⁵ Refer to: <https://mozo.com.au/home-loans/articles/big-bank-predictions-about-the-rba-cash-rate-in-december-how-high-will-interest-rates-go>

⁶ Refer to: <https://www.ratecity.com.au/home-loans/mortgage-news/high-will-rates-go-here-experts-think-rba-cash-rate>

3.3.2 Housing Lending Rates

Since July 2019, the RBA has published data on housing lending rates (RBA, 2022b). This series is described by the RBA as indicative only and subject to regular revision. The data reported represents weighted average of interest rates reported by each lender participating in the Economic and Financial Statistics (EFS) collection and measure the interest rates paid by resident borrowers.

The analysis of lending rates has considered the following datasets to provide an understanding of fluctuations in interest rates paid by borrowers:

- + Lending rates – all owner occupied loans, including the following breakdown:
 - Variable rate loans;
 - Fixed rate loans;
 - Interest-only loans;

- + Lending rates – all investment loans, including the following breakdown:
 - Variable rate loans;
 - Fixed rate loans;
 - Interest-only loans

As of August 2022, the average lending rates to borrowers were as follows:

- + All owner-occupier loans: Average rate of 3.73%; and
- + All investment loans: Average rate of 4.05%.

The data also highlights a significant gap between fixed rate loans and variable loans, as detailed below:

- + Variable loans
 - Owner-occupiers: Average variable rate of 4.44%;
 - Investors: Average variable rate of 4.81%;

- + Fixed rate loans, up to three years remaining:
 - Owner-occupiers: Average rate of 2.30%;
 - Investors: Average rate of 2.64%;

- + Fixed rate loans, greater than three years remaining:
 - Owner-occupiers: Average rate of 3.12%; and
 - Investors: Average rate of 3.31%.

This data clearly highlights that mortgage holders coming off fixed rates will face significant increases in their minimum repayments, with over 2% points difference between the fixed rate (loans with up to three years remaining) and current variable rates on offer. Based on the cash rate forecasts discussed in the previous section of the report, it is likely that variable interest rates on mortgages are yet to reach their peak.

However, as presented in subsequent sections of the report, these increases will have varying impacts across SEQ, with some markets more vulnerable to increases in borrowing costs. However, it is not anticipated the scale of future interest rate rises predicted over the next six months will lead to widespread default on mortgages within SEQ, but rather have the intended impact on placing

downward pressure on discretionary spending and assist in reducing CPI to the RBA's target range (2% - 3%).

3.4 Labour Market Overview

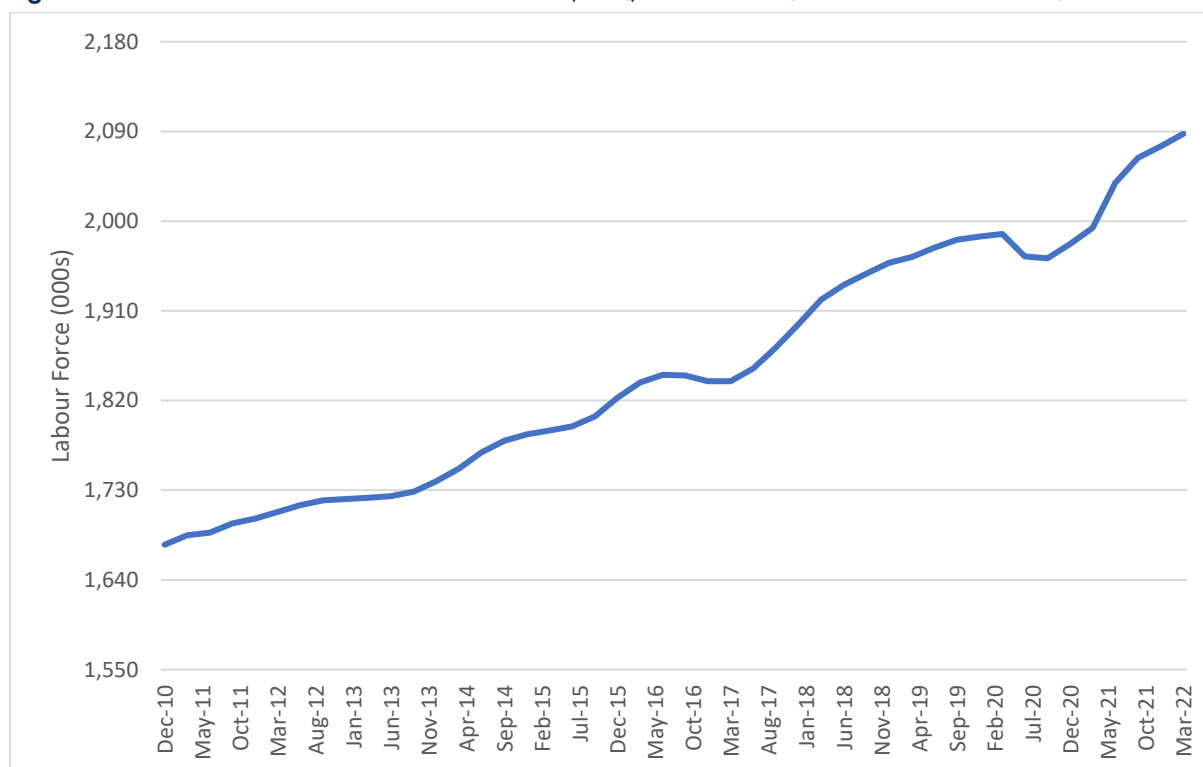
The analysis below provides a high level overview of the labour force and unemployment in SEQ and at a LGA level, based on data published by the National Skills Commission (NSC) in the Small Area Labour Markets (SALM) publication. This has been contextualised by labour force data published for Queensland by the Australian Bureau of Statistics to understand potential movements post March Quarter 2022.

3.4.1 Labour Force

In the March Quarter 2022, there were an estimated 2.09 million persons in the SEQ labour force, representing a 4.7% increase from the March Quarter 2021. Since the December Quarter 2010, the labour force has generally grown with some declines recorded in mid-2020, likely explained by redundancies or being stood down during the early phases of COVID-19 when the future outlook was most uncertain and choosing not to immediately look for another role.

However, there has been a subsequent increase in the size of the labour force, in response to greater job opportunities being available and higher wages being paid to attract suitable candidates post COVID-19 lockdowns.

Figure 3-6 Labour Force – Smoothed Series, SEQ, December Quarter 2010 to March Quarter 2022



Source: National Skills Commission (2022)

At a sub-regional level, the size of the labour force has generally grown over time, with the rate of growth highest within Ipswich, the Gold Coast and the Sunshine Coast. In the most recent year, labour force growth (in terms of additional persons) was particularly significant within the Gold Coast and Brisbane.

In the year ended March 2021, the size of the labour force across SEQ declined marginally (down 0.4% or 7,279 persons), likely reflective of job cuts during COVID-19, particularly within the hospitality

sector, as evidenced by the largest declines in the labour force being recorded on the Gold Coast (down 9,032 persons) and Sunshine Coast (down 4,867 persons) in this period.

Table 3-3 summarises smoothed labour force estimates for each LGA in SEQ for the year ended March 2012 to the year ended March 2022.

Table 3-3 Labour Force Estimates (smoothed series) by LGA, Year Ended March 2013 – Year Ended March 2022

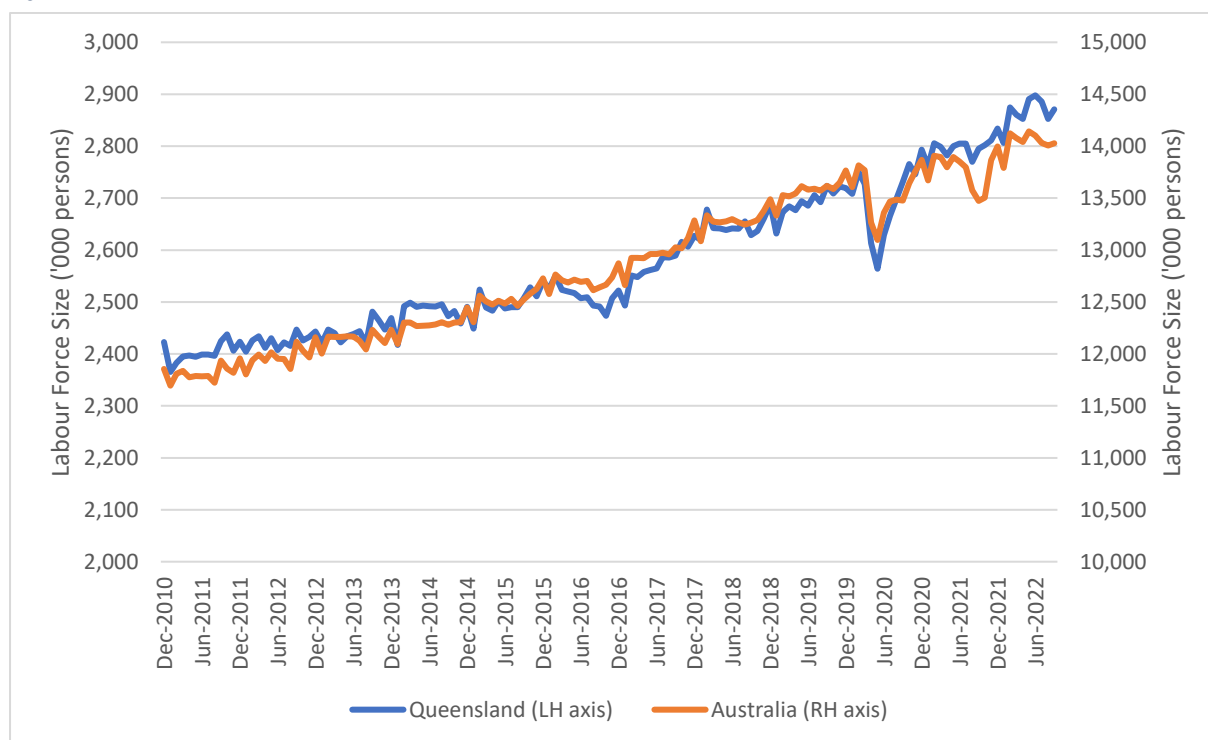
LGA	Year Ended March									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Noosa	24,780	25,761	27,222	27,577	26,704	27,047	28,516	28,762	27,109	27,496
Sunshine Coast	135,319	141,404	150,774	153,853	150,246	152,723	161,836	170,446	165,579	168,332
Moreton Bay	198,759	204,313	217,491	221,405	224,782	227,563	236,222	231,866	230,087	237,090
Somerset	10,214	10,650	11,053	11,092	11,241	11,461	11,627	11,577	11,670	12,192
Brisbane	640,818	645,176	665,720	672,668	682,872	687,757	701,078	719,693	721,865	755,429
Redland	80,199	78,623	80,982	82,405	81,492	82,921	87,194	88,441	85,041	86,409
Logan	149,747	146,742	131,837	131,526	139,932	155,685	162,960	164,538	166,166	172,325
Gold Coast	286,771	287,136	299,093	314,292	319,771	324,579	341,956	351,511	342,480	372,829
Ipswich	90,179	94,465	97,517	99,088	102,011	106,275	109,432	114,048	118,307	125,375
Lockyer Valley	17,784	18,091	17,897	18,125	18,594	19,552	19,756	18,689	19,539	20,208
Scenic Rim	18,490	18,562	18,347	18,672	19,249	20,108	20,842	21,152	20,989	22,271
Toowoomba Urban Extent	66,516	64,864	62,970	64,063	65,445	70,037	69,983	60,904	65,518	66,254
SEQ	1,719,573	1,735,785	1,780,902	1,814,764	1,842,337	1,885,708	1,951,402	1,981,627	1,974,348	2,066,209

Source: National Skills Commission (2022)

Post March Quarter 2022, the size of the labour force has remained relatively stable in both Queensland and Australia. Similar trends are expected to be reflected in the SEQ data once released. The size of the labour force can be expected to grow once international migration recommences and returns to pre COVID levels.

Figure 3-7 outlines the size of the labour force in Queensland between December 2010 and September 2022.

Figure 3-7 Labour Force Size (original series), Queensland and Australia, December 2010 – September 2022

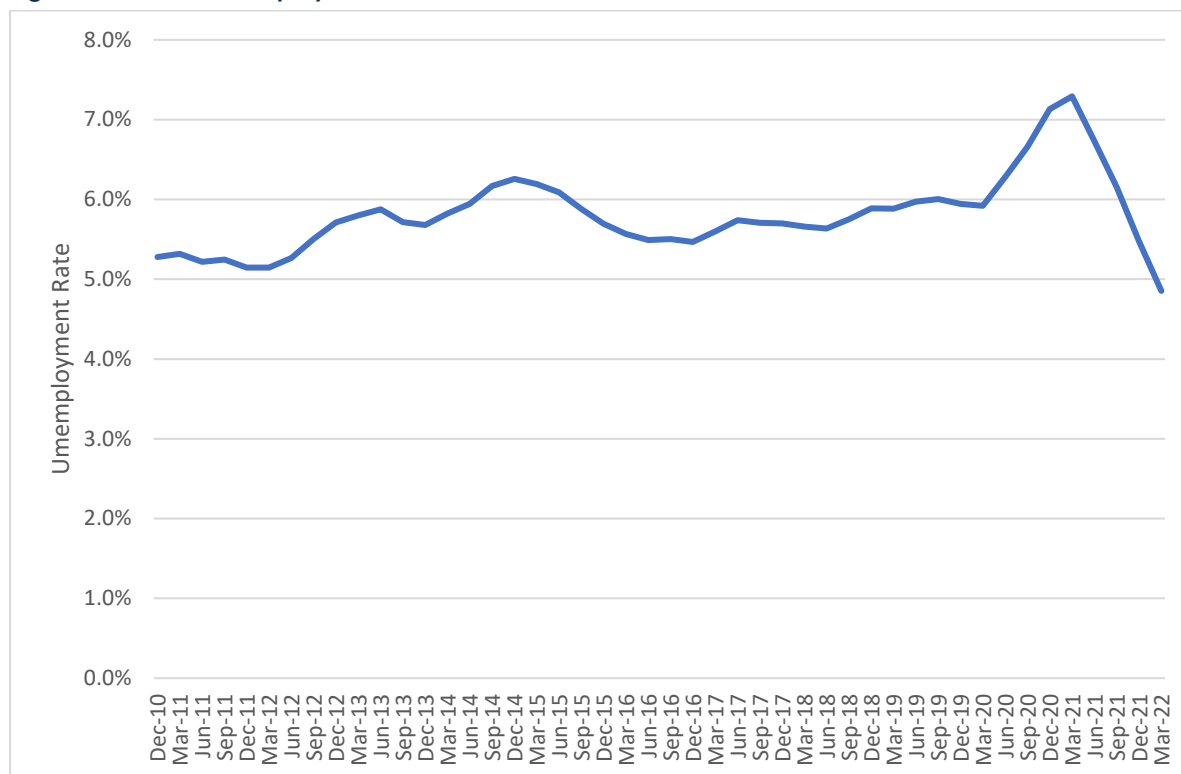


Source: ABS (2022c)

3.4.2 Unemployment Rates

Unemployment rates for SEQ have been derived through use of the National Skills Commission smoothed data published at the LGA and SA2 level. The data clearly highlights that SEQ is currently recording historically low unemployment rates relative to longer term averages. The unemployment rate increased during 2020, in response to COVID-19 and the shedding of staff in selected industry sectors. However, this was followed by a sharp decline in the unemployment rate in 2021 and 2022.

Figure 3-8 Unemployment Rate – Smoothed Series, SEQ, December Quarter 2010 to March Quarter 2022



Source: National Skills Commission (2022)

At the sub-regional level, the data clearly shows a significant decrease in the unemployment rate across SEQ between the year ended March 2021 and the year ended March 2022, with unemployment rates lowest in Toowoomba Urban Extent, Redland, Noosa and the Sunshine Coast. During COVID-19, the unemployment rate in Redland increased significantly, but has since recovered to pre-COVID levels.

Despite strong economic conditions in SEQ, unemployment rates remain persistently high in Logan and Ipswich relative to SEQ average, which is potentially reflective of a skills mismatch between unemployed persons and available jobs in these regions.

Table 3-4 Unemployment Rates (smoothed series) by LGA, Year Ended March 2013 – Year Ended March 2022

LGA	Year Ended March									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Noosa	7.1%	6.5%	7.0%	6.2%	4.7%	4.6%	5.6%	5.3%	6.4%	5.0%
Sunshine Coast	6.4%	6.1%	7.0%	6.3%	4.9%	5.0%	6.2%	6.0%	6.5%	5.1%
Moreton Bay	5.7%	5.4%	7.0%	5.9%	5.6%	6.2%	7.1%	6.8%	8.0%	6.2%
Somerset	6.3%	7.9%	9.1%	7.6%	9.2%	9.0%	8.4%	7.5%	8.7%	8.0%
Brisbane	4.8%	5.2%	5.3%	5.2%	5.2%	5.4%	5.4%	5.4%	6.0%	5.3%
Redland	5.1%	6.1%	4.7%	5.2%	6.0%	6.3%	5.3%	4.8%	7.5%	4.7%
Logan	6.9%	6.5%	7.7%	8.2%	5.8%	6.5%	7.0%	7.9%	8.1%	8.6%
Gold Coast	5.6%	5.7%	5.8%	5.6%	5.4%	4.9%	4.4%	5.6%	6.6%	5.3%
Ipswich	6.2%	7.6%	8.9%	7.0%	8.0%	8.0%	7.7%	7.3%	8.9%	8.0%
Lockyer Valley	7.5%	7.8%	7.8%	6.6%	7.4%	7.2%	6.7%	5.9%	7.3%	6.3%
Scenic Rim	5.5%	5.5%	6.5%	6.3%	5.8%	5.7%	5.5%	6.0%	6.4%	6.3%

LGA	Year Ended March									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Toowoomba Urban Extent	6.0%	5.9%	4.7%	5.0%	4.6%	5.6%	5.6%	4.8%	6.5%	4.3%
SEQ	5.6%	5.8%	6.1%	5.8%	5.5%	5.7%	5.8%	6.0%	6.8%	5.8%

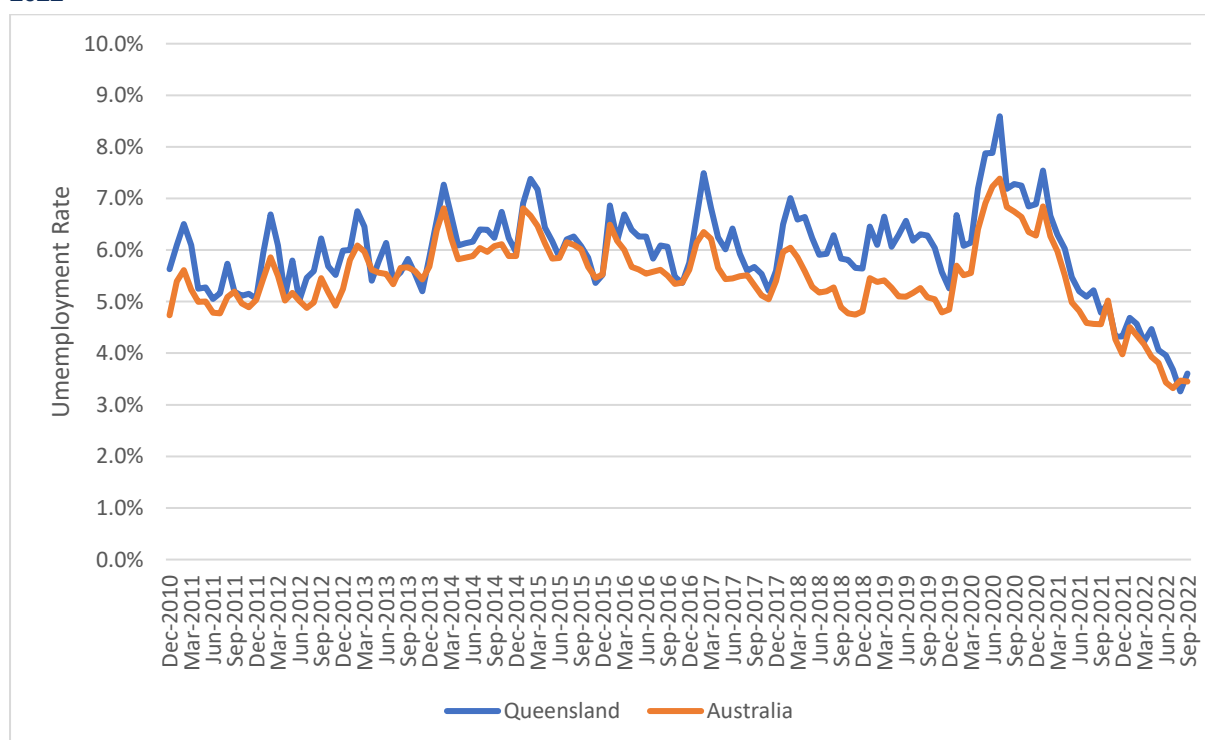
Source: National Skills Commission (2022)

Unemployment rates in Queensland post March Quarter 2022 have declined further but appear to be stabilising, with a minor uplift in the unemployment rate in Queensland in September 2022. Similar trends have been identified in the national job market, with unemployment rates remaining low but slightly higher in the two most recent months of data.

The data suggests that those persons that have been unemployed for a significant period is likely due to structural unemployment, as opposed to a lack of opportunities within the job market. It is anticipated that similar trends have occurred in SEQ, with unemployment rates beginning to stabilise.

Figure 3-9 outlines unemployment rates (original data) in Queensland between December 2010 and September 2022.

Figure 3-9 Unemployment Rates, Queensland and Australia (original data), December 2010 to September 2022



Source: ABS (2022c)

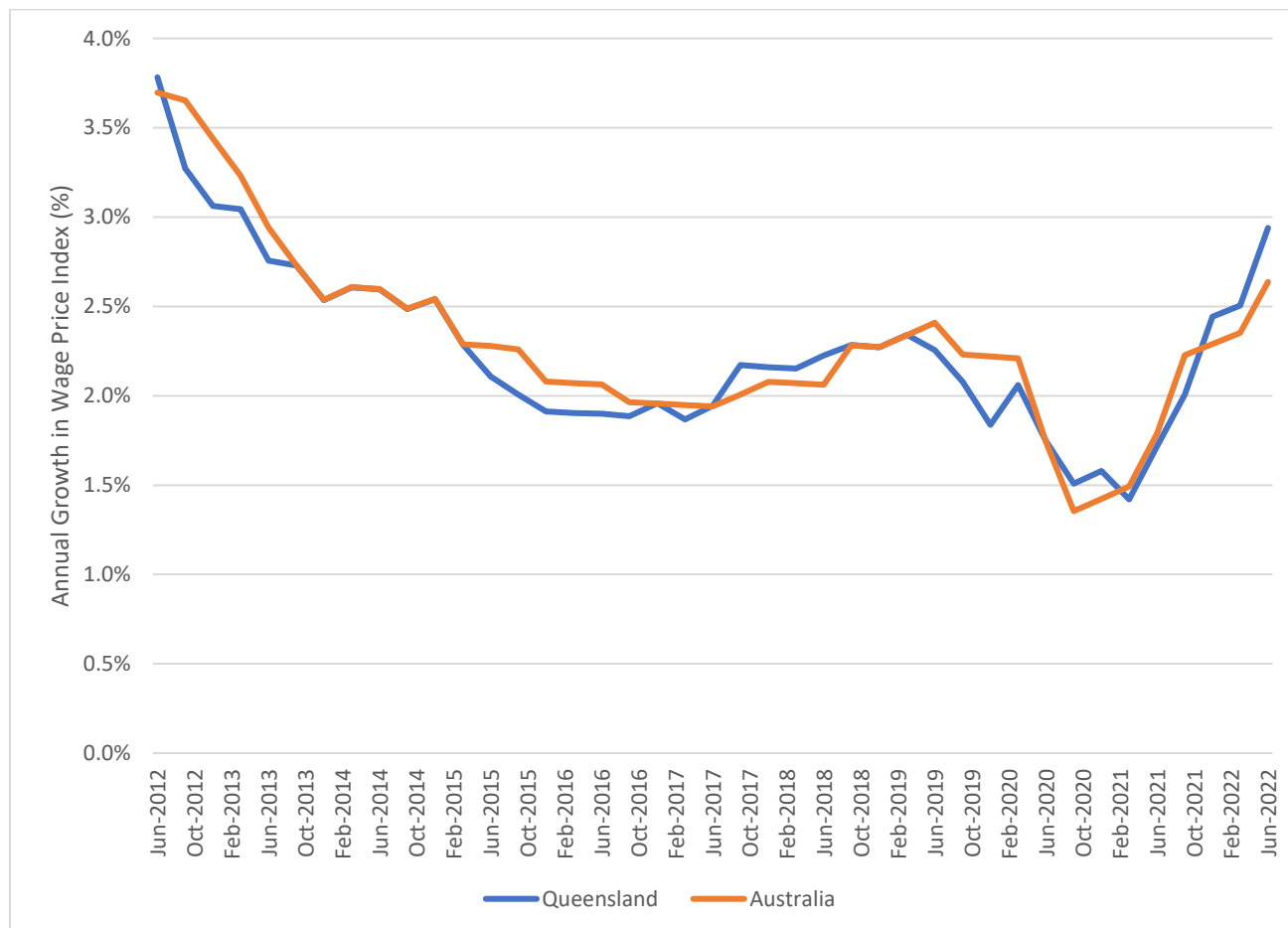
3.4.3 Wage Price Index

The assessment of wage price inflation has identified that annual growth in the wage price index has trended strongly upwards after the lull recorded during the height of COVID-19, where several businesses reduced the size of their workforces. Trends in the wage price index have historically been similar in both Queensland and Australia, with growth currently at the highest levels recorded since 2013-14.

It is anticipated that as skilled migration increasingly occurs within Australia, wage price pressures are likely to subside and return to longer term averages.

Figure 3-10 summarises the trends in the wage price index from June Quarter 2012 to June Quarter 2022.

Figure 3-10 Annual Growth in Wage Price Index, Queensland and Australia, June Quarter 2012 to June Quarter 2022



Source: ABS (2022d)

4 Population Growth

This section provides an overview of population growth at the state and national level and to contextualise this relative to SEQ and its component sub-regions to understand where population growth has been most significant.

The analysis has also sought to understand the components of population growth within each geographic area, including any insights as to how this has shifted post-COVID.

4.1 Trends in Population Growth

4.1.1 State and National Trends

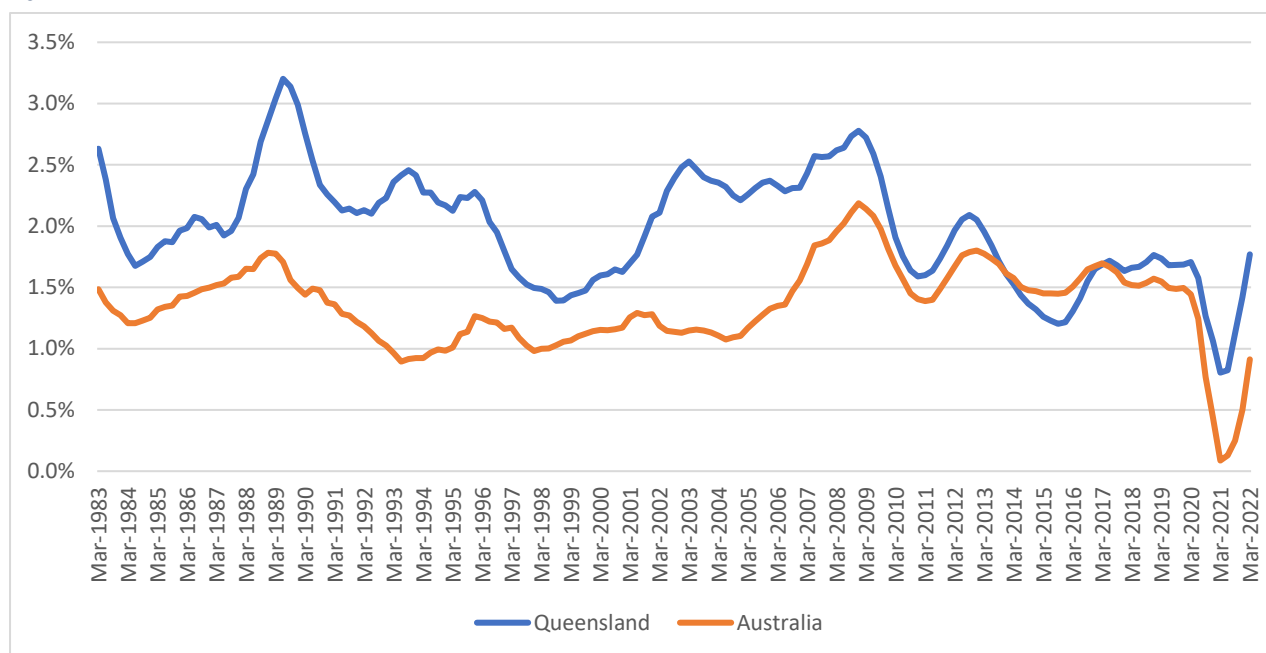
A review of long term growth trends highlights that Queensland had traditionally recorded a higher rate of population growth until around 2009-10, where the gap in the rate of growth narrowed significantly. From mid-2014 to the end of 2016, the rate of population growth in Queensland fell below the national average.

Whilst COVID-19 clearly had a significant impact on population growth in both Queensland and Australia in the first two quarters of 2021, the impact was less severe in Queensland. This is likely attributable to the reliance on international migration as a driver of population growth in Sydney and Melbourne.

In the most recent quarter, population growth in Queensland is similar to the level recorded pre-COVID-19 at 1.8% per annum despite international migration being constrained. Nationally, population growth has increased from the lows of 0.1% per annum recorded in the first two quarters of 2021 but remains well below pre-COVID-19 levels, likely reflective of lower levels of international migration than pre COVID-19.

Figure 4-1 summarises annual population growth trends in both Queensland and Australia from the March Quarter 1983 to the March Quarter 2022.

Figure 4-1 Annual Population Growth, Queensland and Australia, March Quarter 1983 to March Quarter 2022



Source: ABS (2022e)

4.1.2 SEQ Population Trends

Population data at the small area level is published annually, with the latest data available as of 30 June 2021. This data does not fully capture the impacts of population growth due to net internal migration post COVID-19 but provides insights into longer term growth trends and some of the impacts of COVID-19 on population growth within the region.

Over the last ten years to 2021, all regions across SEQ recorded population growth, with the rate of population growth highest in Ipswich (3.0% per annum), Sunshine Coast (2.6% per annum), Moreton Bay (2.1% per annum), Logan and Gold Coast (both 2.0% per annum).

In the most recent year, the data indicates slower population growth, likely attributable to the impacts of COVID-19. The population of Brisbane declined marginally in 2021, with the rate of population growth slowing significantly on the Gold Coast, likely as a result of very limited overseas migration. Unsurprisingly, population growth was relatively less affected on the Sunshine Coast, with population growth also remaining resilient within Logan and Ipswich, which is likely reflective of greenfield residential opportunities available in these locations.

Table 4-1 below summarises the population of each region in SEQ as of 2021 as well as the rate of population growth within each region over various time periods.

Table 4-1 Selected Population Growth Metrics, SEQ by LGA, 2012-21

LGA	2021 ERP	Ave. Ann. Growth Rates			
		1 year (2020-21)	3 years (2018-21)	5 years (2016-21)	10 years (2012-21)
Noosa	56,873	0.2%	0.8%	1.1%	1.0%
Sunshine Coast	346,648	2.3%	2.6%	2.7%	2.3%
Moreton Bay	484,428	1.5%	1.9%	2.0%	1.9%
Somerset	25,391	0.1%	0.1%	0.2%	1.1%
Brisbane	1,264,024	-0.2%	1.0%	1.3%	1.3%
Redland	161,730	0.7%	1.0%	1.2%	1.0%

LGA	2021 ERP	Ave. Ann. Growth Rates			
		1 year (2020-21)	3 years (2018-21)	5 years (2016-21)	10 years (2012-21)
Logan	350,740	1.8%	2.3%	2.2%	1.8%
Gold Coast	633,764	1.0%	1.7%	2.0%	1.8%
Ipswich	233,302	2.7%	3.2%	3.1%	2.7%
Lockyer Valley	41,762	0.8%	1.0%	1.1%	1.3%
Scenic Rim	43,595	0.6%	0.9%	1.2%	1.4%
Toowoomba Urban Extent	175,316	0.8%	1.1%	1.3%	1.1%
SEQ	3,961,567	0.9%	1.6%	1.8%	1.6%

Source: ABS (2022f)

4.2 Components of Population Growth

This section analyses the components of population growth, which can be described as follows:

- + Net natural increase, i.e. births less deaths;
- + Net internal migration, i.e. net movement of persons to a region from other parts of Australia (not available at the national level, but provides a measure of population movement within regions of Australia, such as SEQ and Queensland); and
- + Net overseas migration, i.e. net movement of persons to Australia from overseas.

4.2.1 State and National Population Trends

This section provides an overview of the components of population growth for both Queensland and Australia. State and national data is published quarterly, with the most recent data release as of March 2022.

The analysis has presented an overview of the components of population growth over the past five years, which highlights the following:

- + **Natural Increase:** Data for the first three quarters of 2021-22 highlights a drop in natural population increase in both Queensland and Australia relative to the five year average, likely attributable to the uncertainty regarding COVID-19 translating to lower birth rates. Whilst these concerns have mostly subsided, uncertainty regarding the economic outlook and the impact of interest rate rises, particularly on first home owners, may potentially translate to continued subdued rates of natural increase in the short term;
- + **Net Overseas Migration:** Data for the first three quarters of 2021-22 highlights that net overseas migration has returned to being positive in both Queensland and Australia, however, remains well below the levels recorded in pre-COVID years;
- + **Net Interstate Migration:** The data tells a clear story that there has been an unprecedented shift in interstate migration to Queensland, with the number of persons migrating to Queensland peaking in the December Quarter 2021 at 19,247 persons. Whilst this number has somewhat reduced in the most recent quarter (11,071 persons), this remains significant above migration levels pre-COVID with the growth in net interstate migration more than offsetting falls in net overseas migration.

This analysis clearly highlights growth in interstate migration to Queensland has been significant and has more than offset reductions in overseas migration. The implication of this trend is increasing pressure on local property markets, pushing up prices and rents, with migrants from Sydney and Melbourne often having capacity to pay higher prices.

It is anticipated that whilst net interstate migration is likely to subside from the 2021-22 peak, it is not expected to return to pre-COVID levels in 2022-23. The return of overseas migration to SEQ and Queensland is also anticipated to place pressure on housing markets, with the level of overseas migration likely to increase relative to 2021-22 levels.

Table 4-2 summarises the components of population growth (quarterly averages for each financial year to allow for meaningful comparison to the first three quarters of 2021-22) for both Queensland and Australia over the past ten years.

Table 4-2 Components of Population Growth (Quarterly Averages), 2012-13 to 2021-22

	Queensland			Australia	
	Natural Increase	Net Overseas Migration	Net Interstate Migration	Natural Increase	Net Overseas Migration
2012-13	8,882	10,458	2,219	40,490	57,582
2013-14	8,905	6,804	1,574	39,244	46,945
2014-15	8,279	5,109	1,715	37,945	46,008
2015-16	8,097	6,238	2,997	38,588	51,558
2016-17	7,652	8,519	4,449	36,901	65,838
2017-18	7,339	6,935	6,175	35,651	59,556
2018-19	7,470	7,937	5,708	35,430	60,335
2019-20	7,010	6,994	6,337	33,705	48,176
2020-21	7,384	-3,266	7,795	34,870	-21,198
2021-22	6,866	3,797	15,643	31,417	36,130

Note: 2021-22 data refers to only the first three quarters of this financial year

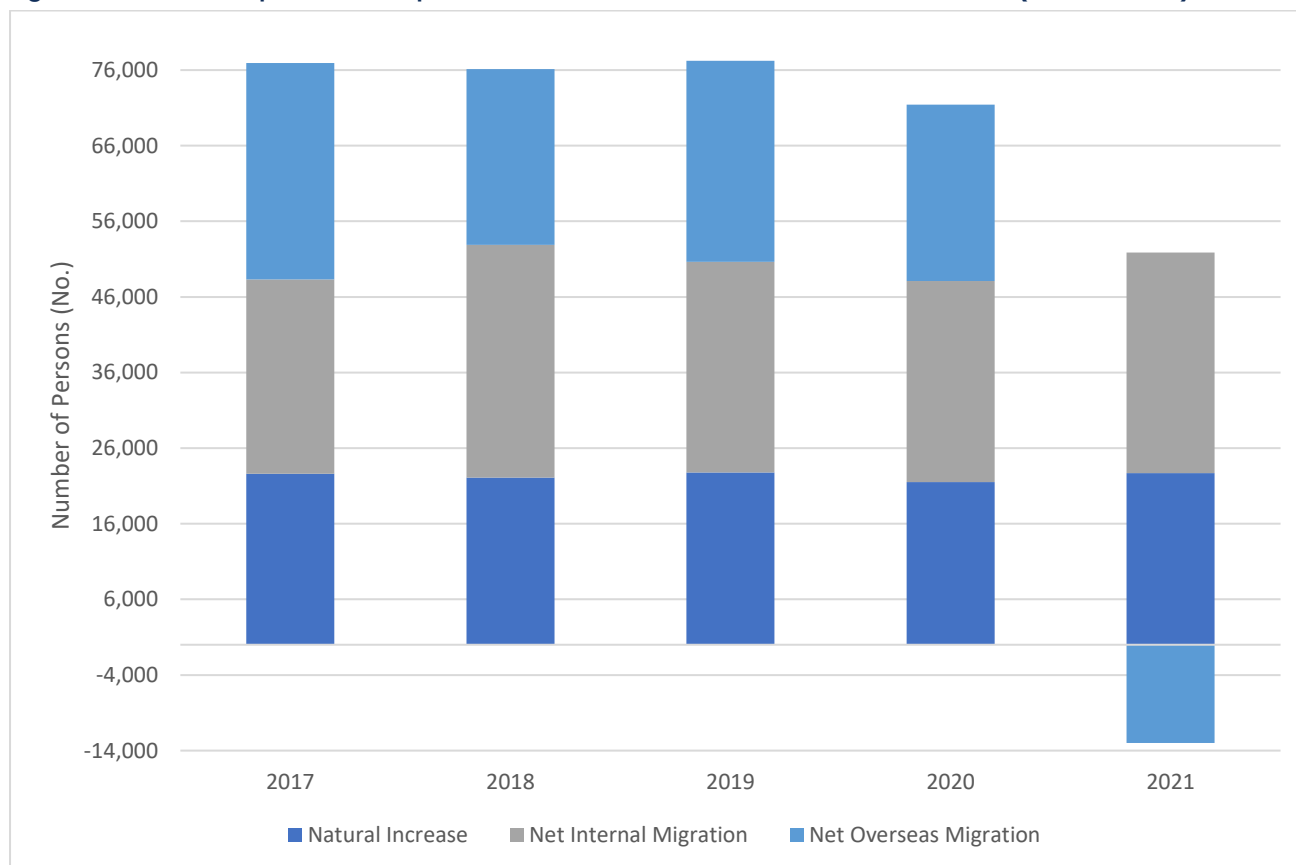
Source: ABS (2022e)

4.2.2 SEQ Population Trends

At the time of publication, data was yet to be released regarding the components of population growth at a small area level post-June 2021, with the next release due in April 2023. As per total population estimates, the components of population growth data at a small area level are released annually, as opposed to quarterly. It is also noted that components of population growth data at the small area level does not align exactly with total population estimates, as these are yet to be rebased to consider the 2021 Census outcomes.

However, the data does identify that whilst net overseas migration within SEQ was negative in 2021 in SEQ, there were uplifts in both net natural increase and net internal migration, as summarised in Figure 4-2.

Figure 4-2 Components of Population Growth, South East Queensland, 2017-2021 (as at 30 June)



Source: ABS (2022g) and ABS (2022h)

Within SEQ, Brisbane and the Gold Coast have traditionally been the local government areas to benefit from net overseas migration. In 2021, Brisbane accounted for almost two thirds of the decline in net overseas migration due to persons returning to their country of origin in response to the COVID-19 pandemic.

Historically, net internal migration has been highest to the Gold Coast, followed by the Sunshine Coast and Moreton Bay. Net internal migration has been increasing in Ipswich and Logan, which is likely attributable to the relative availability of new house and land packages.

Natural increase in all SEQ regions was positive over the past four years, except for Noosa, which has been reliant on internal migration and overseas migration for population growth. The areas which have recorded the most significant natural increase (in terms of additional persons) each year were Brisbane, Logan and the Gold Coast.

Table 4-3 summarises the components of population growth by LGA in SEQ between 2017 and 2021.

Table 4-3 Summary of Components of Population Growth by LGA, 2017-2021

	2017	2018	2019	2020	2021
Natural Increase					
Major Urban Growth Areas of SEQ					
Brisbane	8,599	7,998	8,267	7,722	8,030
Gold Coast	3,101	3,197	3,115	3,035	3,277
Sunshine Coast	848	917	892	812	1,061
Logan	3,334	3,321	3,482	3,472	3,612
Ipswich	2,278	2,386	2,585	2,496	2,498

	2017	2018	2019	2020	2021
Moreton Bay	2,795	2,543	2,901	2,480	2,563
Remainder of SEQ					
Redland	537	537	436	437	485
Noosa	-3	-25	-102	-68	-68
Scenic Rim	87	97	85	83	84
Somerset	102	100	108	61	77
Lockyer Valley	205	252	241	188	263
Toowoomba Urban Extent	746	788	777	790	802
Net Internal Migration					
Major Urban Growth Areas of SEQ					
Brisbane	926	2,824	1,354	410	800
Gold Coast	6,975	7,441	5,329	6,614	6,745
Sunshine Coast	5,751	6,370	6,047	5,717	6,558
Logan	736	1,101	2,549	2,429	3,034
Ipswich	3,239	3,957	5,317	4,210	4,656
Moreton Bay	5,127	6,047	5,186	5,809	5,067
Remainder of SEQ					
Redland	1,255	1,218	987	570	817
Noosa	421	488	324	513	378
Scenic Rim	566	637	353	326	352
Somerset	212	198	168	-50	214
Lockyer Valley	227	287	219	76	397
Toowoomba Urban Extent	236	212	4	-44	172
Net Overseas Migration					
Major Urban Growth Areas of SEQ					
Brisbane	14,386	11,453	13,088	10,840	-8,988
Gold Coast	5,762	4,749	5,465	4,972	-1,619
Sunshine Coast	1,702	1,408	1,614	1,525	-473
Logan	1,906	1,585	1,828	1,654	-534
Ipswich	880	725	841	781	-244
Moreton Bay	1,999	1,653	1,899	1,845	-561
Remainder of SEQ					
Redland	582	480	553	511	-158
Noosa	302	250	287	274	-97
Scenic Rim	112	93	106	93	-31
Somerset	62	54	60	50	-16
Lockyer Valley	288	238	271	269	-80
Toowoomba Urban Extent	648	535	612	548	-177

Source: ABS (2022g) and ABS (2022h)

The key driver of population growth in each local government area both prior to (2017-2020) and during COVID-19 is summarised in Table 4-4 below.

This table highlights that the majority of LGAs in SEQ rely most heavily on net internal migration, except for Brisbane (which is most reliant on net overseas migration) and Logan and Toowoomba Urban Extent (which are most reliant on natural increase). Therefore, whilst the net internal migration data is yet to be released at a small area level to align with broader state and national trends, this is likely indicative of significant population uplift that was not anticipated, particularly in the coastal areas of SEQ, placing additional pressures on residential property markets that were already considered constrained.

Table 4-4 Key Driver of Population Growth by LGA, Prior to and During COVID-19 by LGA

LGA	Prior to COVID-19 (2017-2020)	During COVID-19 (2021)
Brisbane	Net Overseas Migration	Natural Increase
Gold Coast	Net Internal Migration	Net Internal Migration
Sunshine Coast	Net Internal Migration	Net Internal Migration
Moreton Bay	Net Internal Migration	Net Internal Migration
Logan	Natural Increase	Natural Increase
Ipswich	Net Internal Migration	Net Internal Migration
Redland	Net Internal Migration	Net Internal Migration
Noosa	Net Internal Migration	Net Internal Migration
Lockyer Valley	Net Internal Migration / Natural Increase	Net Internal Migration
Scenic Rim	Net Internal Migration	Net Internal Migration
Somerset	Net Internal Migration	Net Internal Migration
Toowoomba Urban Extent	Natural Increase	Natural Increase

Source: ABS (2022g) and ABS (2022h)

5 Dwelling Structure & Development Activity

The Census of Population and Housing provides a comprehensive overview of the structure of dwellings within each local government area in SEQ.

For the purposes of this assessment, the dwelling structure has been considered as of the 2011, 2016 and 2021 Census for the following categories, to understand the composition of the dwelling stock and how this has shifted over time.

- + Separate house;
- + Semi-detached;
- + Flat or apartment (one to three storeys); and
- + Flat or apartment (four or more storeys).

To understand inter-Censal movements, this analysis has been compared and contrasted with building approvals and lot registration data (presented in Section 5.4 of the report).

5.1 Dwelling Stock

5.1.1 Separate Houses

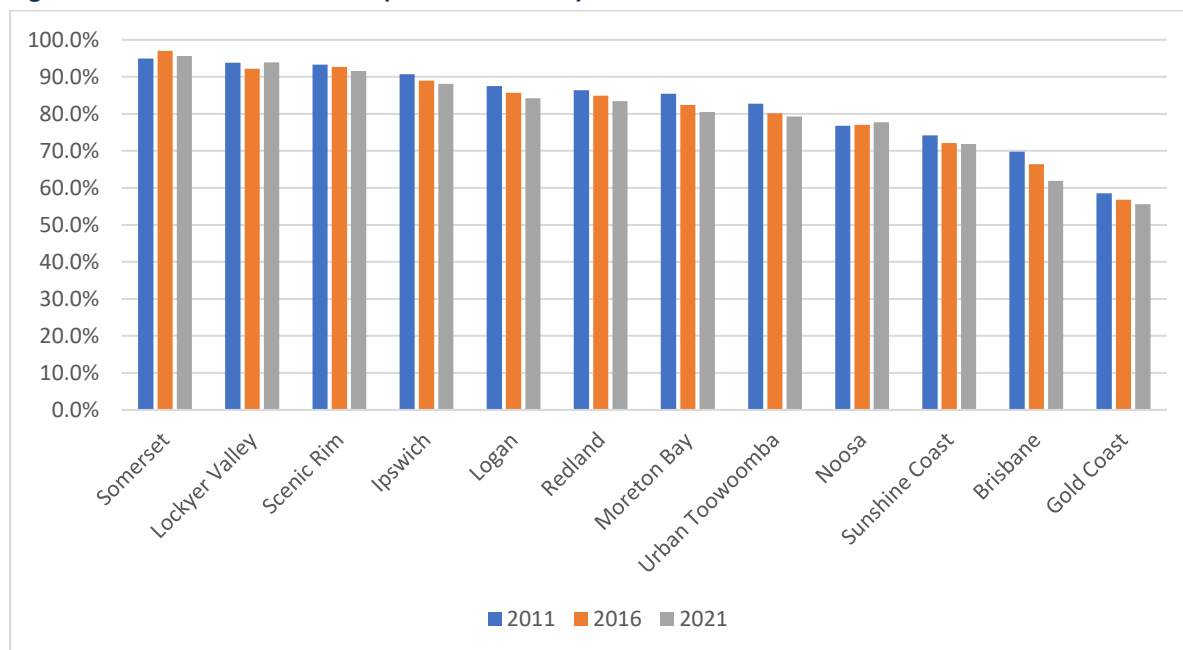
Between 2011 and 2021, the incidence of separate houses in SEQ decreased from 75.8% of the housing stock in 2011 to 70.9% of the housing stock in 2021. The majority of LGAs in SEQ recorded consistent declines in the incidence of separate houses between 2011 and 2021, with the exception of Noosa which recorded modest increases in the proportion of separate houses, potentially reflective of height limits adversely impacting development feasibility of attached product.

The more rural parts of SEQ (e.g. Somerset, Lockyer Valley and Scenic Rim) recorded the highest incidence of separate houses, followed by the urban fringe LGAs of Ipswich, Logan, Redland and Moreton Bay.

The analysis clearly illustrates that separate houses remain the dominant housing type across SEQ, with Gold Coast and Brisbane achieving significantly greater density (i.e. attached product) than all other regions.

Figure 5-1 summarises the incidence of dwellings that were separate houses across SEQ as of the 2011, 2016 and 2021 Censuses of Population and Housing.

Figure 5-1 Incidence of Separate Houses by SEQ LGA, 2011-2021



Source: ABS (2022i)

5.1.2 Attached Product

As identified above, attached product includes:

- + Semi-detached dwellings;
- + Flats or apartment (one to three storeys); and
- + Flats or apartment (four or more storeys).

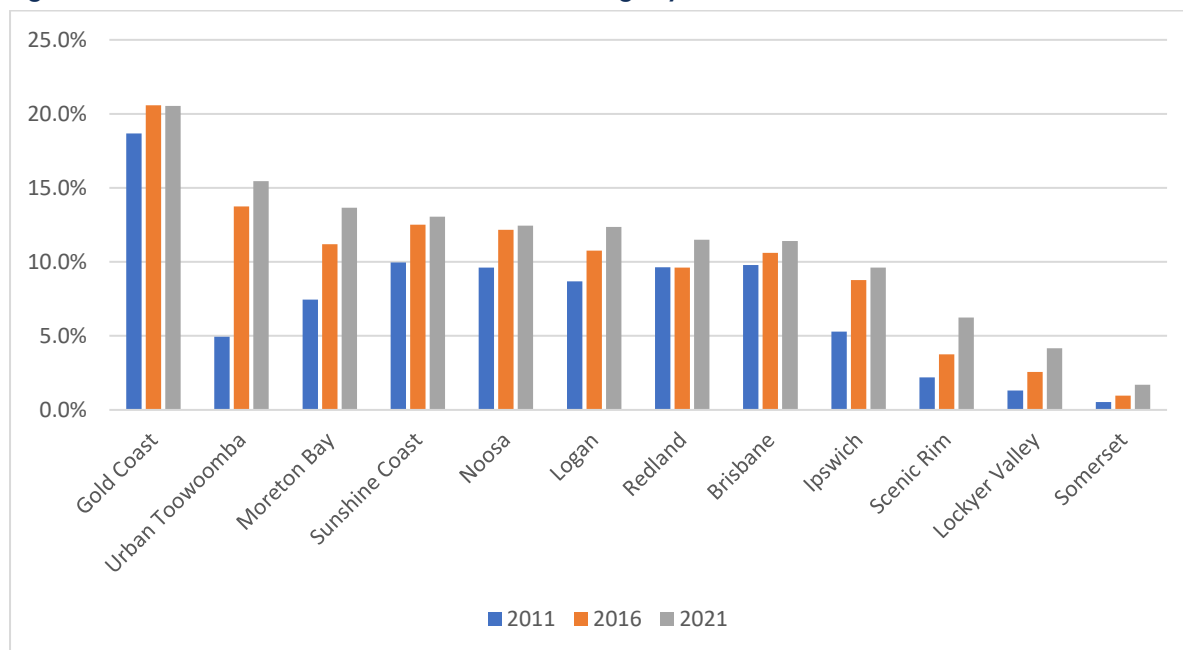
Across SEQ, semi-detached dwellings are the most common attached product, followed by flats or apartments, with a higher number of dwellings in one to three storey developments than four or more storey developments. However, there has been relatively little growth in the one to three storey flat or apartment market since 2011, with the market tending to provide either semi-detached dwellings or flats or apartments in four or more storey apartment complexes.

Brisbane, the Gold Coast and Sunshine Coast are also the only regions to achieve significant attached product that is four or more storeys in height. This is consistent with the marketability and feasibility challenges associated with delivering apartment product of this scale in SEQ outside of Brisbane, the Gold Coast and Sunshine Coast.

Brisbane has consistently recorded a higher incidence of one to three storey apartments than semi-detached dwellings across the last three Censuses, which is against the trend in all other areas in SEQ. However, the gap between the number of one to three storey apartments and semi-detached dwellings in the Brisbane market has declined over time, with the market increasingly delivering apartments four or more storeys in height, rather than low rise apartment development.

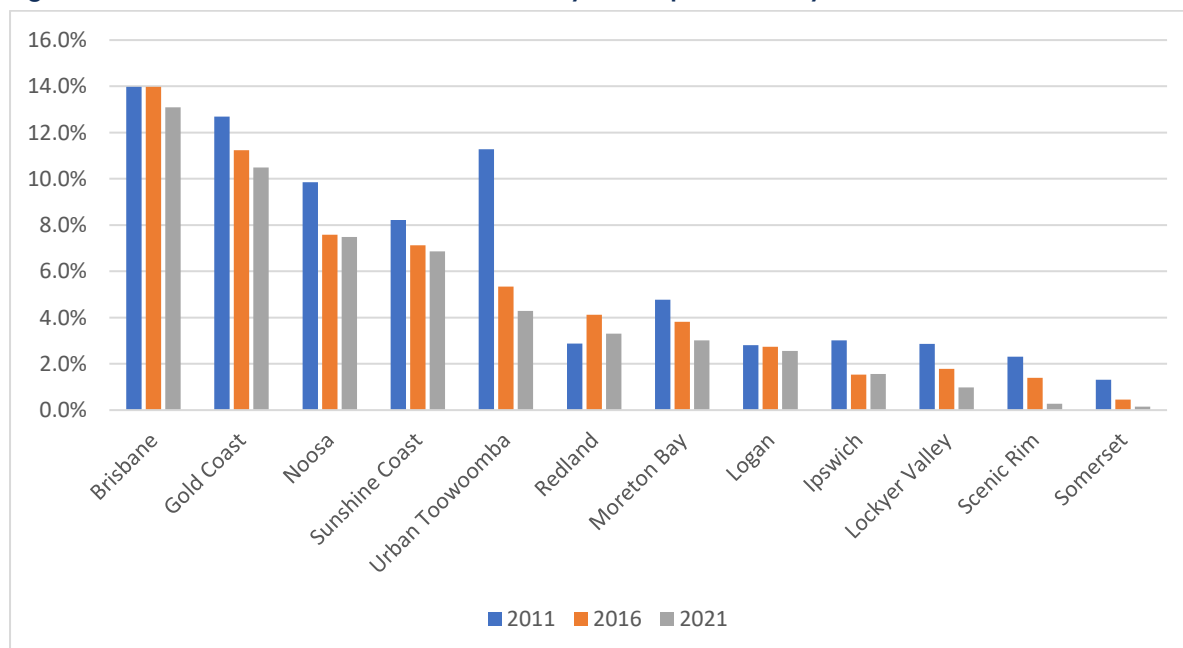
Figures 5-2 to 5-4 below outline the incidence of semi attached and flats or apartments within each component area of SEQ between 2011 and 2021.

Figure 5-2 Incidence of Semi Attached Dwellings by SEQ LGA, 2011-2021



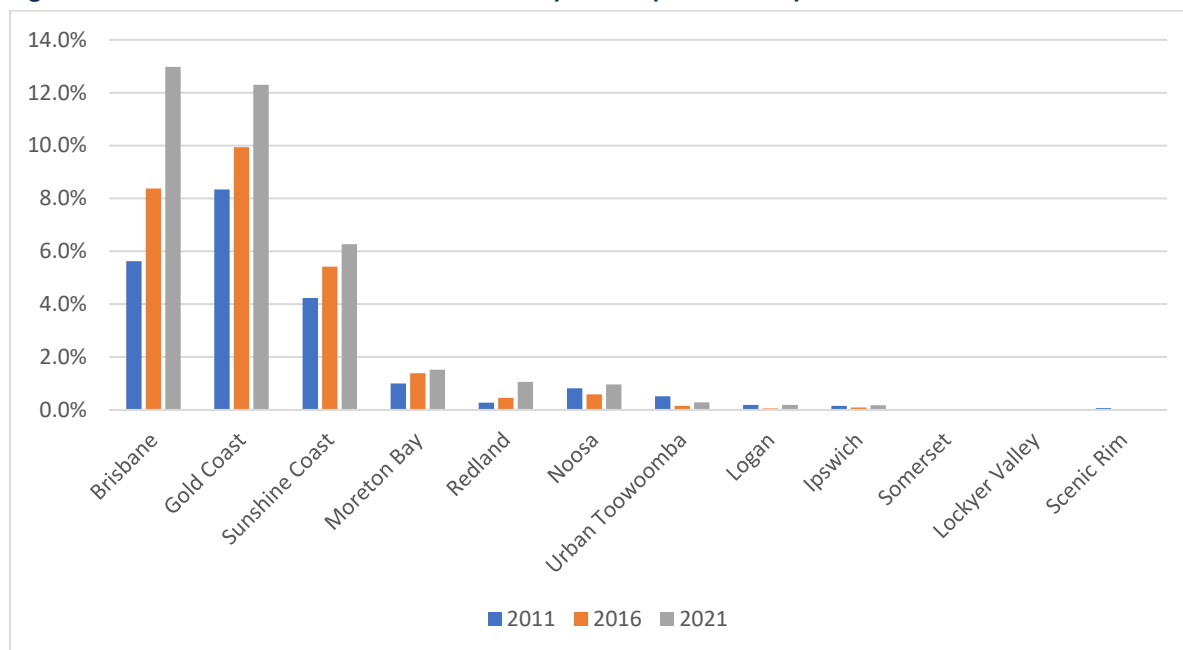
Source: ABS (2022i)

Figure 5-3 Incidence of One to Three Storey Flats/Apartments by SEQ LGA, 2011-2021



Source: ABS (2022i)

Figure 5-4 Incidence of For or More Storey Flats/Apartments by SEQ LGA, 2011-2021



Source: ABS (2022i)

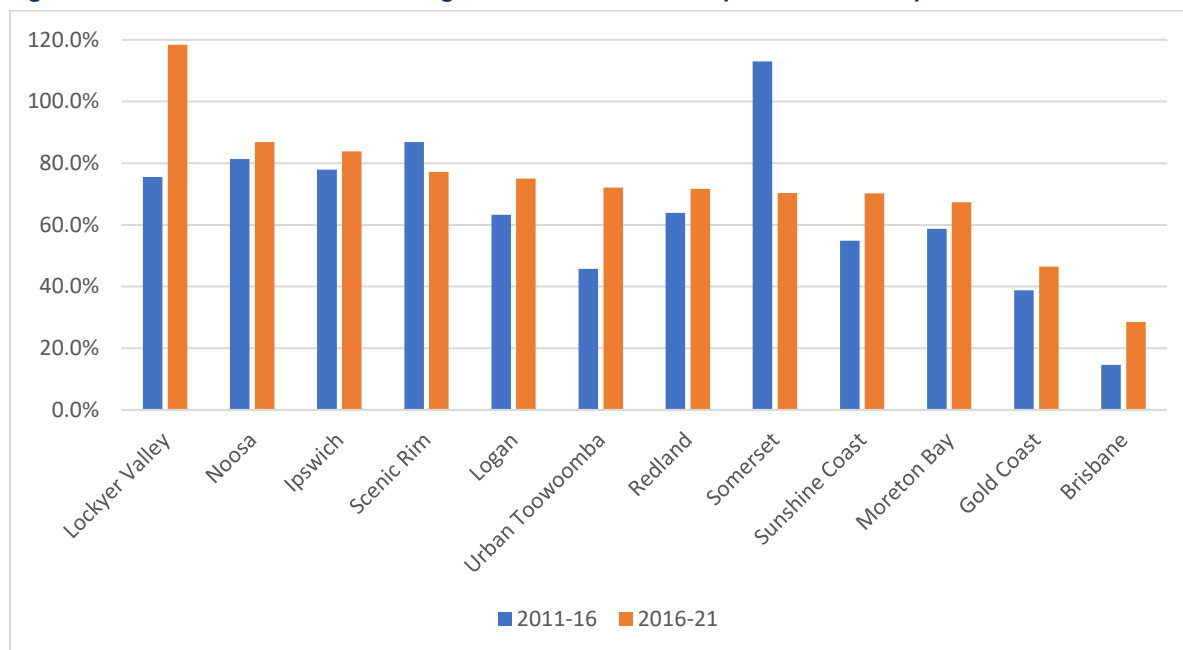
5.2 Shifts in Dwelling Stock

In SEQ, growth in the number of separate houses accounted for over half of all additional dwellings between 2016 and 2021 (54.3% of additional dwellings), increasing from just below half of all additional dwellings (46.4% of additional dwellings) in the 2011 to 2016 period.

Less than half of all dwelling growth on the Gold Coast (46.4% of dwelling growth in the 2016-21 period) could be attributed to separate houses and just over a quarter of all dwelling growth in Brisbane (28.5% of dwelling growth in the 2016-21 period) was attributable to growth in separate houses between 2016 and 2021. In almost all areas analysed, separate houses accounted for a higher proportion of dwelling growth in the 2016-21 period relative to the 2011-16 period, indicating a market increasingly providing detached dwellings despite clear policy intent to deliver increased infill development (which represents a mix of both detached dwellings on smaller allotments and attached dwellings, but highlights a clear preference to deliver detached dwellings).

Figure 5-5 outlines the proportion of dwelling growth that was delivered as separate houses between 2011-16 and 2016-21.

Figure 5-5 Incidence of Dwelling Growth Provided as Separate Houses by SEQ LGA, 2011-16 and 2016-21



Note: In Lockyer Valley and Somerset, the incidence of separate houses was over 100%, which reflected a decline in the attached dwelling stock alongside growth in the detached dwelling stock.
Source: Source: ABS (2022i)

5.3 Household Structure

The purpose of this section of the report is to understand shifts in household structure in both SEQ and at the local government area level between the 2011 and 2021 Censuses. The analysis has focussed on the incidence of group households and lone person households, to understand the impacts of COVID-19 on dwelling demand in the SEQ context.

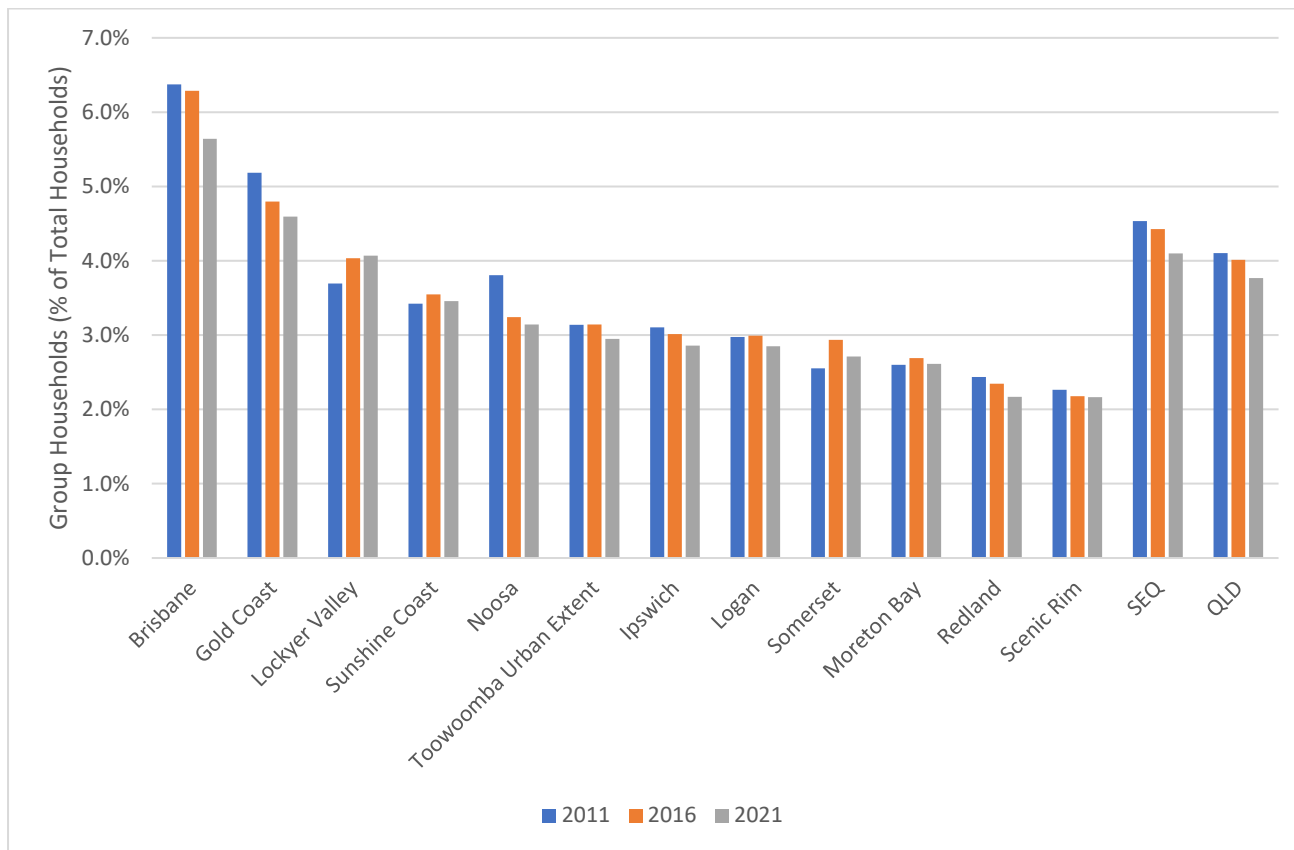
5.3.1 Group Households

In SEQ, an estimated 4.1% of households were classified as group households as of the 2021 Census, declining from 4.4% of households in 2016. Across the region, the most significant shift in group households was identified in Brisbane City, which also accounted for the highest number and proportion of group households in SEQ.

The majority of local government areas in SEQ saw a decline in the proportion of group households between 2016 and 2021, which was accelerated as a result of COVID-19. As group households are typically rental households, this placed significant pressure on the rental market, with more households required to accommodate the same population.

Figure 5-6 summarises the proportion of group households across SEQ between the 2011 and 2021 Censuses, benchmarked to Queensland.

Figure 5-6 Incidence of Group Households by SEQ LGA, 2011 to 2021



Source: ABS (2022i)

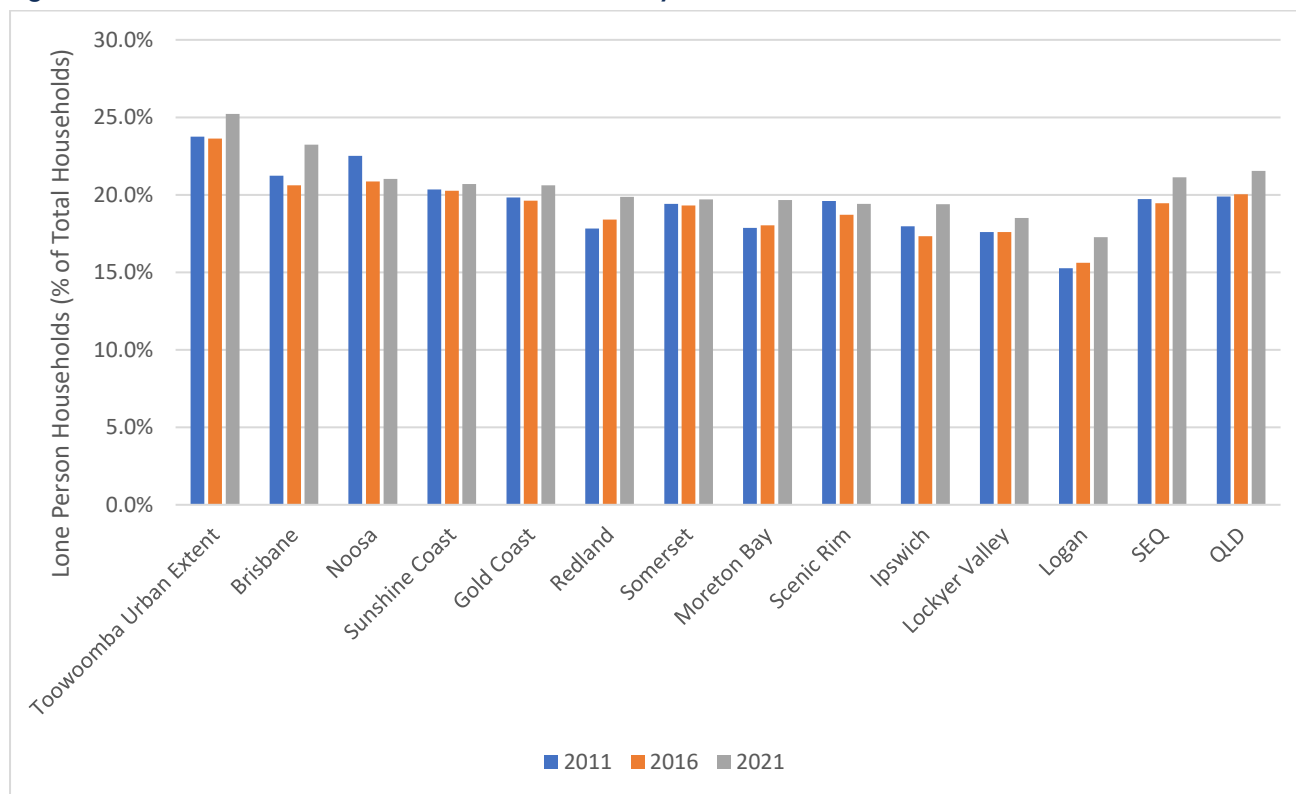
5.3.2 Lone Person Households

Within SEQ, the incidence of lone person households remained relatively stable between 2011 and 2016, before increasing significantly in 2021 to 21.1% of households.

The prevalence of lone person households across SEQ has consistently been highest in Toowoomba Urban Extent, but growth in the incidence of lone person households between the last two Censuses was highest in Brisbane (up 2.6% points) and Ipswich (up 2.1% points).

Figure 5-7 clearly highlights the proportion of lone person households increased in all local government areas across SEQ in the 2016 to 2021 period. The implication of this trend is increased demand for dwellings to accommodate the population, placing upward pressure on both sales prices and rents.

Figure 5-7 Incidence of Lone Person Households by SEQ LGA, 2011 to 2021



Source: ABS (2022i)

5.4 Housing Fit - Small Household to Small Dwelling Ratio

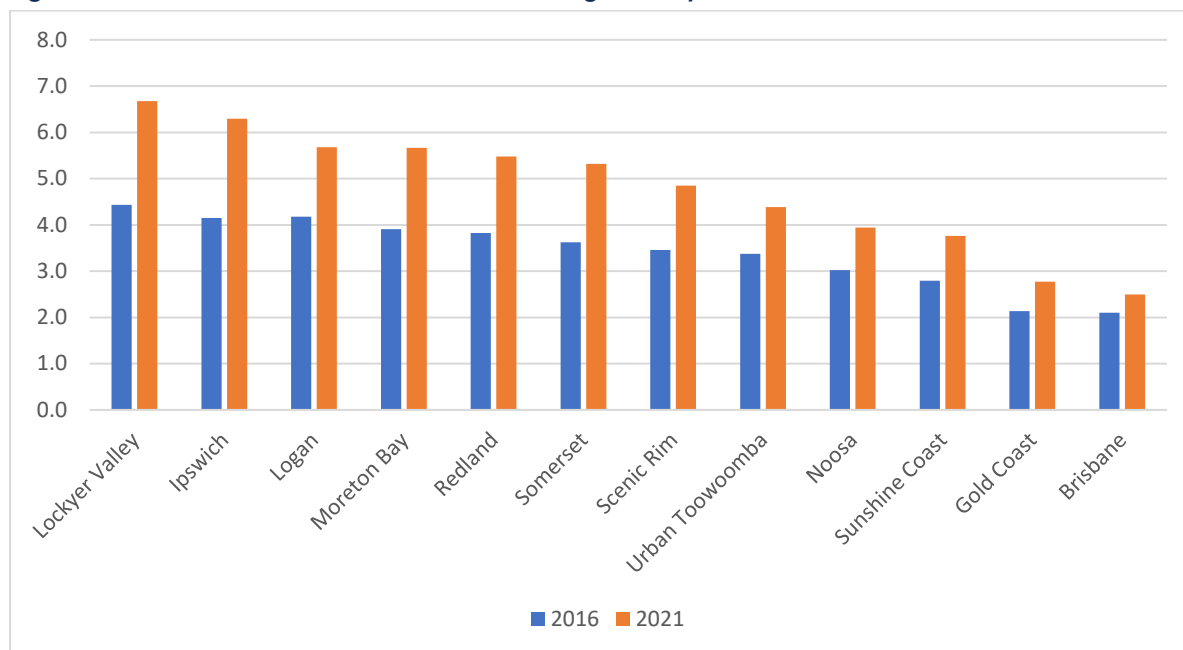
In understanding the suitability of housing stock for the population within SEQ, a ratio comparing small households (i.e. 1-2 person households) to small dwellings (1-2 bedroom dwellings) has been undertaken. An area with a higher small household to small dwelling ratio is potentially indicative of a need to provide additional small dwellings. However, this metric must also be contextualised with the life cycle stage of the population under analysis, as for example a high small household to small dwelling ratio is of less concern in an area dominated by young couple families who intend to have children in the future, whereas in an established area dominated by couple families with adult children this represents an opportunity to diversify the housing stock to allow for downsizing.

5.4.1 Small Household to Small Dwelling Ratio - SEQ

Within SEQ, the small household to small dwelling ratio increased from 2.6 in 2016 to 3.4 in 2021. The Gold Coast and Brisbane were the only areas to record a small household to small dwelling ratio below the SEQ average. The small household to small dwelling ratio increased in all areas of SEQ and was highest in the Lockyer Valley, Ipswich, Logan, Moreton Bay and Redland. This trend is consistent with the post COVID-19 fracturing of households, which had led to an increased number of small households residing in medium to large dwellings.

Figure 5-8 outlines the small household to small dwelling ratio by LGA in SEQ between 2016 and 2021.

Figure 5-8 Small Household to Small Dwelling Ratio by SEQ LGA, 2011-16 and 2016-21



Source: ABS (2022i)

5.4.2 Small Household to Small Dwelling Ratio – SA2s

Further interrogation of this metric has been undertaken for the following urban growth LGAs within SEQ, to understand where the most significant imbalances exist at an SA2 level:

- + Brisbane;
- + Gold Coast;
- + Ipswich;
- + Logan;
- + Moreton Bay; and
- + Sunshine Coast.

The analysis identified a diverse range of suburbs with high small household to small dwelling ratios across SEQ, representing a mix of greenfield masterplanned communities and established suburbs which almost exclusively contain detached dwellings.

The areas which recorded increases in the small household to small dwelling ratio over time were mostly contained within Brisbane LGA and established suburbs in urban fringe SEQ local government areas, potentially indicative of an ageing population within these localities and an opportunity to diversify the housing stock to provide additional downsizing opportunities.

Table 5-1 below summarises the areas in SEQ which were identified as having the highest small household to small dwelling ratio as of the 2021 Census, including information on how this ratio has shifted over time.

Table 5-1 Areas with High Small Household to Small Dwelling Ratios in SEQ, 2011 to 2021

SA2	Local Government Area	Small Household to Small Dwelling Ratio		
		2011	2016	2021
Eatons Hill	Moreton Bay	28.9	26.9	53.3
Westlake	Brisbane	25.7	30.3	44.7
Wakerley	Brisbane	49.7	41.1	31.9
Regents Park - Heritage Park	Logan	34.0	29.3	30.5
Middle Park - Jamboree Heights	Brisbane	23.7	25.2	30.2
Flagstone (West) - New Beith*	Logan	-	-	28.5
Calamvale - Stretton	Brisbane	27.4	18.9	27.2
Doolandella*	Brisbane	-	-	26.0
Springfield	Ipswich	22.3	22.5	25.6
Pacific Pines - Gaven	Gold Coast	29.0	26.9	23.4
Burpengary - East	Moreton Bay	20.1	14.4	21.9
Fig Tree Pocket	Brisbane	14.1	21.6	20.0
Pallara - Willawong	Brisbane	11.0	13.1	19.9
Parkwood	Gold Coast	27.1	16.9	19.8
Bellbowrie – Moggill*	Brisbane	17.3	16.0	18.0
Flagstone (East) - Riverbend	Logan	-	-	17.2
Narangba	Moreton Bay	20.2	21.9	16.4
Jindalee - Mount Ommaney	Brisbane	14.4	15.1	16.0
Ormeau (West) – Yatala*	Gold Coast	-	-	15.8
Bracken Ridge	Brisbane	16.9	14.3	15.2

Note: * new SA2s created in the 2021 Australian Statistical Geography Standard (ASGS)

Source: Bull & Bear Economics analysis, based on ABS (2022i)

5.5 Development Activity

5.5.1 Residential Building Approvals

Residential building approval data has been collated for the 2016-17 to 2021-22 period for the following property types:

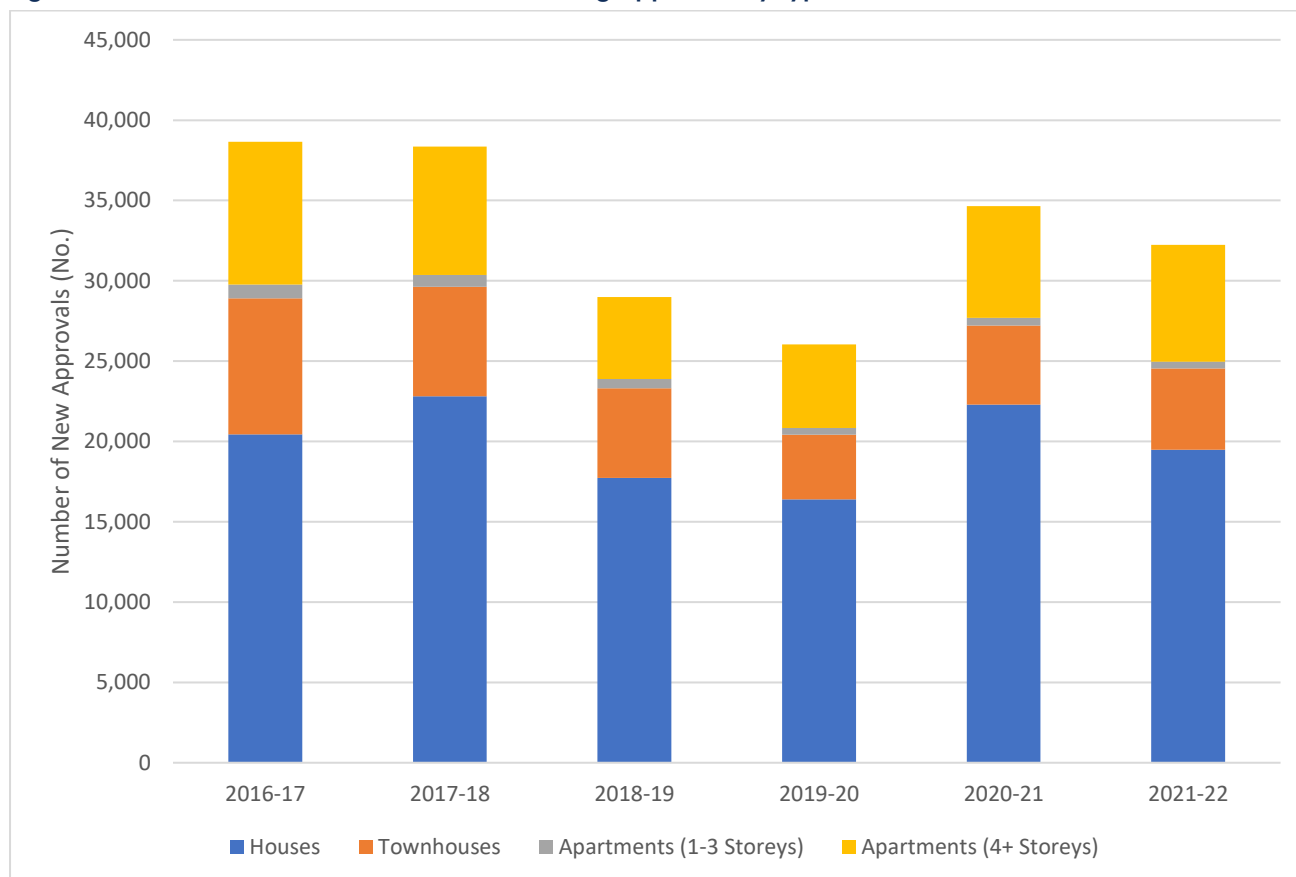
- + Houses;
- + Semi-detached;
- + Units up to three storeys in height; and
- + Units four or more storeys in height.

The number of residential approvals in the past six years peaked in 2020-21 at 34,645 approvals, driven by activity in Brisbane, Moreton Bay, Gold Coast, Logan and the Sunshine Coast. The number of residential approvals dropped in 2021-22 to 32,230 approvals, attributable to a drop in the number of new house approvals in Moreton Bay, Ipswich, Sunshine Coast and Brisbane.

At an SEQ wide level, the data highlights that houses remain the dominant residential building type approved, accounting for 60.5% of all residential approvals in 2021-22.

Figure 5-9 outlines the volume of residential building approvals by property type between 2016-17 and 2021-22

Figure 5-9 Volume of New Residential Building Approvals by Type, SEQ, 2016-17 to 2021-22



Source: ABS (2022)

Whilst the more rural parts of SEQ had residential building approvals almost entirely for houses, house approvals in Brisbane accounted for less than half of all residential building approvals and just over a quarter of residential building approvals on the Gold Coast were for houses.

On the Sunshine Coast, the share of houses as a proportion of total approvals has increased consistently in the last four years, likely attributable to the release of residential land at Aura and Harmony. It is also clear houses are the dominant residential property type approved in Logan, Ipswich, Moreton Bay and Redland, yet a clear trend in the number of new house approvals as a proportion of new residential approvals is not apparent. This data is generally consistent with the LSDM results, which highlight houses are the dominant housing type delivered in expansion areas.

Table 5-2 summarises the proportion of new residential building approvals that were for houses by LGA within SEQ over the past six years, ranked from lowest to highest proportion of new residential approvals based on 2021-22 results.

Table 5-2 New House Approvals as Proportion of New Residential Approvals, 2016-17 to 2021-22

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Major Urban Growth Areas of SEQ						
Gold Coast	51.4%	43.0%	47.0%	39.8%	34.9%	26.8%
Brisbane	25.7%	31.7%	42.0%	45.0%	43.2%	41.6%
Moreton Bay	69.0%	70.3%	71.1%	76.8%	86.0%	72.5%
Sunshine Coast	67.5%	74.5%	66.0%	67.4%	71.0%	75.6%
Logan	69.6%	86.8%	79.3%	81.9%	79.5%	81.7%
Ipswich	79.0%	90.2%	87.4%	93.5%	85.7%	83.8%

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Remainder of SEQ						
Noosa	78.3%	93.1%	46.4%	79.1%	63.9%	57.3%
Toowoomba Urban Extent	59.2%	74.3%	73.9%	81.9%	90.4%	85.3%
Redland	70.5%	66.2%	70.2%	84.2%	72.1%	89.8%
Scenic Rim	68.6%	92.8%	86.1%	90.5%	96.2%	95.5%
Lockyer Valley	95.0%	97.1%	94.8%	91.2%	98.8%	98.6%
Somerset	96.7%	98.6%	98.2%	100.0%	100.0%	100.0%
SEQ	52.9%	59.5%	61.2%	62.9%	64.3%	60.5%

Source: ABS (2022j)

In terms of attached product, the number of semi-detached approvals in SEQ have increased in the two most recent years but remain below historic levels. Over the past six years, the delivery of this typology has consistently decreased in Brisbane, Gold Coast, Sunshine Coast and Toowoomba Urban Extent. Whilst in Brisbane, the Sunshine Coast and Toowoomba Urban Extent there has been a decline in all residential building typologies after the peak in 2016-17, on the Gold Coast there has been a clear shift to higher density, particularly for units in complexes that are four or more storeys in height.

The delivery of walk-up unit product (i.e., units up to three storeys in height) has declined over time, with Brisbane, the Gold Coast and Sunshine Coast the only markets to consistently record approvals on a year to year basis. Similarly, approvals for four or more storey unit development in SEQ are concentrated in Brisbane, the Gold Coast and Sunshine Coast, although there has also been some growing interest in this typology in Moreton Bay based on approvals data.

This is consistent with preliminary findings in the 2022 LSDM, which identify a declining proportion of 'missing middle' product (attached up to three storeys) being delivered in both the consolidation and expansion areas and growth in the proportion of high-rise development in consolidation areas (this typology is almost non-existent in expansion areas).

Table 5-3 summarises the number of semi-detached approvals by LGA in SEQ for the past six years, ranked by highest to lowest number of approvals in 2021-22.

Table 5-3 Number of Semi-Detached Approvals by LGA, 2016-17 to 2021-22

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Major Urban Growth Areas of SEQ						
Brisbane	2,681	2,090	1,881	1,175	1,397	1,660
Moreton Bay	1,144	1,081	980	726	593	951
Gold Coast	1,374	1,335	686	830	858	785
Logan	725	350	564	481	836	648
Sunshine Coast	687	639	719	483	507	393
Ipswich	614	375	280	110	408	358
Remainder of SEQ						
Noosa	24	21	59	44	34	145
Toowoomba Urban Extent	782	558	129	106	102	52
Redland	316	325	227	46	174	47

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Scenic Rim	97	22	30	16	12	13
Lockyer Valley	15	8	10	15	4	4
Somerset	4	2	2	0	0	0
SEQ	8,463	6,806	5,567	4,032	4,925	5,056

Source: ABS (2022j)

Table 5-4 summarises the number of unit approvals within the major urban growth Councils of SEQ for the past six years, ranked by number of approvals in 2021-22. This data clearly illustrates the relatively low incidence of approvals for walk-up style residential development across all markets analysed.

Table 5-4 Number of Unit Approvals by Number of Storeys by LGA (Major Urban Growth Areas), 2016-17 to 2021-22

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Number of Unit Approvals – Up to 3 Storeys						
Brisbane	540	572	187	217	273	171
Gold Coast	83	93	64	48	64	69
Sunshine Coast	34	6	7	21	11	54
Logan	2	0	108	24	34	46
Moreton Bay	42	0	72	81	25	38
Ipswich	0	0	12	2	1	0
Remainder of SEQ	155	75	130	19	65	41
SEQ	856	746	580	412	473	419
Number of Unit Approvals – 4+ Storeys						
Gold Coast	1,898	2,105	1,908	1,820	2,476	3,230
Brisbane	5,799	4,839	2,217	2,568	3,372	2,985
Sunshine Coast	754	412	670	599	750	442
Moreton Bay	221	406	139	133	131	363
Logan	21	108	40	0	88	133
Ipswich	104	0	20	30	0	0
Remainder of SEQ	93	123	116	53	142	108
SEQ	8,890	7,993	5,110	5,203	6,959	7,261

Source: ABS (2022j)

5.5.2 Lot Registrations

Lot registration data has been analysed based on results published by the Queensland Government Statistician's Office (QGSO) at the LGA level. At the time of drafting, the latest data available was for the September Quarter 2022.

Lot registrations are classified as follows:

- + Attached: Lots on a building format plan or standard format plan that represent attached dwellings within a community title scheme. These lots have had their titles registered by the Department of Resources.

- + Standard: Residential lots under 2,500sqm registered on a standard format plan intended for detached dwellings, including lots intended for detached dwellings in a community title scheme. These lots have had their titles registered by the Department of Resources.
- + Low Density: Residential lots ranging between 2,500sqm and 5 hectares in size registered on a standard format plan intended for detached dwellings, including lots intended for detached dwellings in a community title scheme. These lots have had their titles registered by the Department of Resources.

Despite growing demand for residential property in SEQ, the number of lot registrations has remained relatively similar in both the year ended September 2021 and the year ended September 2022. The number of registered lots in SEQ is well below the apartment boom in the mid 2010s, which saw a significant increase in the number of lot registrations across all residential allotment types, peaking in the year ended September 2017 at 32,122 lots.

Table 5-5 summarises the number of lot registrations in SEQ by allotment type in the 2011 to 2022 period (year ended September data).

Table 5-5 Number of Lot Registrations in SEQ by Allotment Type, Year Ended September 2011 to Year Ended September 2022

Year Ended September	Attached	Standard	Low Density	Total
2011	6,646	9,180	1,208	17,034
2012	6,883	7,421	804	15,108
2013	6,300	6,482	742	13,524
2014	8,494	10,577	920	19,991
2015	8,996	13,695	1,187	23,878
2016	13,527	14,716	1,268	29,511
2017	16,495	14,154	1,473	32,122
2018	12,336	13,525	1,355	27,216
2019	8,975	11,430	1,098	21,503
2020	8,883	9,811	1,152	19,846
2021	6,591	10,375	1,132	18,098
2022	6,320	10,078	1,111	17,509
10yr Average	9,692	11,484	1,144	22,320
5yr Average	8,621	11,044	1,170	20,834
3yr Average	7,265	10,088	1,132	18,484

Source: QGSO (2022)

Whilst Brisbane and the Gold Coast continue to account for the highest number of lot registrations in SEQ, the number of lot registrations has fallen significantly in both markets, reflective of declining supply in these markets. Moreton Bay also recorded a decline of over 1,000 lots recorded in the most recent year, which in this case is potentially reflective of increasing delays in the development pipeline (most notably at Caboolture West). On the other hand, the number of lots registered increased significantly in Ipswich in the most recent year, potentially reflective of residential pre-sales translating to lot registrations and ongoing development in Ripley Valley and to a lesser extent Greater Springfield.

Outside of the major urban growth areas of SEQ, Redland, and Toowoomba Urban Extent continue to be the key drivers of supply. In the most recent year, there was a significant uplift in the number of lot registrations in Redland, which is likely partially attributable to the roll out of residential allotments at the residential subdivisions of Arc on the Point (Victoria Point) and Arbor @ Wellington Point.

Increases in lot registrations were also recorded in Lockyer Valley, Somerset and Scenic Rim, potentially indicative of internal migration by families to rural SEQ Councils, due to a shift in residential preferences (i.e. desire for additional space in a more rural setting) since COVID-19.

Table 5-6 and Table 5-7 summarises the number of lot registrations by LGA between 2011 and 2022 (year ended September data).

Table 5-6 Number of Lot Registrations by LGA – Major Urban Growth Areas of SEQ, Year Ended September 2011 to Year Ended September 2022

Year Ended September	Brisbane	Gold Coast	Moreton Bay	Sunshine Coast	Ipswich	Logan
2011	4,335	2,876	3,417	1,600	1,321	1,342
2012	4,920	2,570	2,763	1,070	1,115	1,213
2013	4,800	1,570	2,490	1,177	961	1,054
2014	7,069	2,624	3,093	2,255	1,446	1,353
2015	6,825	3,940	3,540	2,696	2,169	1,637
2016	10,524	5,670	3,528	2,860	2,836	1,505
2017	12,627	5,051	3,669	3,052	3,064	2,067
2018	8,860	4,858	3,697	2,719	2,319	2,677
2019	5,837	3,945	3,321	2,578	2,040	2,485
2020	6,144	3,333	2,810	2,467	1,528	1,862
2021	4,623	2,744	3,366	2,622	1,275	2,001
2022	4,039	2,579	2,295	2,797	2,259	1,818
10yr Average	7,135	3,631	3,181	2,522	1,990	1,846
5yr Average	5,901	3,492	3,098	2,637	1,884	2,169
3yr Average	4,935	2,885	2,824	2,629	1,687	1,894

Source: QGSO (2022)

Table 5-7 Number of Lot Registrations by LGA – Remainder of SEQ, Year Ended September 2011 to Year Ended September 2022

Year Ended September	Redland	Toowoomba Urban Extent	Lockyer Valley	Noosa	Somerset	Scenic Rim
2011	656	640	338	211	212	86
2012	422	472	148	66	180	169
2013	399	537	170	179	104	83
2014	811	905	74	201	42	118
2015	1,223	1,384	187	186	27	64
2016	1,290	900	127	84	87	100
2017	901	1,038	256	154	141	102
2018	808	877	83	158	50	110
2019	703	383	53	98	19	41
2020	650	650	150	160	31	61
2021	430	426	158	136	120	197
2022	793	349	239	95	159	87
10yr Average	801	745	150	145	78	96
5yr Average	677	537	137	129	76	99
3yr Average	624	475	182	130	103	115

Source: QGSO (2022)

The overall decline in lot registrations in SEQ potentially points to either a declining supply of available zoned land to accommodate residential subdivisions and/or increasing delays in the development and approvals pipeline at the local government level. As identified in the 2021 SEQ Market Factors report, there is a significant lag between the forward sale of allotments and settlement (~18 months), which appears to have not been fully captured by the latest available lot registration data.

It is suggested this issue should be investigated in further detail through consultation with stakeholders to further understand the drivers of this recent trend (including understanding how this varies across SEQ at the local government area level) and what actions can be taken to enhance the supply of residential allotments (for both detached and attached dwellings) to the market and encourage residential consolidation, rather than an over-reliance on greenfield development.

6 Finance Activity

This section considers metrics which provide an overview of dwelling finance activity at the state and national level for both owner occupiers and investors. Additionally, first home buyer data for Queensland has been analysed to understand the financing patterns of this sub-group.

The analysis has focussed on an assessment of both the new and existing property market and has also provided high level comment on trends in refinancing at the state and national level to understand the market drivers and how these have shifted over time.

6.1 Total Value of Loans

6.1.1 Owner Occupier and Investors

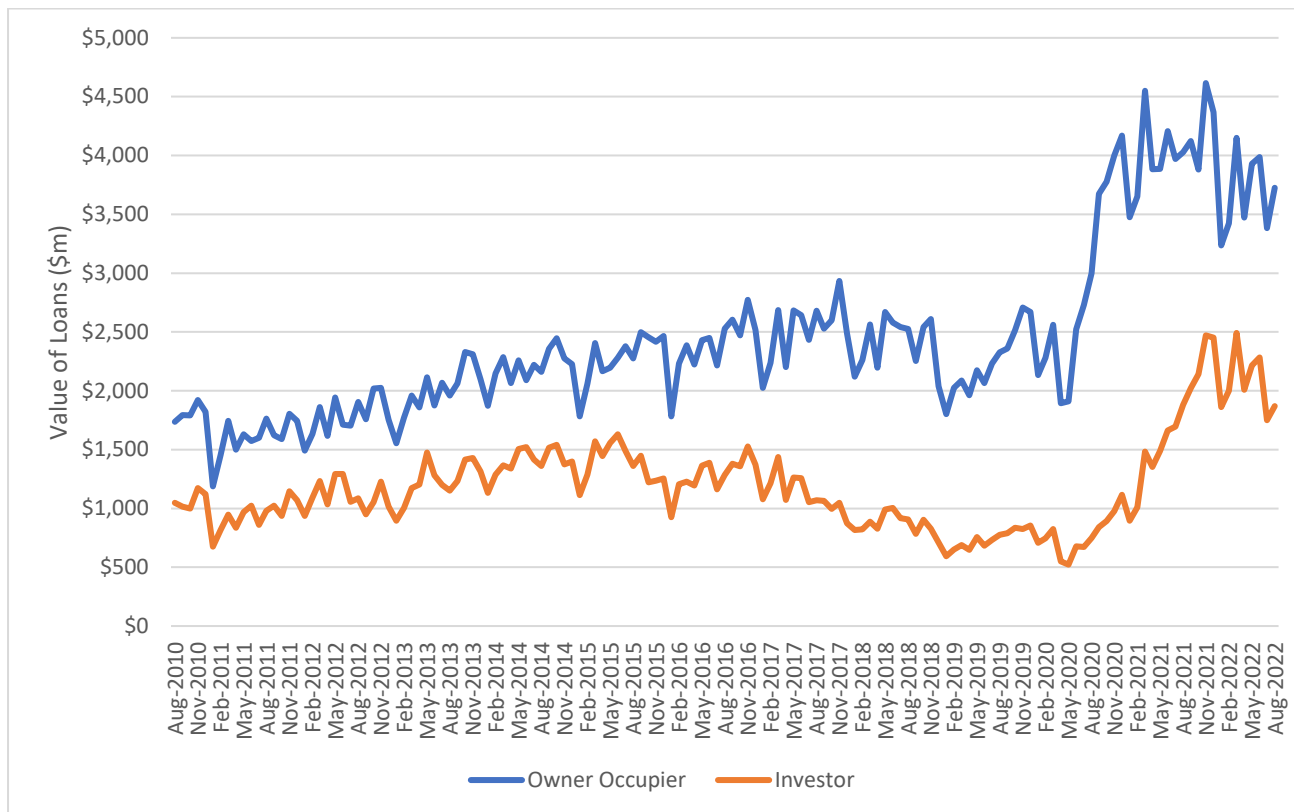
A review of long-term trends in both Queensland and Australia highlights that the value of dwelling finance in both the owner occupier and investor market has moderated in 2022 but remains significantly higher than historic levels. This aligns with recent increases in residential property prices, which appeared to have peaked in the first quarter of 2022. Whilst the value of investor loans prior to COVID-19 was already trending downwards due to stricter macroprudential regulation, loan values were relatively stable in the owner occupier market prior to COVID-19.

There was a sharp uplift in the value of loans approved in the second half of 2020, with the uplift more pronounced in the value of owner occupier loans, likely in response to the Homebuilder stimulus, which was introduced to support the construction sector in response to COVID-19. Whilst the value of investor loans also increased, the uplift was more gradual.

It is anticipated that the total value of loans in the short to medium term is likely to remain relatively stable in Queensland with demand for residential property remaining strong despite declines in the median house price in SEQ.

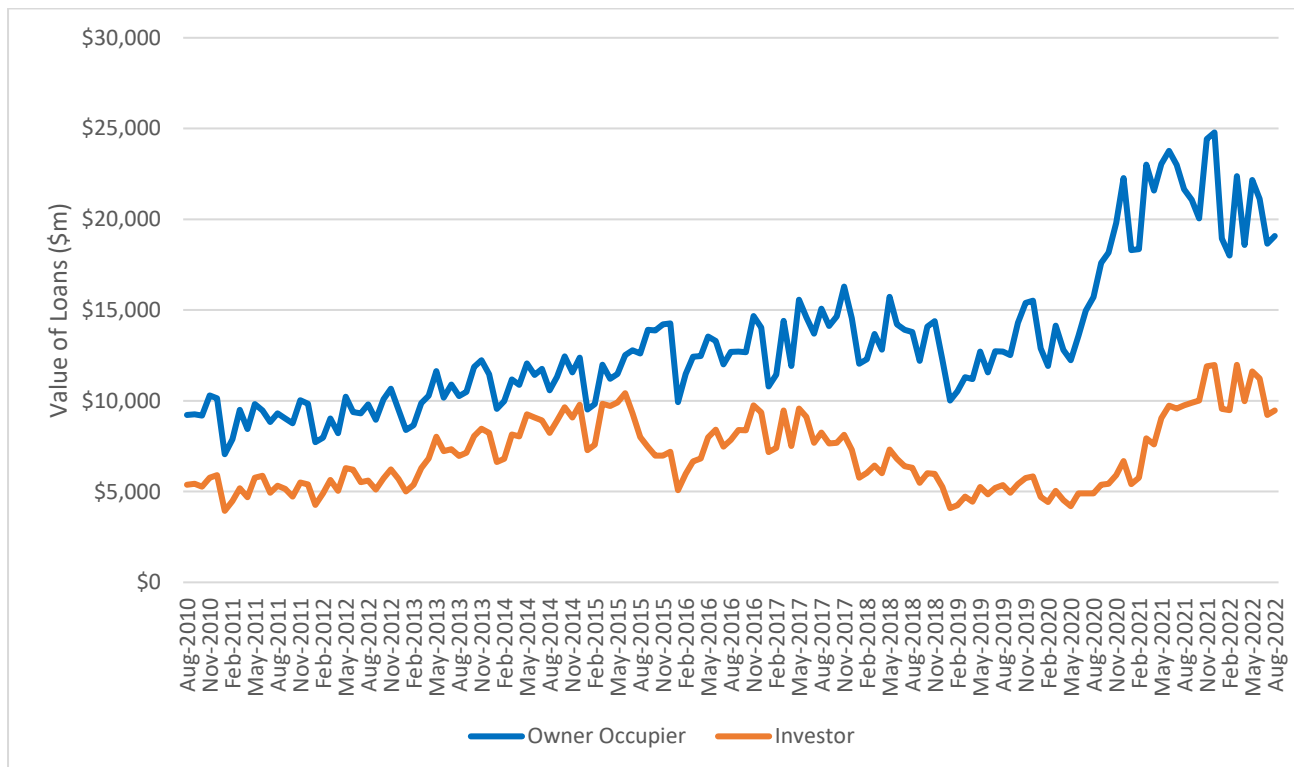
Figures 6-1 and 6-2 outline the total value of loans in Queensland and Australia between July 2010 and August 2022.

Figure 6-1 Total Value of Loans (\$m) by Segment, Queensland, August 2010 to August 2022



Source: ABS (2022k)

Figure 6-2 Total Value of Loans (\$m) by Segment, Australia, August 2010 to August 2022



Source: ABS (2022k)

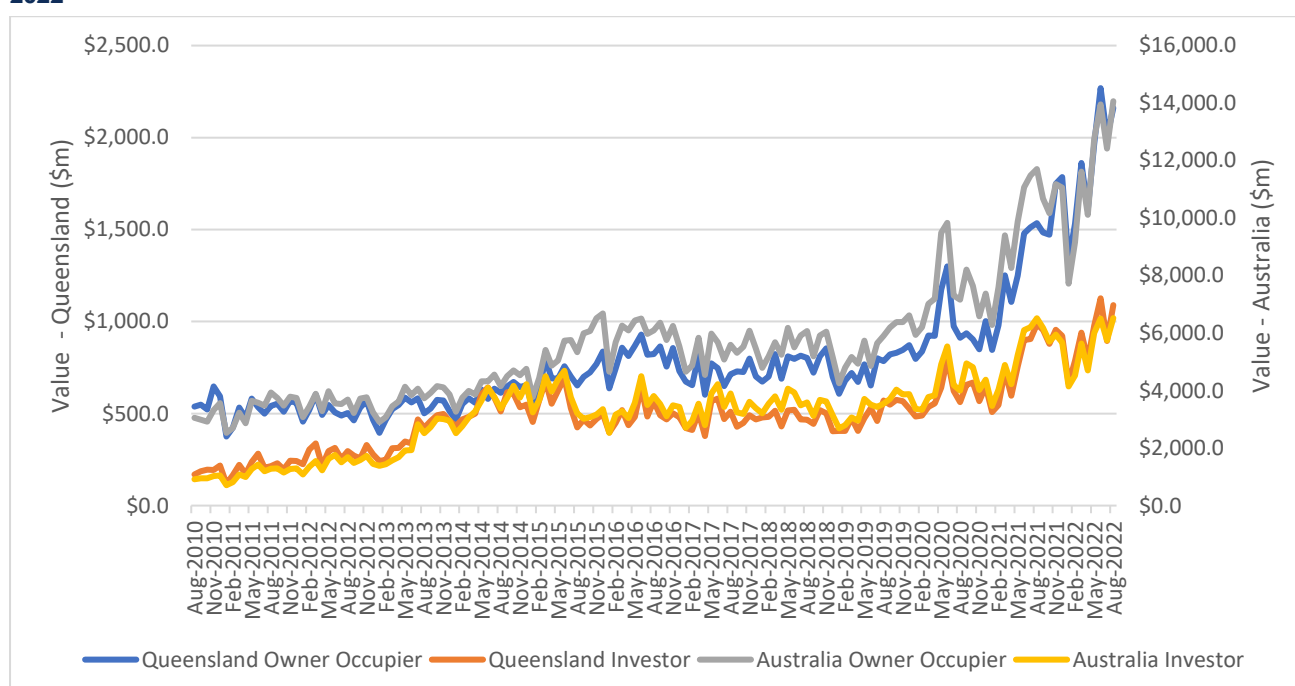
6.1.2 Value of Loans Refinanced

In recent months, the value of loans being refinanced has increased, which is unsurprising given the recent hikes in the cash rate lifting the average variable rate on existing loans. Activity within this sector is likely to remain strong until mid 2023, reflective of the perception that the cash rate is yet to have reached its peak.

There was a clear uplift in the value of external refinancing (i.e. loans refinanced with another lender) in Queensland in both the owner occupier and investor markets relative to longer term trends. Whilst external refinancing has also trended upwards in Australia in both the owner occupier and investor markets, this has not occurred to the same extent.

Figure 6-3 outlines the value of loans refinanced externally in Queensland and Australia between August 2010 and August 2022.

Figure 6-3 Value of Loans Refinanced Externally (\$m), Queensland and Australia, August 2010 to August 2022



Source: ABS (2022k)

6.2 Average Value of Loans

In analysing the average value of loans, the assessment has focussed on the following sub-segments, including a breakdown by owner occupier and investor:

- + Construction of dwellings;
- + Purchase of newly erected dwellings;
- + Purchase of residential land; and
- + Purchase of existing dwellings.

The analysis has been undertaken for both Queensland and Australia for the July 2019 to August 2022 period.

The key finding from this assessment is the widening gap in the average value of loans taken out for the construction of dwellings between the owner occupier and investor segment. In the case of

Queensland, whilst owner occupiers on average typically take out larger loans than investors for the construction of dwellings, this gap has clearly widened and has averaged \$66,000 in 2022.

In the national context, investors have on average typically borrowed higher amounts for the construction of dwellings. However, this trend has reversed since March 2022, with the average value of owner occupier loans consistently exceeding investor loans for the construction of dwellings. This is potentially indicative of owner occupiers less willing to compromise of the design of their new home, despite increasing input costs.

During the early stages of COVID-19, the savings rate in Australia increased significantly, increasing from an average of 6.1% (June Quarter 2014 to March Quarter 2020) to 19.4% for the remainder of 2020. For households where employed residents kept their job during COVID-19, this was representative of a significant uplift in purchasing power due to an increased level of savings, which has likely also placed upward pressure on property prices and the average value of loans for property purchases.

During COVID-19, the increased savings rate resulted in average additional savings per SEQ household of ~\$10,000 in the June to December Quarter 2020 and additional savings per SEQ household of ~\$9,000 in 2021, based on an average household income of \$2,029 per week as of the 2021 Census and \$1,970 per week in 2020⁷. These averages would suggest an increased borrowing capacity of \$95,000, based on an 80:20 LVR.

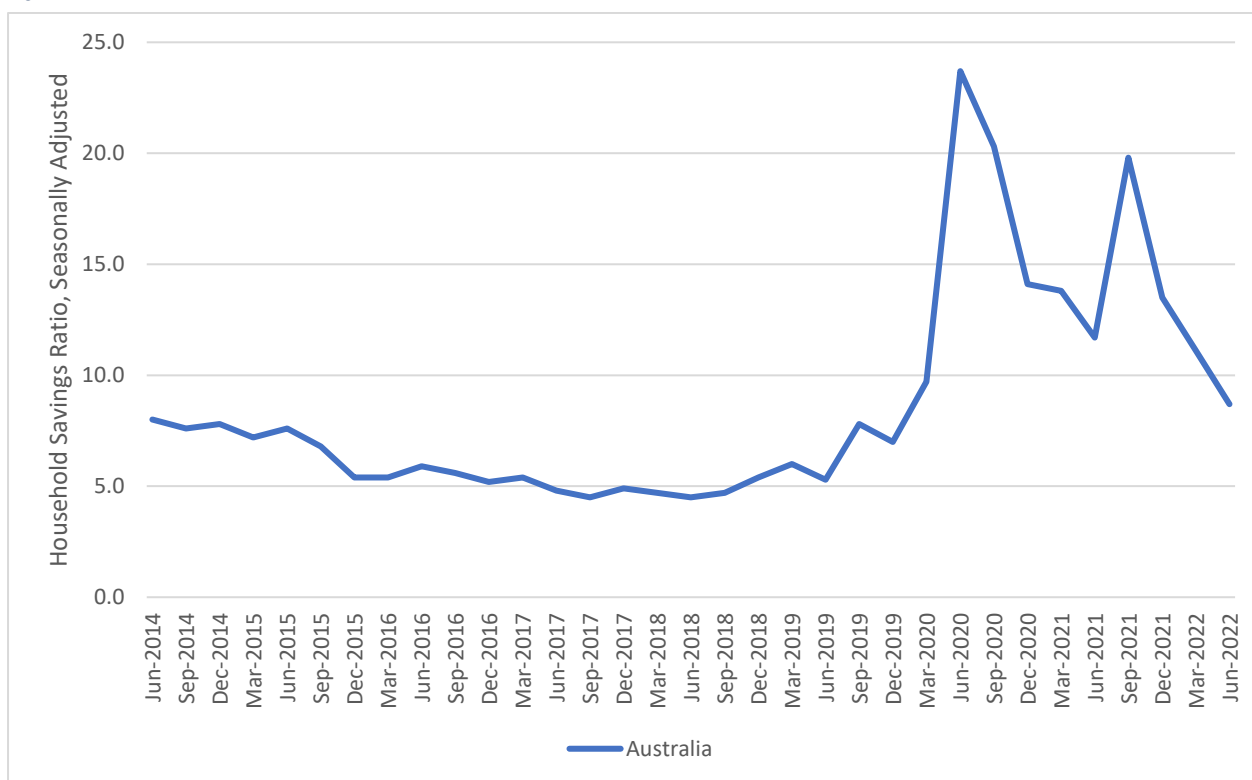
These average estimates include households that were impacted by job losses, in addition to households with retirees. In dual income households which retained their employment and hours of work, the level of additional savings was likely substantially higher.

It is anticipated that the savings rate is likely to return to longer term averages and growth in the average value of loans is likely to moderate, reflecting interest rate increases reducing borrowing capacity and hence purchasing power.

Figure 6-4 outlines the seasonally adjusted savings ratio in Australia between the June Quarter 2014 and the June Quarter 2022.

⁷ Derived through applying the average annual growth in household income between 2016 and 2021 to the 2021 estimate to derive the 2020 estimate.

Figure 6-4 Household Saving Ratio, Australia (seasonally adjusted), June Quarter 2014 to June Quarter 2022

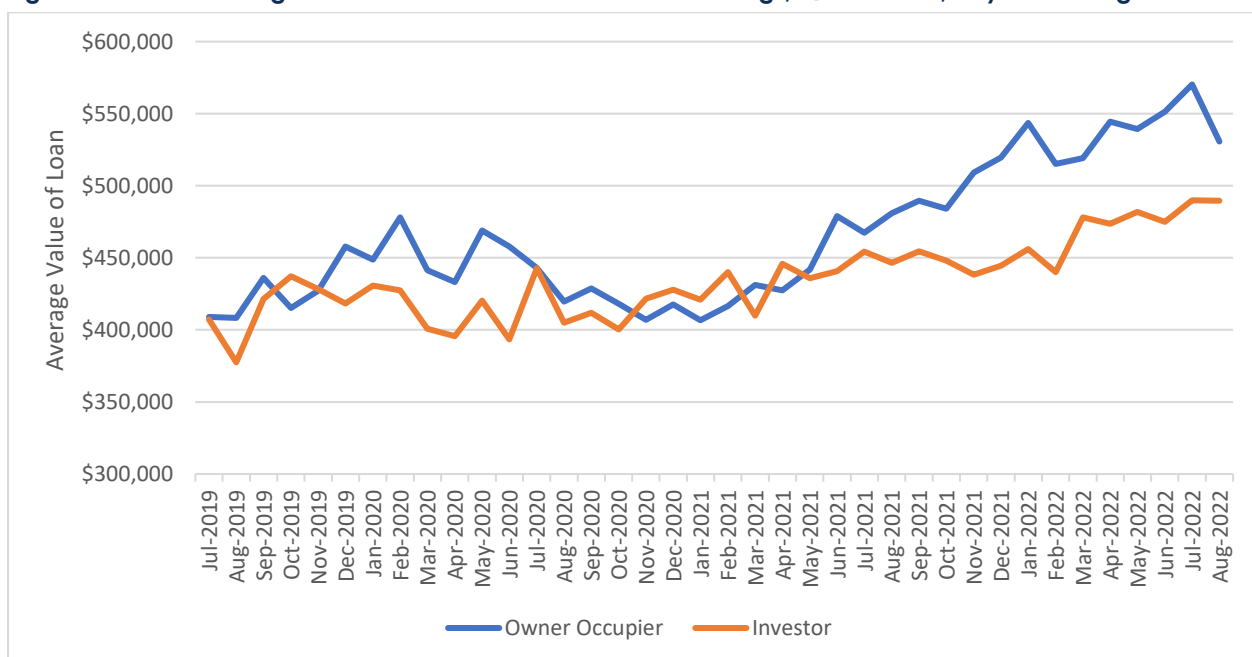


Source: ABS (2022a)

Interestingly, there was no clear trend identifiable regarding the average value of loans for newly erected dwellings, residential land or existing dwellings by purchaser type.

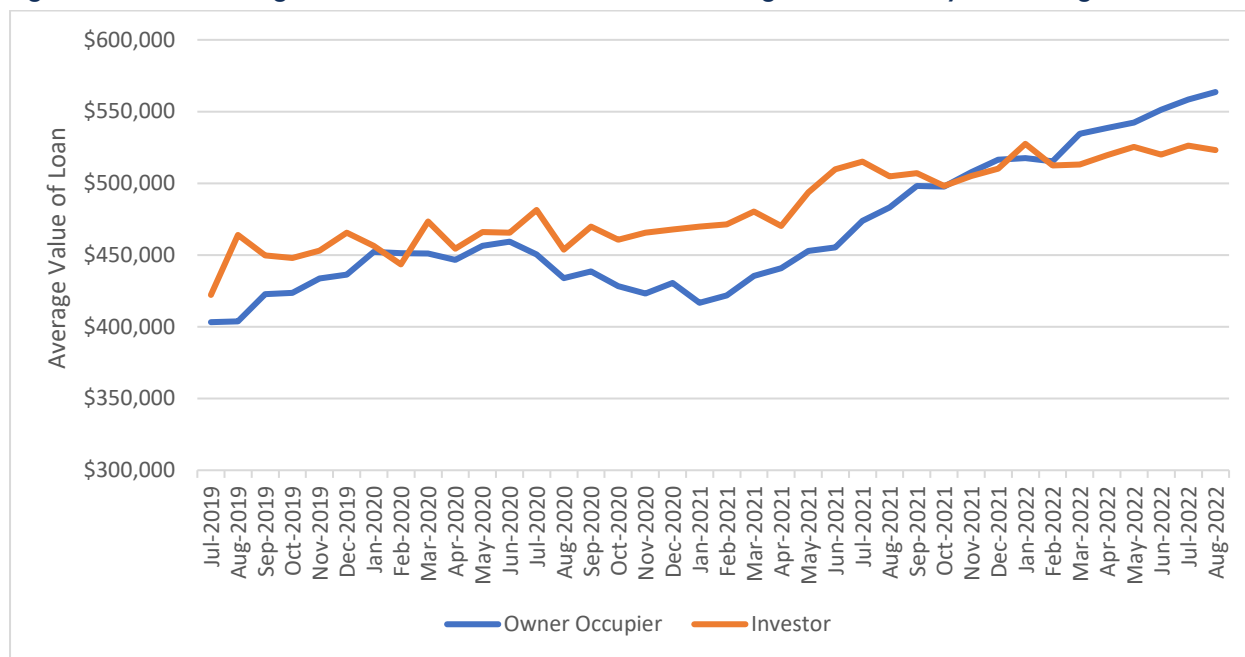
Figures 6-5 to 6-6 outline the trends in the average value of loans in both Queensland and Australia for the average value of loans for the construction of dwellings.

Figure 6-5 Average Value of Loan – Construction of Dwellings, Queensland, July 2019 - August 2022



Source: ABS (2022k)

Figure 6-6 Average Value of Loan – Construction of Dwellings, Australia, July 2019 - August 2022



Source: ABS (2022k)

6.3 First Home Buyer Market

6.3.1 Number of First Home Buyers

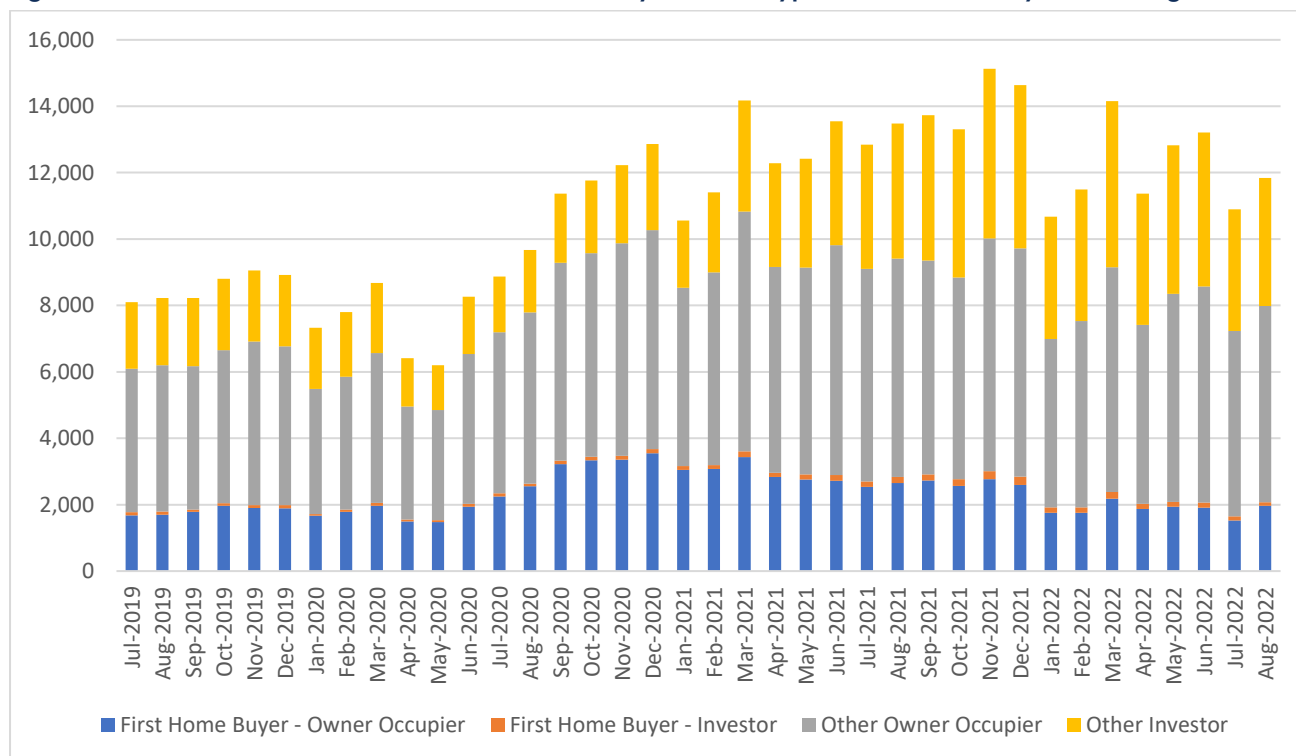
Since July 2019, data has been published which outlines the number and value of new loan commitments taken out by first home buyers in Queensland, including a breakdown by owner occupier and investor loans. However, this data does not provide further detail on the purpose of the loan⁸, as does broader market data. This data confirms that the majority (~95%) of loans taken out by first home buyers in Queensland are owner occupier loans.

Analysis of the number of loans by type highlights renewed interest by property investors in Queensland since February 2021, with the sector accounting for an increasing share of the total number of loans (increasing from 22.1% of total loans in February 2021 to 33.6% of total loans in August 2022). The data also highlights the bringing forward of purchasing decisions within the first homebuyer market from September 2020, which can be attributed to the introduction of the HomeBuilder stimulus. Whilst the number of first home buyer loans has declined in 2022 to date, the number of investor loans remains high relative to pre-COVID levels.

Figure 6-7 outlines the number of new loan commitments by borrower type in Queensland between July 2019 and August 2022.

⁸ The purpose of loan categories include construction of dwellings, purchase of newly erected dwellings, purchase of existing dwellings and purchase of residential land.

Figure 6-7 Number of New Loan Commitments by Borrower Type, Queensland, July 2019 to August 2022



Source: ABS (2022k)

6.3.2 Value of Loans

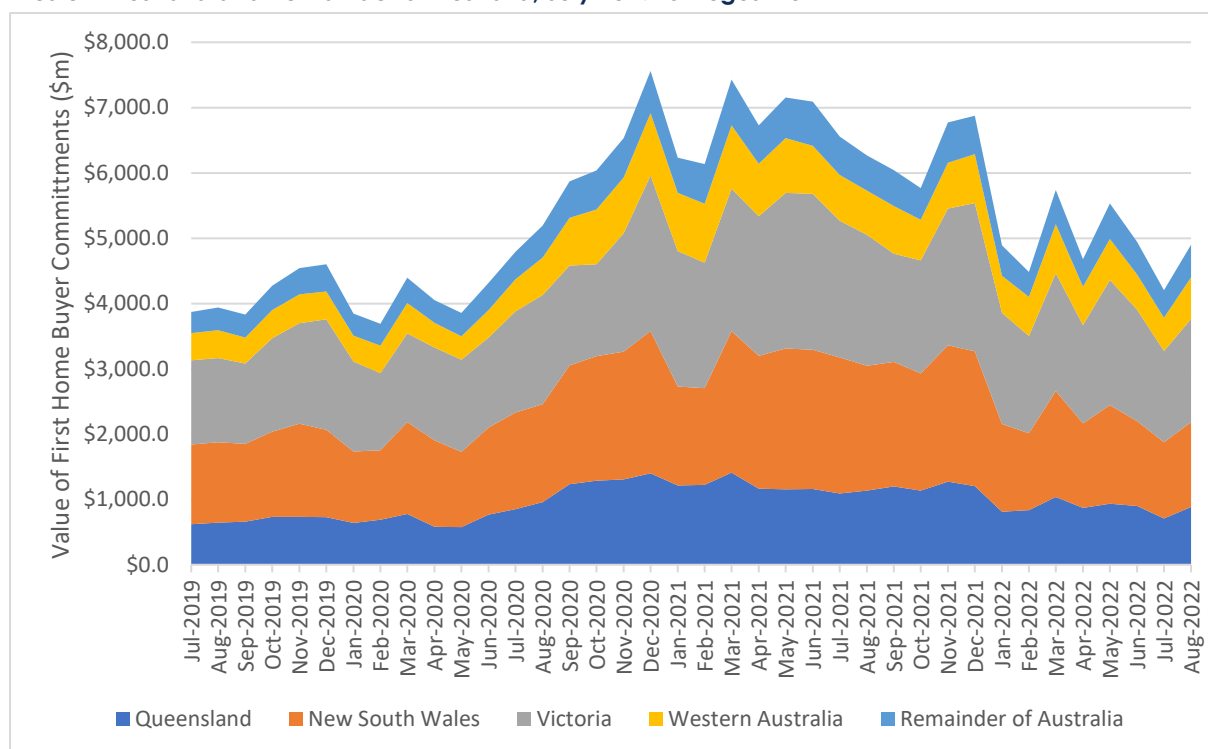
Over the time period for which data was published, Queensland on average accounted for 17.8% of the total value of first home buyer loan commitments, with Victoria (32.2% of the total value of home buyer commitments) and New South Wales (29.5% of the total value of first home buyer loan commitments) the largest first home buyer markets.

There was a clear surge in the value of first home buyer loan commitments in the July to December 2020 period, consistent with the HomeBuilder stimulus (\$25,000 grant available for contracts signed between 4 July 2020 to 31 December 2020) with another clear peak in March 2021 (consistent with the cessation of the \$15,000 HomeBuilder stimulus grant available for contracts signed in the first quarter of 2021).

In the September Quarter 2020, there was a clear shift in the composition of the market, with Victoria accounting for a significantly smaller proportion of the first home buyer market (average of 25.7% of first home buyer loan commitments), whereas there were corresponding market share uplifts in Queensland (average 20.8% of first home buyer loan commitments), New South Wales (average 30.8% of first home buyer loan commitments) and Western Australia (average 13.1% of first home buyer loan commitments).

The data highlights that the total value of first home buyer loan commitments has moderated in all markets in 2022.

Figure 6-8 Total Value of First Home Buyer Loan Commitments, Queensland, New South Wales, Victoria, Western Australia and Remainder of Australia, July 2019 to August 2022



Source: ABS (2022k)

6.3.3 Average Value of Loans

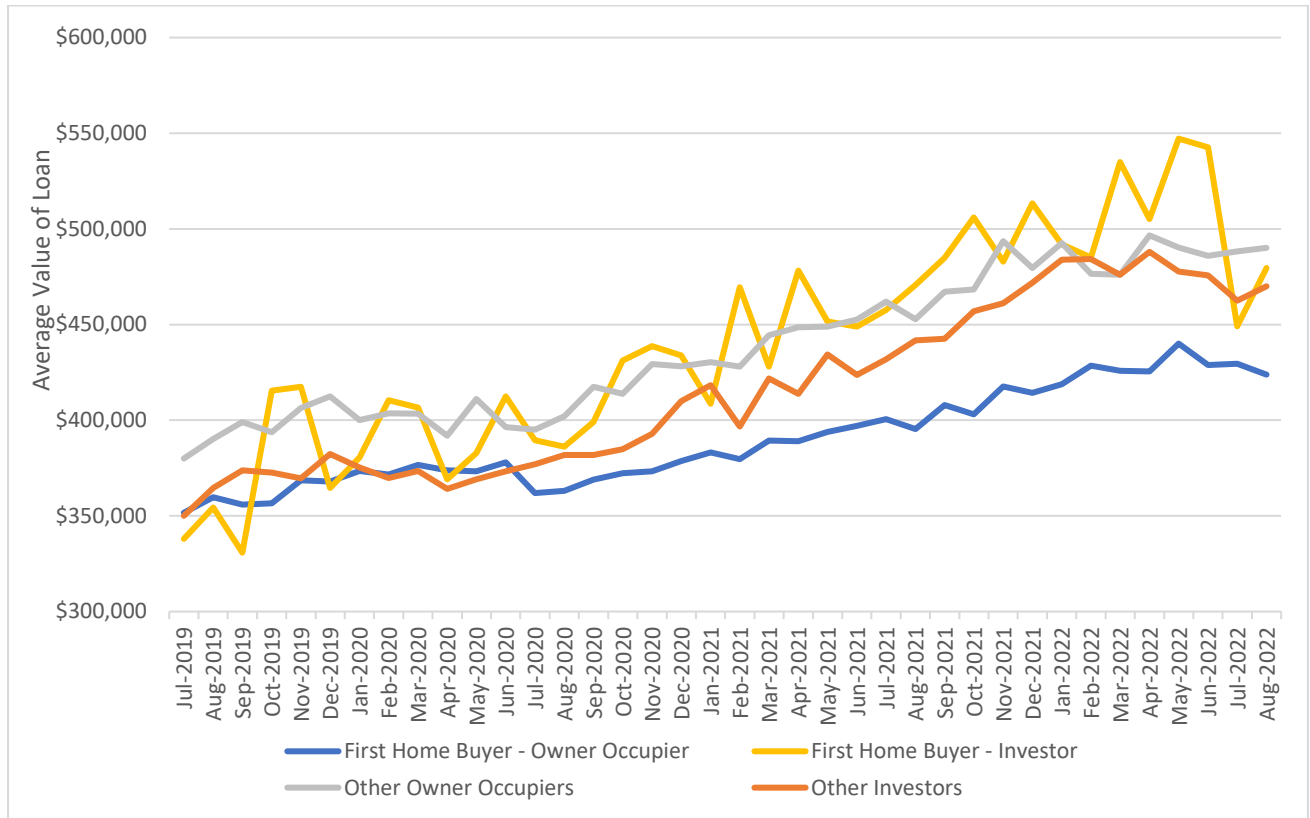
The gap between the average value of a first home buyer owner occupier loan has not increased at the same rate as all other loan types. This is likely reflective of relative willingness and ability to pay amongst first home buyers that will be owner occupiers. By August 2022, the gap between owner occupier loans for first home buyers relative to other owner occupiers widened to just over \$66,000.

In the investor market, the average value of loans to first home buyer investors has typically exceeded investors who have previously purchased property, with the gap widening to almost \$70,000 in May 2022. This is potentially suggestive of first home buyers that are investors willing to take more significant risks in their purchasing decisions than more established investors. The gap between the average value of loans in the investor market narrowed significantly in recent months, likely reflecting median price falls in the property market since the first quarter 2022.

The average value of loans taken out by first home buyers is anticipated to stabilise or potentially decline in the near term, in response to interest rate increases curtailing growth in the size of first home loans.

Figure 6-9 outlines the average value of loans by loan type in Queensland between July 2019 and August 2022.

Figure 6-9 Average Value of Loan by Borrower Type, Queensland, July 2019 to August 2022



Source: ABS (2022k)

7 Housing Cost and Affordability

This section considers the following indicators in providing an overview of housing cost and affordability within and across SEQ:

- + Median property prices;
- + Median weekly rents;
- + Implied gross rental yields;
- + Average mortgage repayments;
- + Mortgage stress;
- + Rental stress;
- + First home buyer data; and
- + Proportion of income spent on housing.

This analysis relies on a range of data sources, including the Census of Population and Housing and contextualised with data released post Census at more regular intervals, such as property price data published by PriceFinder, median weekly rent data published by the Residential Tenancies Authority and yield and vacancy rate data published by SQM Research.

The analysis focuses on the cost of housing as opposed to the cost of living, which includes both housing costs and journey to work costs.

ShapingSEQ identifies that whilst houses within the outer fringe of urban areas can offer lower housing costs, the total cost of living increases substantially due to journey to work costs. On the other hand, whilst well established areas offer less affordable housing options, these areas also offer significantly lower journey to work costs, which narrows the gap in the total cost of living between well-established areas and the outer fringe of urban areas.

7.1 Median Property Prices

Median property price data has been extracted from the PriceFinder database for houses and units (which incorporates attached dwellings and has been described this way in subsequent sections of the report) for all local government areas in SEQ.

7.1.1 Median House Price

In the September Quarter 2022, median house prices were highest in Noosa Shire, Sunshine Coast, Brisbane and the Gold Coast.

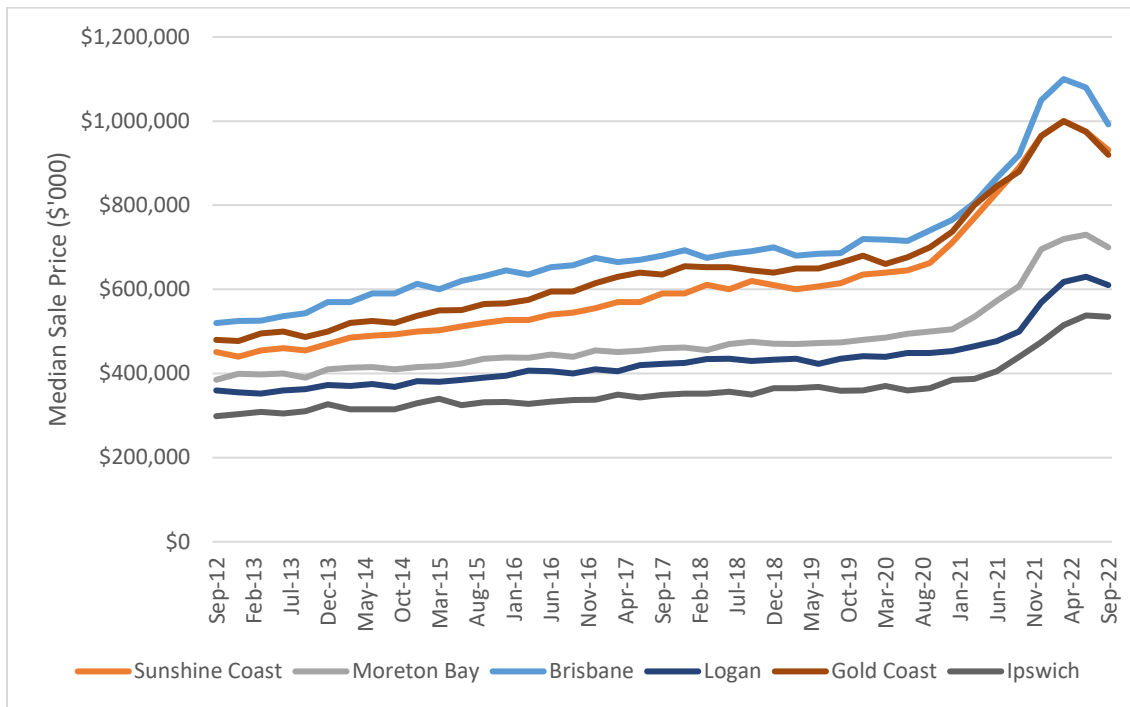
A review of longer term trends in SEQ identifies that whilst traditionally, the median house price was highest in Brisbane, Noosa has consistently recorded the highest median house price since the March Quarter 2018. It is also apparent that the price differential between Brisbane and the Gold Coast and Sunshine Coast markets has narrowed over time.

The analysis identifies that within the major urban growth Councils in SEQ, Brisbane, the Sunshine Coast and Gold Coast have clearly outperformed the Moreton Bay, Logan and Ipswich markets in terms of price growth over the past ten years.

There has also been a clear shift in coastal residential preferences, with median house prices increasing at a significantly higher rate in the Gold and Sunshine Coasts relative to Redland.

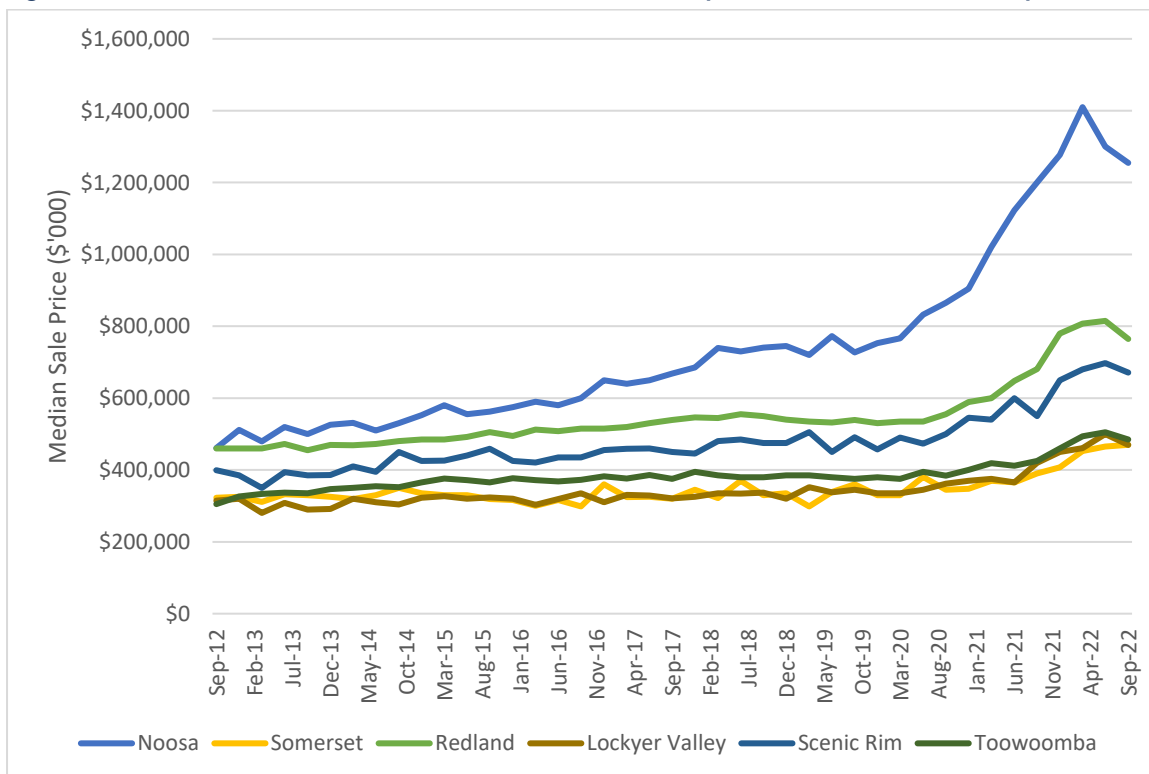
Figure 7-1 and Figure 7-2 summarise the median house price over the past ten years in each LGA across SEQ.

Figure 7-1 Median House Price – Major Urban Growth Areas of SEQ, September Quarter 2012 to September Quarter 2022



Source: PriceFinder (2022)

Figure 7-2 Median House Price – Remainder of SEQ, September Quarter 2012 to September Quarter 2022



Source: PriceFinder (2022)

This data identifies that all markets in SEQ recorded significant median price increases from the June Quarter 2020, in response to stimulus measures such as HomeBuilder. Most residential markets in SEQ appear to have peaked in the March Quarter 2022, with prices retreating but remaining significantly above pre-COVID levels in all areas analysed. In the case of Ipswich, Lockyer Valley and Somerset, median house prices have continued to increase, but at a significantly lower rate than in the previous quarters.

Demand growth was significant across SEQ in the March Quarter 2020 to the March Quarter 2022, with double digit annual growth in the median house price across all markets. The gap between median prices in Noosa Shire and all other parts of SEQ has widened in the past two years, which is likely attributable to migration to coastal regions in response to COVID in conjunction with limited increases in residential supply.

Table 7-1 summarises annual price growth for the past five and ten years, the two years to the March Quarter 2022 (i.e. COVID-19 to the price peak) and from the peak to the September Quarter 2022 (latest quarter in which data is available).

Whilst there could be further declines in median house prices in SEQ, median prices are anticipated to remain significantly above levels recorded pre COVID-19.

Table 7-1 Median House Price Growth by Local Government Area, Selected Time Periods

LGA	10 Year Annual Growth (Sep Q 12 to Sep Q 22)	5 Year Annual Growth (Sep Q 17 to Sep Q 22)	COVID-19 to Peak Annual Growth (Mar Q 20 to Mar Q 22)	Peak to Current, Total Growth (Mar Q 22 to Sep Q 22)
Major Urban Growth Areas of SEQ				
Brisbane	6.7%	7.8%	23.8%	-9.8%
Gold Coast	6.7%	7.7%	23.1%	-8.0%
Sunshine Coast	7.5%	9.6%	25.0%	-6.9%
Moreton Bay	6.2%	8.8%	21.8%	-2.8%
Logan	5.4%	7.6%	18.5%	-1.2%
Ipswich	6.0%	8.9%	18.0%	3.9%
Redland	5.2%	7.3%	22.8%	-5.2%
Remainder of SEQ				
Noosa	10.5%	13.4%	35.7%	-11.0%
Lockyer Valley	4.1%	7.9%	17.2%	2.0%
Scenic Rim	5.3%	8.3%	17.8%	-1.3%
Somerset	3.8%	8.0%	17.1%	3.9%
Toowoomba	4.7%	5.3%	14.7%	-1.8%

Note: Pricerfinder summary data is published only at the local government area level. However, it is anticipated the majority of house sales in Toowoomba Regional Council would fall within the urban extent boundary.

Source: Pricerfinder (2022)

7.1.2 Median Attached Dwelling Price

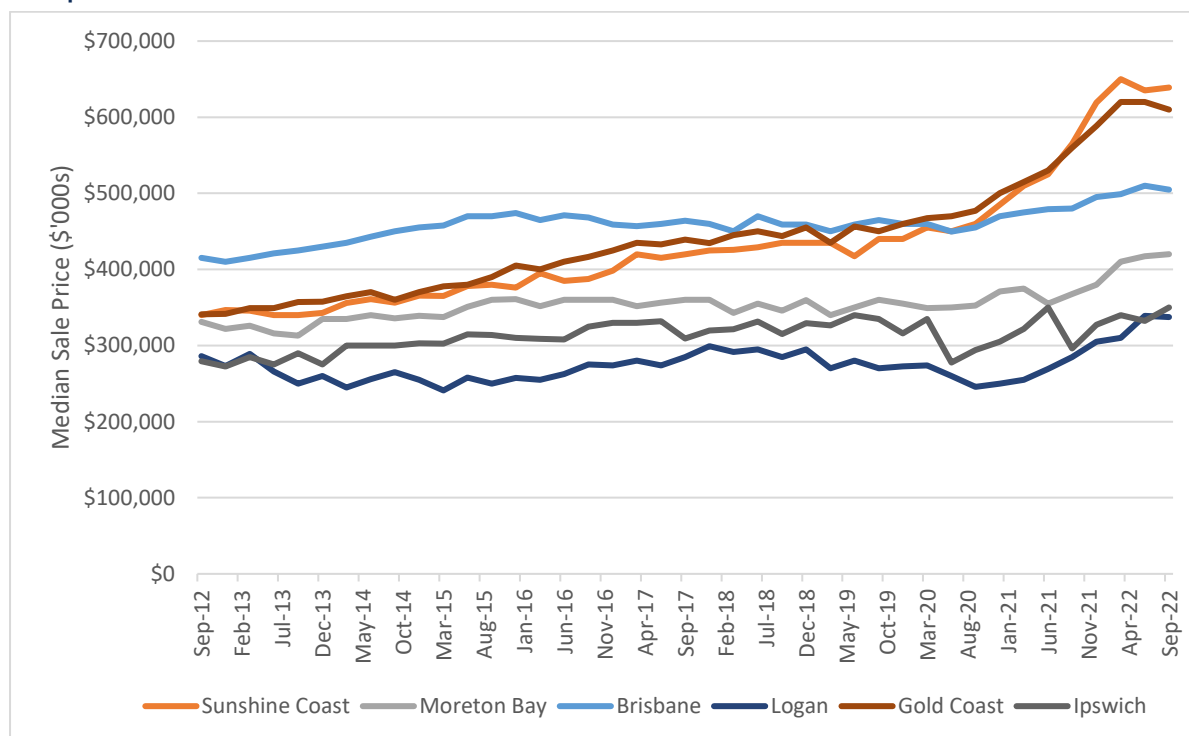
Given the relative quantum of sales, median attached dwelling price data can be volatile, particularly for those markets with relatively shallow attached dwelling markets, such as the rural LGAs within SEQ. Therefore, whilst for completeness, our graphs have presented the outcomes across SEQ, the analysis focusses on the key attached dwelling markets within SEQ, namely Brisbane, Gold Coast, Sunshine Coast, Noosa, Moreton Bay, Ipswich, Redland and Logan.

As with median house prices, whilst Brisbane was traditionally the most expensive market in SEQ, median attached dwelling prices in Noosa Shire have been the highest of all markets since the June Quarter 2017, with the Sunshine Coast and Gold Coast markets also exceeding the Brisbane LGA median attached dwelling price since the December Quarter 2020.

Over the past ten years, median attached dwelling price growth has been in the order of 1.7% to 2.4% per annum outside of the coastal markets (including Redland).

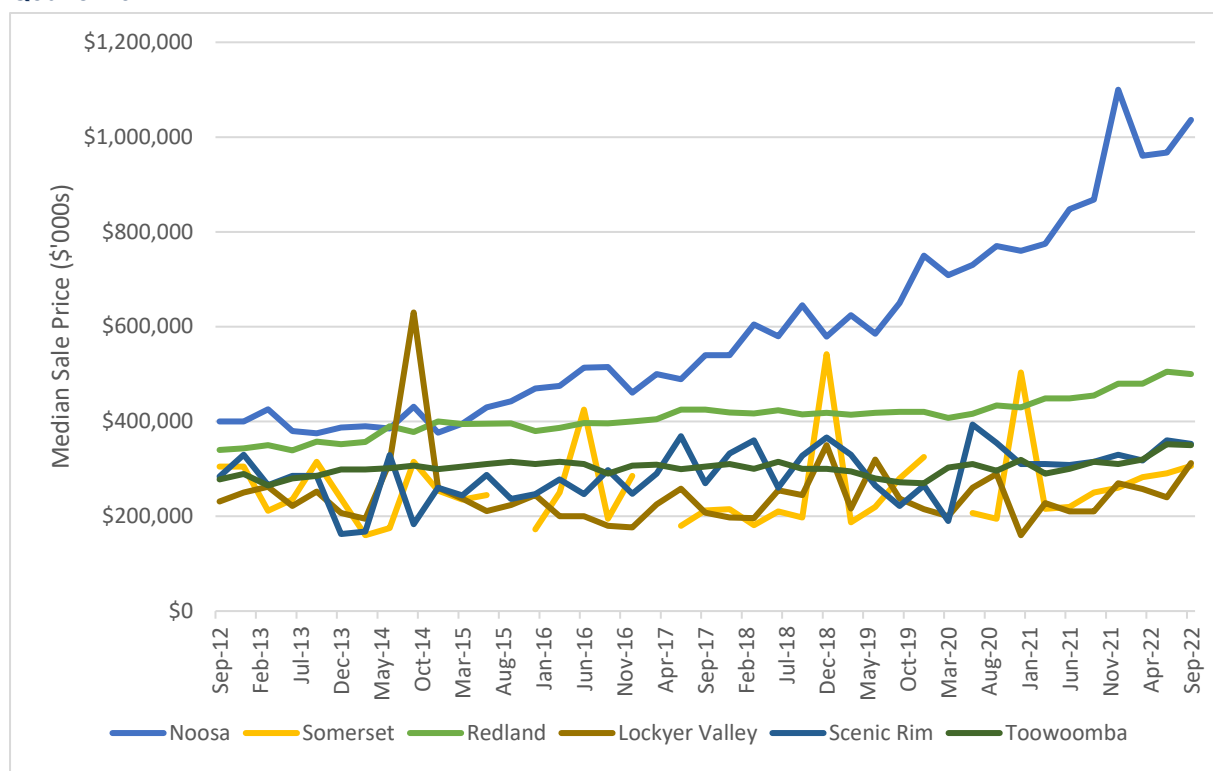
Figure 7-3 and 7-4 summarise the median attached dwelling price over the past ten years in each LGA across SEQ.

Figure 7-3 Median Attached Dwelling Price - Major Urban Growth Areas of SEQ, September Quarter 2012 to September Quarter 2022



Source: PriceFinder (2022)

Figure 7-4 Median Attached Dwelling Price – Remainder of SEQ, September Quarter 2012 to September Quarter 2022



Source: PriceFinder (2022)

Whilst most SEQ markets recorded an uplift in the annual growth in the median attached dwelling price since COVID-19, the degree of price increases was significantly less than within the house market. This is potentially attributable to the increased borrowing capacity of owner occupiers during COVID-19 and their preference for purchasing detached dwellings.

Increases in the median attached dwelling price during COVID-19 were most apparent in the coastal markets of Noosa, the Gold Coast and Sunshine Coast. In the first three quarters of 2022, price growth has mostly moderated, with the Gold Coast and Sunshine Coast the only markets to record minor price declines.

Table 7-2 summarises annual attached dwelling price growth for the past five and ten years, the two years to the March Quarter 2022 (i.e. COVID-19 to the price peak) and from the peak to the September Quarter 2022 (latest quarter in which data is available).

Table 7-2 Median Attached Dwelling Price Growth by Local Government Area, Selected Time Periods

LGA	10 Year Annual Growth (Sep Q 12 to Sep Q 22)	5 Year Annual Growth (Sep Q 17 to Sep Q 22)	COVID-19 to Peak Annual Growth (Mar Q 20 to Mar Q 22)	Peak to Current, Total Growth (Mar Q 22 to Sep Q 22)
Major Urban Growth Areas of SEQ				
Brisbane	2.0%	1.7%	4.2%	1.2%
Gold Coast	6.0%	6.8%	15.2%	-1.6%
Sunshine Coast	6.5%	8.8%	19.5%	-1.7%
Moreton Bay	2.4%	3.1%	8.4%	2.4%
Logan	1.7%	3.4%	6.4%	8.9%
Ipswich	2.3%	2.5%	0.7%	2.9%

LGA	10 Year Annual Growth (Sep Q 12 to Sep Q 22)	5 Year Annual Growth (Sep Q 17 to Sep Q 22)	COVID-19 to Peak Annual Growth (Mar Q 20 to Mar Q 22)	Peak to Current, Total Growth (Mar Q 22 to Sep Q 22)
Remainder of SEQ				
Redland	3.9%	3.3%	8.5%	4.2%
Noosa	10.0%	13.9%	16.4%	7.9%
Lockyer Valley	3.0%	8.5%	13.4%	21.5%
Scenic Rim	2.2%	5.5%	29.3%	11.0%
Somerset	0.0%	7.6%	-	8.4%
Toowoomba	2.3%	2.8%	2.9%	9.4%

Note: Pricerfinder summary data is published only at the local government area level. However, it is anticipated most house sales in Toowoomba Regional Council would fall within the urban extent boundary.

Source: Pricerfinder (2022)

7.2 Median Weekly Rents

Median weekly rent data is published quarterly by the Residential Tenancies Authority for units, townhouses and houses for the majority of markets across SEQ, except for Somerset and Lockyer Valley (data published only for Gatton, which is likely to accommodate the majority of rental properties in the region).

The assessment has focussed on the median weekly rent trends across SEQ for the following property types:

- + Three bedroom houses;
- + Two bedroom units; and
- + Three bedroom townhouses.

In the past year, there has been significant growth in the median weekly rents for all property types across SEQ, with double digit growth recorded in the majority of SEQ markets analysed. Median weekly rent growth in the most recent quarter has generally remained strong, although there have been some declines recorded for houses in Noosa, the Gold Coast and Scenic Rim. In the most recent quarter, two bedroom units have generally outperformed houses and townhouses in terms of median weekly rent growth, except for Logan and Moreton Bay, where townhouses have performed most strongly.

In the September Quarter 2022, median weekly rents were highest in the Noosa, Gold Coast and Sunshine Coast markets, whereas traditionally these markets were more closely aligned with the median weekly rents achieved in Brisbane. Additionally, annual growth in median weekly rents accelerated in both Gold Coast and Sunshine Coast across all market segments in the past year relative to three and five year averages.

Ipswich, Logan and Moreton Bay were also identified as relatively strong performers in terms of median weekly rent increases across all sectors in the past year.

A comparison of growth in median weekly rents in the past year against longer term averages (three and five year annual growth rates) indicates the following areas have been particularly impacted by accelerating median weekly rents:

- + Three bedroom houses;
 - Gatton, Logan and Ipswich;
- + Two bedroom units;

- Gatton, Brisbane, Ipswich and Logan; and
- + Three bedroom townhouses.
 - Brisbane, Moreton Bay and Ipswich.

The acceleration in median weekly rents has been driven by an increased number of households renting due to fracturing of households during COVID-19.

Pressures on median weekly rents are anticipated to remain in the short term, due to residential vacancy rates remaining persistently below levels achieved in a balanced market (~2% – 4% vacancy rate).

Tables 7-3, 7-4 and 7-5 identify the median weekly rents in each segment identified and median weekly rent growth in the past year, three years and five years.

Table 7-3 Trends in Median Weekly Rents Across SEQ, Three Bedroom Houses

LGA / Region	Median Weekly Rent, Sep Q 2022	Quarterly Growth	Annual Growth	3 Year Ave Ann Growth	5 Year Ave Ann Growth
Major Urban Growth Areas of SEQ					
Brisbane	\$550	0.0%	11.1%	8.6%	5.5%
Gold Coast	\$695	-0.7%	15.8%	11.6%	7.7%
Sunshine Coast	\$610	1.7%	10.9%	10.3%	6.8%
Moreton Bay	\$480	4.3%	15.7%	9.1%	5.9%
Logan	\$450	4.7%	18.4%	9.3%	5.2%
Ipswich	\$410	5.1%	17.1%	9.2%	5.8%
Remainder of SEQ					
Redland	\$505	1.0%	7.4%	8.1%	4.8%
Noosa	\$678	-3.2%	2.7%	12.2%	8.3%
Gatton	\$390	8.3%	21.9%	10.1%	6.1%
Scenic Rim	\$400	-7.0%	8.1%	5.6%	2.7%
Toowoomba	\$420	5.0%	16.7%	9.5%	7.0%

Source: Residential Tenancies Authority (2022)

Table 7-4 Trends in Median Weekly Rents Across SEQ, Two Bedroom Units

LGA / Region	Median Weekly Rent, Sep Q 2022	Quarterly Growth	Annual Growth	3 Year Ave Ann Growth	5 Year Ave Ann Growth
Major Urban Growth Areas of SEQ					
Brisbane	\$500	4.2%	11.1%	5.2%	4.0%
Gold Coast	\$600	7.1%	20.0%	10.9%	7.1%
Sunshine Coast	\$520	4.0%	15.6%	11.5%	7.9%
Moreton Bay	\$350	2.9%	11.1%	6.5%	4.2%
Logan	\$350	2.9%	12.9%	6.7%	4.6%
Ipswich	\$320	6.7%	14.3%	7.2%	3.8%
Remainder of SEQ					
Redland	\$420	10.5%	10.5%	5.8%	3.7%
Noosa	\$620	3.8%	11.7%	13.6%	9.5%
Gatton	\$270	-15.6%	-	-1.8%	0.4%
Scenic Rim	\$333	14.7%	23.1%	6.5%	5.0%
Toowoomba	\$320	6.7%	12.3%	7.2%	5.1%

Source: Residential Tenancies Authority (2022)

Table 7-5 Trends in Median Weekly Rents Across SEQ, Three Bedroom Townhouses

LGA / Region	Median Weekly Rent, Sep Q 2022	Quarterly Growth	Annual Growth	3 Year Ave Ann Growth	5 Year Ave Ann Growth
Major Urban Growth Areas of SEQ					
Brisbane	\$510	2.0%	15.9%	6.7%	4.5%
Gold Coast	\$600	0.0%	13.2%	10.1%	6.9%
Sunshine Coast	\$588	1.3%	11.4%	10.1%	6.7%
Moreton Bay	\$430	4.9%	16.2%	7.1%	4.5%
Logan	\$400	5.3%	14.3%	6.4%	3.9%
Ipswich	\$390	5.4%	13.0%	6.3%	4.0%
Remainder of SEQ					
Redland	\$490	5.4%	13.3%	7.0%	4.1%
Noosa	\$850	0.0%	17.2%	16.3%	9.1%
Gatton	-	-	-	-	-
Scenic Rim	\$350	0.0%	6.1%	4.7%	-
Toowoomba	\$398	2.6%	7.4%	5.3%	5.1%

Source: Residential Tenancies Authority (2022)

A comparison of the short to medium term trends in median weekly rent growth and property price growth has been undertaken to consider whether there has been similar movement across both markets over time. Whilst this analysis must be interpreted with some caution (e.g. as median price growth is for the attached and detached market as a whole, whereas median weekly rent is for a subset of these markets), it provides a broad indication of whether median prices have followed a similar trend to median rents.

This analysis highlights the following trends:

- + **Houses:** In the past three to five years, median house price growth has typically exceeded median weekly rent growth. However, in the past year, this trend started to reverse in SEQ, with Brisbane, the Gold Coast and Sunshine Coast all recording higher annual growth in median weekly rents than median house prices. In the most recent quarter, whilst median property price growth has been negative, the rate of median weekly rent growth has typically accelerated in SEQ;
- + **Attached:** In the past three to five years, results have been mixed across SEQ, although median weekly rent growth has typically exceeded median attached dwelling price growth. Within Noosa Shire, median attached dwelling price growth exceeded median weekly rent growth for both two bedroom units and three bedroom townhouses.

In the past year, median price growth for attached dwellings typically exceeded median weekly rent growth for two bedroom units, but the trend was less clear when comparing median attached dwelling price growth to median weekly rent growth for three bedroom townhouses. In the past quarter, median weekly rent growth has accelerated in the two bedroom unit market, significantly exceeding median attached dwelling price growth.

The above clearly highlights that the relationship between median weekly rents and median property prices has shifted, with the degree of divergence particularly high in the past quarter.

From this analysis, it can be inferred that median property price growth has been driven by increased savings rates from COVID-19 allowing purchasers to increase the level of borrowing to purchase a dwelling. The higher level of price growth in the house market relative to the attached dwelling market is likely influenced by residential preferences for detached dwellings.

On the other hand, increases in median weekly rents are driven by increased demand for rental stock as a result of fracturing households. As explored further in subsequent sections of the report, this trend was further exacerbated by the fact that the rental market had already shown signs of tightening prior to COVID-19, hence worsening the impact on median weekly rent growth in SEQ.

Tables 7-6 and 7-7 outline the quarterly, annual, three yearly and five yearly average annual growth in median property prices and median weekly rents for both the attached and detached markets by local government area in SEQ.

Table 7-6 Comparison of Median Price Growth and Median Weekly Rent Growth – Houses

LGA / Region	Median House Price Growth				Median Weekly Rent Growth – 3 bedroom houses			
	Quarterly	Annual	3 years	5 years	Quarterly	Annual	3 years	5 years
Major Urban Growth Areas of SEQ								
Brisbane	-8.1%	7.8%	13.1%	7.8%	0.0%	11.1%	8.6%	5.5%
Gold Coast	-5.6%	4.5%	11.5%	7.7%	-0.7%	15.8%	11.6%	7.7%
Sunshine Coast	-4.5%	4.6%	14.8%	9.6%	1.7%	10.9%	10.3%	6.8%
Moreton Bay	-4.1%	15.2%	13.9%	8.8%	4.3%	15.7%	9.1%	5.9%
Logan	-3.2%	22.0%	11.9%	7.6%	4.7%	18.4%	9.3%	5.2%
Ipswich	-0.6%	21.6%	14.2%	8.9%	5.1%	17.1%	9.2%	5.8%
Remainder of SEQ								
Redland	-6.1%	12.3%	12.4%	7.3%	1.0%	7.4%	8.1%	4.8%
Noosa	-3.5%	4.6%	19.9%	13.4%	-3.2%	2.7%	12.2%	8.3%
Gatton	-6.0%	11.9%	10.9%	7.9%	8.3%	21.9%	10.1%	6.1%

LGA / Region	Median House Price Growth				Median Weekly Rent Growth – 3 bedroom houses			
	Quarterly	Annual	3 years	5 years	Quarterly	Annual	3 years	5 years
Scenic Rim	-3.8%	22.0%	10.9%	8.3%	-7.0%	8.1%	5.6%	2.7%
Toowoomba	-4.0%	14.1%	9.0%	5.3%	5.0%	16.7%	9.5%	7.0%

Source: Residential Tenancies Authority (2022) and Pricerfinder (2022)

Table 7-7 Comparison of Median Price Growth and Median Weekly Rent Growth – Attached Dwellings

LGA / Region	Median Attached Dwelling Price Growth				Median Weekly Rent Growth – 2 bedroom units				Median Weekly Rent Growth – 3 bedroom townhouses			
	Quarterly	Annual	3 years	5 years	Quarterly	Annual	3 years	5 years	Quarterly	Annual	3 years	5 years
Major Urban Growth Areas of SEQ												
Brisbane	-1.0%	5.2%	2.8%	1.7%	4.2%	11.1%	5.2%	4.0%	2.0%	15.9%	6.7%	4.5%
Gold Coast	-1.6%	8.9%	10.7%	6.8%	7.1%	20.0%	10.9%	7.1%	0.0%	13.2%	10.1%	6.9%
Sunshine Coast	0.6%	13.1%	13.2%	8.8%	4.0%	15.6%	11.5%	7.9%	1.3%	11.4%	10.1%	6.7%
Moreton Bay	0.6%	14.3%	5.3%	3.1%	2.9%	11.1%	6.5%	4.2%	4.9%	16.2%	7.1%	4.5%
Logan	-0.4%	18.4%	7.7%	3.4%	2.9%	12.9%	6.7%	4.6%	5.3%	14.3%	6.4%	3.9%
Ipswich	5.3%	18.2%	1.5%	2.5%	6.7%	14.3%	7.2%	3.8%	5.4%	13.0%	6.3%	4.0%
Remainder of SEQ												
Redland	-1.0%	9.9%	5.9%	3.3%	10.5%	10.5%	5.8%	3.7%	5.4%	13.3%	7.0%	4.1%
Noosa	7.1%	19.4%	16.8%	13.9%	3.8%	11.7%	13.6%	9.5%	0.0%	17.2%	16.3%	9.1%
Gatton	30.2%	48.8%	9.6%	8.5%	-	-	-	-	-	-	-	-
Scenic Rim	-2.1%	11.9%	16.7%	5.5%	14.7%	23.1%	6.5%	5.0%	0.0%	6.1%	4.7%	-
Toowoomba	-0.6%	11.1%	8.8%	2.8%	6.7%	12.3%	7.2%	5.1%	2.6%	7.4%	5.3%	5.1%

Source: Residential Tenancies Authority (2022) and Pricerfinder (2022)

7.3 Implied Gross Rental Yields

Implied gross rental yield data has been collated from SQM Research to understand how implied gross rental yields have shifted over time and whether shifts in yield are potentially acting as a disincentive to investor activity within the SEQ market, thus negatively impacting the supply of rental dwellings in the market.

Gross rental yield data for September 2022 relative to the previous year highlights mixed outcomes in terms of implied gross rental yields, with gross rental yields for houses dropping most significantly in the Toowoomba, Brisbane CBD, Sunshine Coast, parts of the Gold Coast (Gold Coast Main and Gold Coast South) and South East Brisbane.

Comparatively, implied gross rental yields for units were more stable and typically recorded less significant shifts than for houses, which may potentially shift investor activity in SEQ back towards attached product as opposed to detached dwellings.

Tables 7-8 and 7-9 summarises the trends in implied gross rental yields across SEQ for the past six years, from September 2017 to September 2022.

Table 7-8 Implied Gross Rental Yields across SEQ - Houses, Sep 2017-Sep 2022

LGA / Region	Sep 2017	Sep 2018	Sep 2019	Sep 2020	Sep 2021	Sep 2022	Change, Sep 2017 - Sep 2022
Beenleigh Corridor	4.7%	4.6%	4.7%	4.7%	4.9%	4.5%	-0.2%
Brisbane CBD	3.4%	3.4%	3.6%	3.4%	3.6%	2.3%	-1.1%
East Brisbane	3.6%	3.7%	3.8%	4.0%	4.2%	4.0%	0.4%
Gold Coast Hinterland	4.4%	4.4%	4.4%	4.1%	4.7%	4.4%	0.0%
Gold Coast Main	4.3%	4.5%	4.4%	3.9%	4.6%	3.9%	-0.4%
Gold Coast North	4.1%	4.3%	4.6%	4.4%	5.4%	5.7%	1.6%
Gold Coast South	4.3%	4.1%	4.2%	3.8%	2.8%	3.2%	-1.1%
Gold Coast West	4.5%	4.6%	4.8%	4.7%	4.5%	4.4%	-0.1%
Inner Brisbane	3.3%	3.3%	3.4%	3.2%	2.9%	2.9%	-0.4%
Ipswich	3.3%	3.2%	3.4%	3.2%	2.8%	2.9%	-0.4%
Northern Brisbane	3.9%	3.9%	4.0%	3.9%	3.8%	3.5%	-0.4%
South East Brisbane	4.1%	4.1%	4.3%	4.4%	4.7%	4.0%	-0.1%
Southern Brisbane	3.7%	3.7%	3.7%	3.7%	3.6%	3.4%	-0.3%
Sunshine Coast	4.4%	4.5%	4.4%	4.3%	4.7%	4.1%	-0.3%
Toowoomba	4.6%	4.8%	4.9%	4.9%	5.4%	4.5%	-0.1%
West Brisbane	4.1%	4.0%	4.4%	3.9%	4.1%	3.7%	-0.4%

Source: SQM Research (2022a)

Table 7-9 Implied Gross Rental Yields across SEQ - Units, Sep 2017-Sep 2022

LGA / Region	Sep 2017	Sep 2018	Sep 2019	Sep 2020	Sep 2021	Sep 2022	Change, Sep 2017 - Sep 2022
Beenleigh Corridor	5.8%	5.2%	5.6%	5.4%	5.2%	5.7%	-0.1%
Brisbane CBD	5.0%	5.0%	5.2%	5.3%	5.5%	5.8%	0.8%
East Brisbane	4.7%	5.0%	5.2%	4.8%	5.1%	4.9%	0.2%
Gold Coast Hinterland	5.5%	5.5%	5.9%	6.4%	5.9%	5.4%	-0.1%
Gold Coast Main	5.2%	5.3%	5.7%	5.3%	5.4%	4.9%	-0.3%

LGA / Region	Sep 2017	Sep 2018	Sep 2019	Sep 2020	Sep 2021	Sep 2022	Change, Sep 2017 - Sep 2022
Gold Coast North	5.3%	5.8%	5.5%	5.1%	5.5%	5.7%	0.4%
Gold Coast South	4.8%	4.6%	5.0%	4.7%	4.7%	4.3%	-0.5%
Gold Coast West	5.7%	6.0%	6.1%	5.9%	5.6%	5.3%	-0.4%
Inner Brisbane	4.4%	4.6%	5.0%	4.6%	4.7%	4.9%	0.5%
Ipswich	4.4%	4.6%	5.0%	4.6%	4.8%	5.0%	0.6%
Northern Brisbane	4.8%	5.0%	5.1%	4.9%	4.9%	4.9%	0.1%
South East Brisbane	5.7%	5.3%	5.4%	5.5%	5.2%	4.8%	-0.9%
Southern Brisbane	5.0%	5.2%	5.5%	5.4%	5.5%	5.4%	0.4%
Sunshine Coast	5.0%	5.2%	4.9%	4.9%	5.3%	4.5%	-0.5%
Toowoomba	4.9%	5.3%	5.4%	5.5%	6.2%	5.5%	0.6%
West Brisbane	5.2%	4.9%	5.3%	5.4%	5.5%	5.7%	0.5%

Source: SQM Research (2022a)

7.4 Average Mortgages and Rents (2021 Census)

7.4.1 Average Mortgage Repayments

This analysis presents average monthly mortgage repayments and average weekly rent payments as of the 2011, 2016 and 2021 Censuses of Population and Housing.

As of the 2011, 2016 and 2021 Censuses of Population and Housing, the cash rate in Australia was as follows:

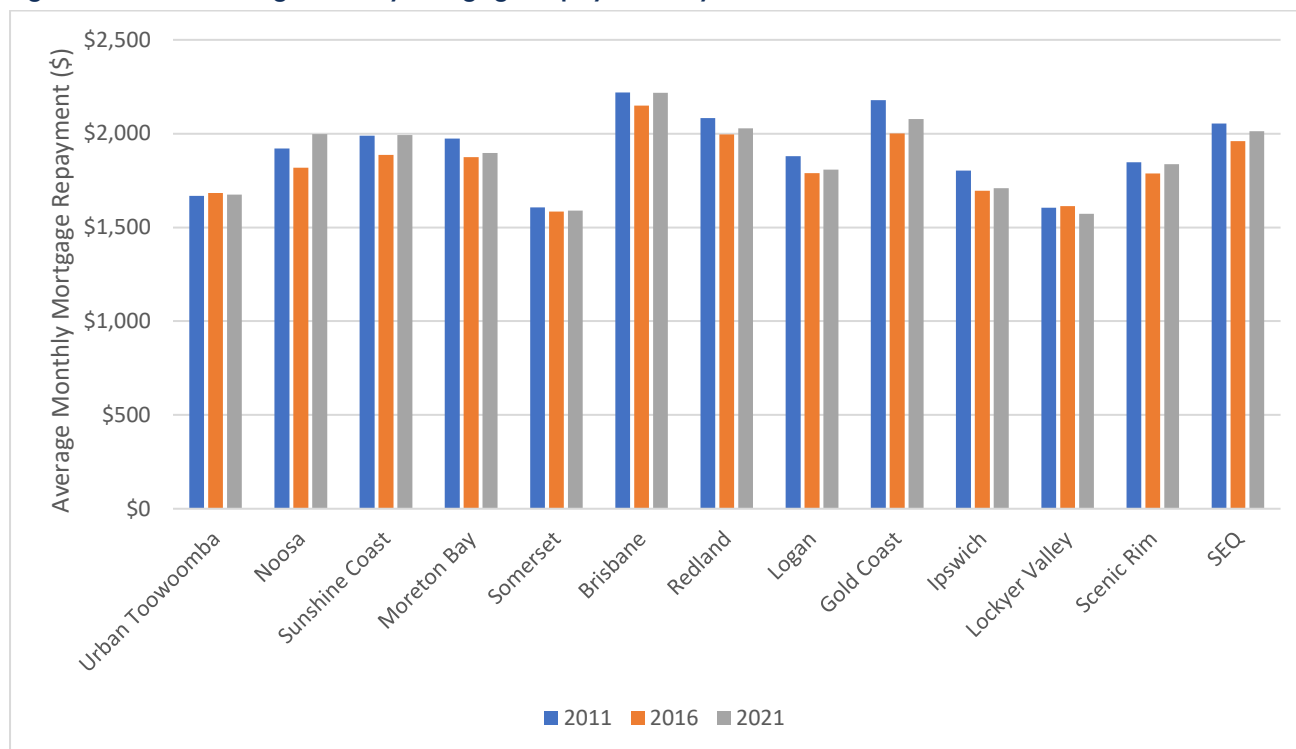
- + August 2011: 4.75%;
- + August 2016: 1.50%; and
- + August 2021: 0.10%.

Between 2011 and 2021, average monthly mortgage repayments remained relatively stable in SEQ and its component regions, with the most significant declines in the Gold Coast (down by \$99 per month and Ipswich (down by \$94 per month). The stability in average mortgage repayments despite declining cash rates clearly indicates that borrowers have had the capacity to take out larger mortgages, which has followed through to increased property prices.

Average mortgage repayments as of the 2021 Census were highest in Brisbane and the Gold Coast, which is unsurprising given that these markets are relatively expensive in terms of median sales prices. It is anticipated that for average mortgage repayments to remain relatively stable beyond 2021, borrowers would need to reduce average loan sizes due to increasing interest rates, which have the impact of curtailing property price growth due to capacity to pay.

Figure 7-5 summarises average mortgage repayments in SEQ by LGA between 2011 and 2021.

Figure 7-5 Average Monthly Mortgage Repayments by LGA, 2011, 2016 and 2021 Census



Source: ABS (2022i)

7.4.2 Average Rent Payments

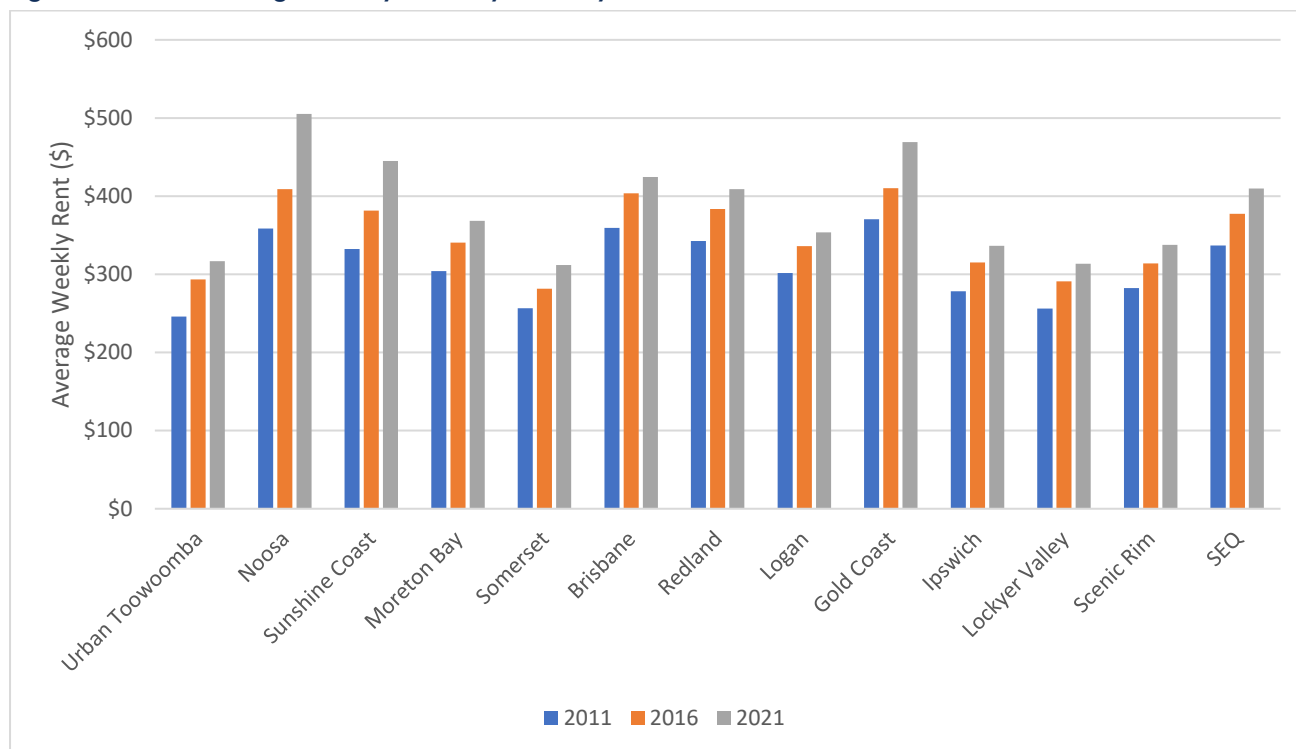
Interestingly, an analysis of average rent payments identifies that whilst the rate of growth in average weekly rents slowed in the 2016-21 period relative to the 2011-16 period in SEQ, this was not the trend across SEQ.

The coastal areas of SEQ recorded an acceleration in the rate of growth in average weekly rents, indicative of a shift in these markets, which could be due to the following factors:

- + Shrinking number of properties available to rent, which could be due to AirBNB removing properties from the longer term rental market; and
- + Increased demand for rental properties in these locations, reflective of population shifts towards the coasts relative to other parts of SEQ.

Figure 7-6 summarises average rent payments by LGA in SEQ between 2011 and 2021.

Figure 7-6 Average Weekly Rent Payments by LGA, 2011, 2016 and 2021 Census



Source: ABS (2022i)

7.5 Proportion of Income Spent on Housing (2021 Census)

The analysis has considered the proportion of household income spent on housing as of the last three Censuses. This measure provides an overview of whether the population in a region is considered particularly vulnerable in having the capacity to pay for housing.

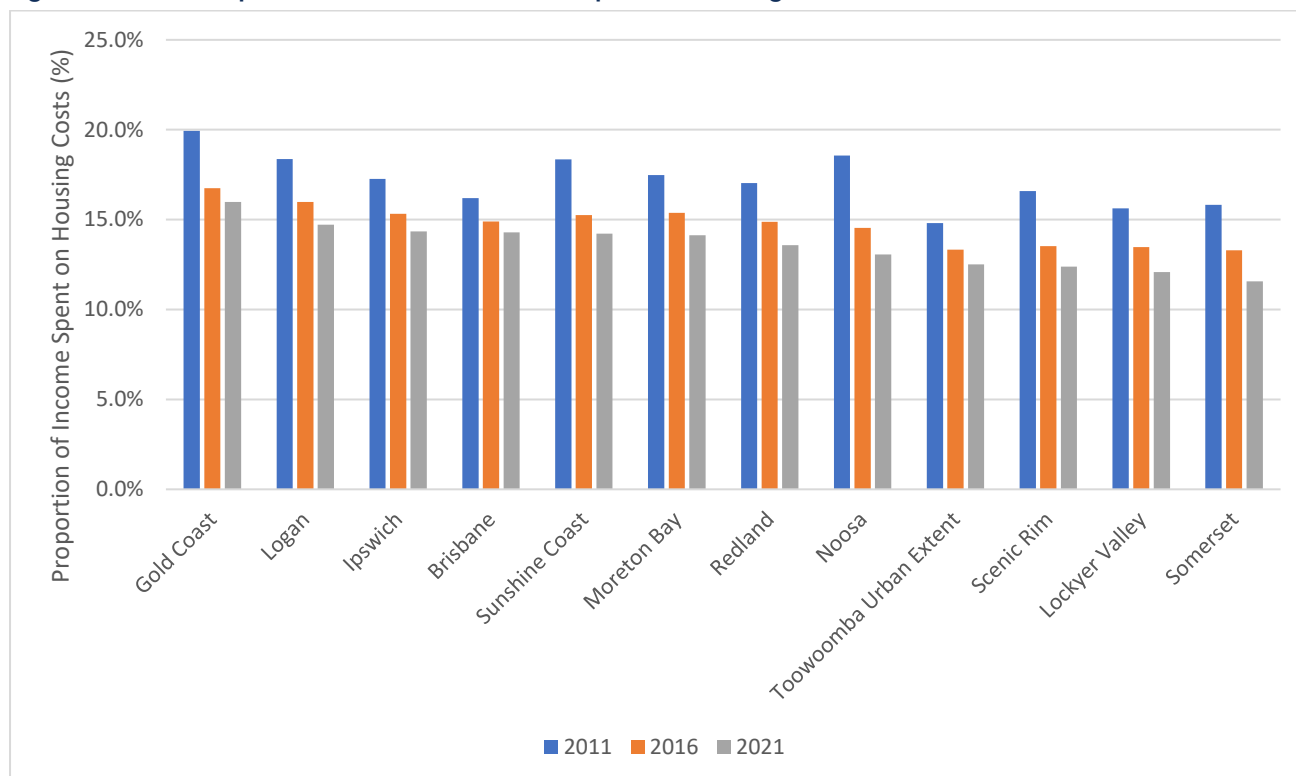
This analysis must be interpreted with significant caution, recognising that at the time of the 2021 Census, the cash rate was at a record low, hence significantly reducing mortgage repayments relative to current conditions.

However, this analysis allows us to contextualise which parts of SEQ are facing relatively high housing costs at an LGA wide level and whether there have been significant shifts over time across the region.

The analysis identifies that all regions have recorded a decline in the proportion of income spent on housing costs, despite significant increases in both median property prices and median weekly rents. The Gold Coast is characterised by a relatively high proportion of income spent on housing costs, which has traditionally been the trend over the past three Censuses. Logan is the only other local government area that has consistently recorded a higher proportion of income spent on housing costs relative to SEQ.

Figure 7-7 summarises the proportion of income spent on housing across SEQ as of the 2011, 2016 and 2021 Censuses of Population and Housing.

Figure 7-7 Proportion of Household Income Spent on Housing Costs, 2011 to 2021



Note: In 2011, Noosa and Sunshine Coast have been disaggregated based on SLA boundaries, which do not exactly align with LGA boundaries.
Source: ABS (2022i)

7.6 Mortgage and Rental Stress (2021 Census)

Mortgage and rental stress data has been extracted from the 2021 Census of Population and Housing. This data has been contextualised with growth in median weekly rents and median house and unit prices to understand how mortgage and rental stress has likely shifted post Census.

Mortgage and rental stress are incurred when a household spends more than 30% of their household income on housing costs. The data clearly highlights that mortgage stress is significantly less acute than rental stress across SEQ, with 12.4% of mortgaged households and 33.9% of rental households spending more than 30% of their household income on housing costs as of the 2021 Census.

To classify each area in SEQ and to understand their exposure to mortgage and rental stress, the following metrics have been adopted, with green colour coding representative of least concern and red colour coding representative of most concern.

Table 7-10 Mortgage and Rental Stress Indicators and Metrics

Indicator	Green	Yellow	Red
% Facing Mortgage Stress	Below SEQ average	Up to 3% points higher than SEQ average	More than 3% points higher than SEQ average
% of Households with a Mortgage	Below SEQ average	Up to 3% points higher than SEQ average	More than 3% points higher than SEQ average
Average Household Income of Households Facing Mortgage Stress	Above SEQ average	Up to 10% lower than SEQ average	More than 10% lower than SEQ average
% Facing Rental Stress	Below SEQ average	Up to 3% points higher than SEQ average	More than 3% points higher than SEQ average
% of Households renting	Below SEQ average	Up to 3% points higher than SEQ average	More than 3% points higher than SEQ average

Indicator	Green	Yellow	Red
Average Household Income of Households Facing Rental Stress	Above SEQ average	Up to 10% lower than SEQ average	More than 10% lower than SEQ average

Across SEQ, Logan, Scenic Rim and Somerset were identified as most vulnerable to shifts in mortgage repayments, as these areas were characterised by both a higher incidence of households facing mortgage stress combined with a higher incidence of persons with a mortgage relative to the SEQ average. The Gold Coast and Sunshine Coast may also face some vulnerabilities, as whilst the proportion of households with a mortgage is similar to the SEQ average, the incidence of households facing mortgage stress is higher than in SEQ. In Redland, whilst the proportion of households under mortgage stress is marginally lower than SEQ, the incidence of households with a mortgage is significantly higher than in SEQ.

Logan is relatively vulnerable to shifts in median weekly rents, with a higher incidence of households facing rental stress combined with a higher incidence of rental households relative to SEQ. The Gold Coast is also relatively vulnerable, with a significantly higher proportion of rental households facing rental stress and a similar incidence of rental households to the SEQ average. Moreton Bay and Ipswich have also been identified as areas which are relatively susceptible to rental stress.

Table 7-11 and 7-12 summarise the incidence of households facing mortgage and rental stress against the proportion of households with a mortgage or being rented. The areas which are considered particularly vulnerable have been highlighted in each table for easy identification.

Table 7-11 Proportion of Households Facing Mortgage Stress and Proportion of Households with a Mortgage, 2021

LGA	% Facing Mortgage Stress	% of Households with a Mortgage	Average Household Income of Households Facing Mortgage Stress
Noosa	16.7%	29.1%	\$77,000
Gold Coast	15.7%	33.4%	\$78,000
Scenic Rim	13.9%	34.6%	\$77,000
Sunshine Coast	13.8%	32.8%	\$78,000
Somerset	13.7%	34.4%	\$63,000
Logan	13.2%	37.8%	\$68,000
Lockyer Valley	11.9%	38.5%	\$63,000
Redland	11.8%	38.7%	\$82,000
Toowoomba Urban Extent	11.7%	31.2%	\$81,000
Brisbane	11.3%	32.6%	\$94,000
Moreton Bay	11.2%	36.5%	\$75,000
Ipswich	10.1%	36.4%	\$67,000
SEQ	12.4%	34.1%	\$81,000

Note: Average household income estimate is rounded to the nearest \$1,000.
Source: ABS (2022i)

Table 7-12 Proportion of Household Facing Rental Stress and Proportion of Rental Households, 2021

LGA	% Facing Rental Stress	% of Households Renting	Average Household Income of Households Facing Rental Stress
Noosa	45.5%	20.6%	\$57,000
Gold Coast	42.0%	32.3%	\$52,000
Scenic Rim	41.0%	20.3%	\$37,000
Sunshine Coast	39.1%	26.4%	\$50,000
Redland	36.4%	22.4%	\$46,000
Moreton Bay	35.2%	30.2%	\$41,000
Logan	34.8%	32.8%	\$41,000
Somerset	35.0%	19.7%	\$37,000
Lockyer Valley	32.1%	21.7%	\$36,000
Ipswich	30.8%	37.8%	\$38,000
Toowoomba Urban Extent	30.7%	32.9%	\$37,000
Brisbane	29.1%	37.3%	\$47,000
SEQ	33.9%	32.6%	\$46,000

Note: Average household income estimate is rounded to the nearest \$1,000.

Source: ABS (2022i)

7.7 First Home Buyer Data

The National Housing Finance and Investment Corporation (NHFIC) publishes annual data on purchasers that have utilised the Home Guarantee Scheme (HGS). Under the HGS, part of an eligible home buyer's loan from a participating lender is guaranteed by NHFIC, meaning that lenders mortgage insurance is not payable, despite only holding a deposit of 2%-5% of the purchase price.

Whilst this does not capture all first home buyers in the market, it provides an understanding of the characteristics of first home buyers utilising the scheme who are likely to be most vulnerable to shifts in interest rates and property prices, due to the eligibility criteria (both on purchase price and household income, combined with the fact that only a low deposit is required to access the scheme).

This report has considered data for 2020-21 and 2021-22, which appears to capture both the first home guarantee and the family home guarantee, as detailed below:

- + First home guarantee: Allows for a property purchase with a minimum 5% deposit, with caps on the property purchase price and household incomes (based on whether a single or couple application); and
- + Family home guarantee: Allows for a property purchase with a minimum 2% deposit for single parents with at least one dependent child, with caps on the property purchase price. Unlike the first home guarantee, this option is also available to single parents who have previously purchased property, provided household income eligibility criteria are met.

Between 2020-21 and 2021-22 households that have utilised the HGS have increased their debt to income ratio, with the debt to income ratio increases highest in Redland, Moreton Bay and the Sunshine Coast. Overall, the debt to income ratio has remained highest on the Sunshine Coast, followed by the Gold Coast, Brisbane and Moreton Bay. The data also indicates a shift away from houses towards attached dwellings in most SEQ markets, likely as median price increases have increasingly pushed first home buyers out of the detached dwelling market.

Table 7-13 summarises the average purchase price, debt to income ratio and distribution of property purchased by LGA in SEQ in 2020-21 and 2021-22, sorted by highest to lowest debt to income ratio as of 2021-22.

Table 7-13 Summary of Home Guarantee Scheme Data by LGA, 2020-21 and 2021-22

LGA	2020-21				2021-22			
	Ave. Purchase Price	Debt to Income Ratio	Purchased House	Purchased Attached Dwelling	Ave. Purchase Price	Debt to Income Ratio	Purchased House	Purchased Attached Dwelling
Sunshine Coast	\$459,500	5.1	80.0%	20.0%	\$512,500	5.7	60.0%	40.0%
Gold Coast	\$425,500	4.8	35.0%	65.0%	\$480,000	5.3	15.0%	85.0%
Brisbane	\$415,000	4.7	30.0%	70.0%	\$447,500	5.1	10.0%	90.0%
Moreton Bay	\$445,000	4.4	90.0%	10.0%	\$472,500	5.1	70.0%	30.0%
Redland	\$465,000	4.2	80.0%	20.0%	\$507,000	5.0	50.0%	50.0%
Logan	\$425,000	4.6	95.0%	5.0%	\$465,000	5.0	80.0%	20.0%
Toowoomba	\$342,000	4.2	90.0%	10.0%	\$365,000	4.5	80.0%	20.0%
Somerset	\$395,000	3.9	95.0%	5.0%	\$378,000	4.5	95.0%	5.0%
Ipswich	\$408,000	4.3	95.0%	5.0%	\$440,000	4.5	90.0%	10.0%
Lockyer Valley	\$361,500	4.3	100.0%	0.0%	\$432,500	4.1	95.0%	5.0%
Scenic Rim	\$399,000	4.4	100.0%	0.0%	-	-	-	-
Noosa	-	-	-	-	-	-	-	-

Note: - means insufficient data available.

Source: National Housing Finance and Investment Corporation (2022)

8 Dwelling Vacancies

The purpose of this section is to analyse both dwelling vacancies as of the last three Censuses and rental vacancies.

8.1 Rental Vacancies

Rental vacancy rate data has been sourced from SQM Research. It is noted that whilst this data does not align exactly with LGA boundaries, it provides an overview of how vacancy rates have shifted across SEQ over the past ten years.

In September 2022, residential vacancy rates across SEQ were at historic lows and were below 1% in all markets analysed except for Brisbane CBD, which sat just above 1%. All regions recorded a significant drop in residential vacancy rates in 2020, with the COVID-19 pandemic leading to persons reconsidering their living arrangements. Circumstantial evidence points to several factors at play which led to demand for additional rental dwellings, relative to the start of the COVID-19 pandemic, including:

- + Couple households reconsidering their living options due to the shift in working at home and the need for dedicated space to effectively work from home on a more permanent basis than pre COVID-19;
- + Persons in group households looking for alternative living arrangements; and
- + Increased relationship breakdowns.

Prior to the significant increase in demand for rental dwellings, most rental markets in SEQ recorded residential vacancy rates at the lower end of what is considered a balanced market (between 2% and 4% vacancy rate), except for Brisbane CBD.

Whilst Brisbane CBD has traditionally had a residential vacancy rate above what is considered balanced, this market was also adversely impacted by migrants moving back overseas to be with their families at the start of the COVID-19 pandemic.

The significant fall in the rental vacancy rates across all markets was unprecedented and occurred rapidly, allowing for landlords to increase weekly rents at a significantly higher rate than historic trends. However, shifts in rental vacancy rates have not consistently translated to increases in implied gross rental yields, as discussed further in Section 7.3.

Table 8-1 below summarises the change in residential vacancy rates as of September for the past six years.

Table 8-1 Residential Vacancy Rates across SEQ, Sep 2017-Sep 2022

LGA / Region	Sep 2017	Sep 2018	Sep 2019	Sep 2020	Sep 2021	Sep 2022
Beenleigh Corridor	6.1%	5.6%	3.4%	8.1%	4.9%	1.2%
Brisbane CBD	3.8%	2.7%	2.3%	1.9%	1.4%	0.8%
East Brisbane	2.0%	1.5%	2.0%	0.7%	0.7%	0.6%
Gold Coast Hinterland	1.5%	2.1%	2.5%	2.1%	1.2%	0.5%
Gold Coast Main	2.3%	2.1%	2.6%	1.3%	0.7%	0.9%
Gold Coast North	0.8%	1.3%	1.3%	0.3%	0.5%	0.5%
Gold Coast South	1.3%	1.5%	1.7%	1.0%	0.5%	0.5%
Gold Coast West	4.8%	4.1%	2.7%	3.9%	2.5%	0.9%
Inner Brisbane	2.5%	2.4%	2.3%	0.9%	0.8%	0.7%

LGA / Region	Sep 2017	Sep 2018	Sep 2019	Sep 2020	Sep 2021	Sep 2022
Ipswich	2.8%	2.2%	1.8%	0.9%	0.7%	0.5%
Northern Brisbane	2.9%	2.2%	2.0%	0.8%	0.8%	0.8%
South East Brisbane	3.3%	2.8%	2.6%	2.1%	1.5%	0.8%
Southern Brisbane	1.9%	1.9%	1.5%	0.5%	0.6%	0.7%
Sunshine Coast	2.9%	1.9%	1.4%	0.5%	0.6%	0.5%
Toowoomba	3.5%	2.9%	2.4%	1.7%	1.2%	0.7%
West Brisbane	6.1%	5.6%	3.4%	8.1%	4.9%	1.2%

Source: SQM Research (2022b)

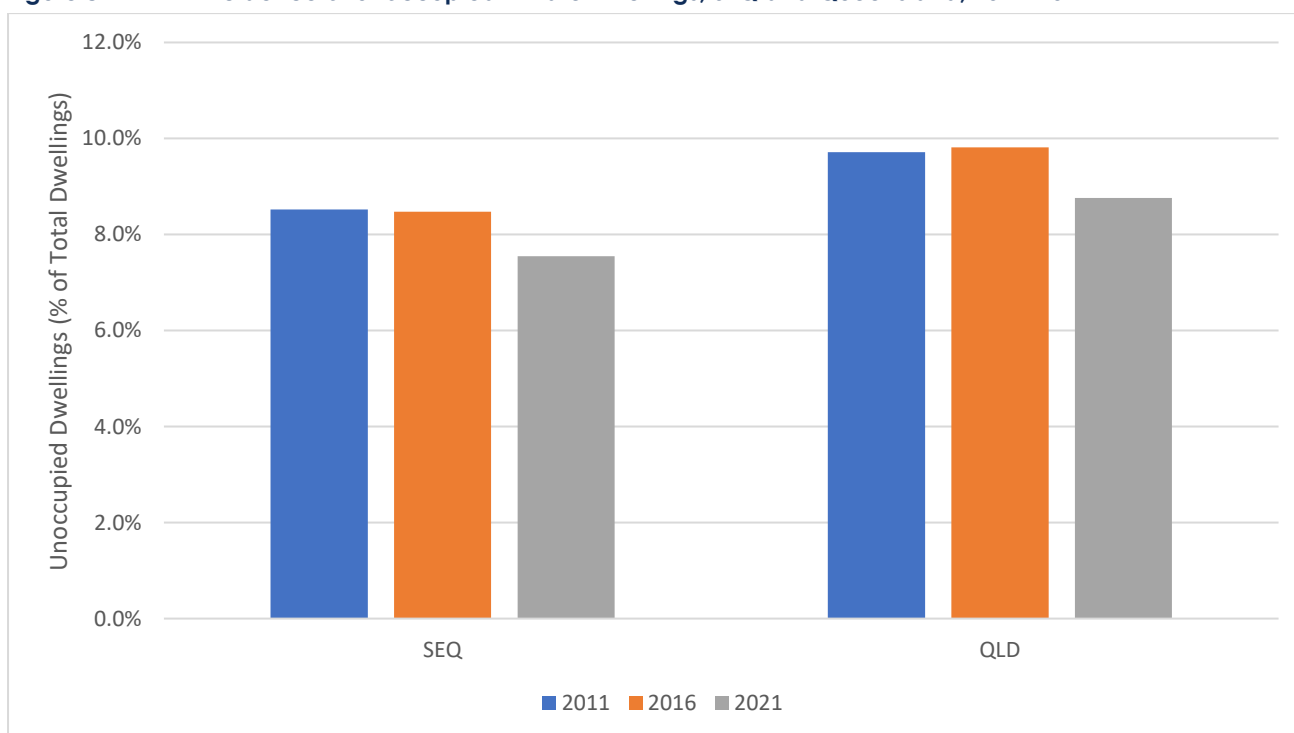
8.2 Unoccupied Private Dwellings

8.2.1 SEQ and Queensland

As of the 2021 Census, there were 116,341 dwellings in SEQ identified as unoccupied on Census night, representing 7.6% of the dwelling stock. By comparison, 8.8% of dwellings in Queensland were unoccupied as of the 2021 Census. Both SEQ and Queensland recorded a decline in the incidence of dwellings reported as unoccupied, likely due to COVID-19 restrictions at the time somewhat limiting travel.

Figure 8-1 outlines the incidence of unoccupied private dwellings in SEQ and Queensland as of the 2011, 2016 and 2021 Censuses of Population and Housing.

Figure 8-1 Incidence of Unoccupied Private Dwellings, SEQ and Queensland, 2011-2021



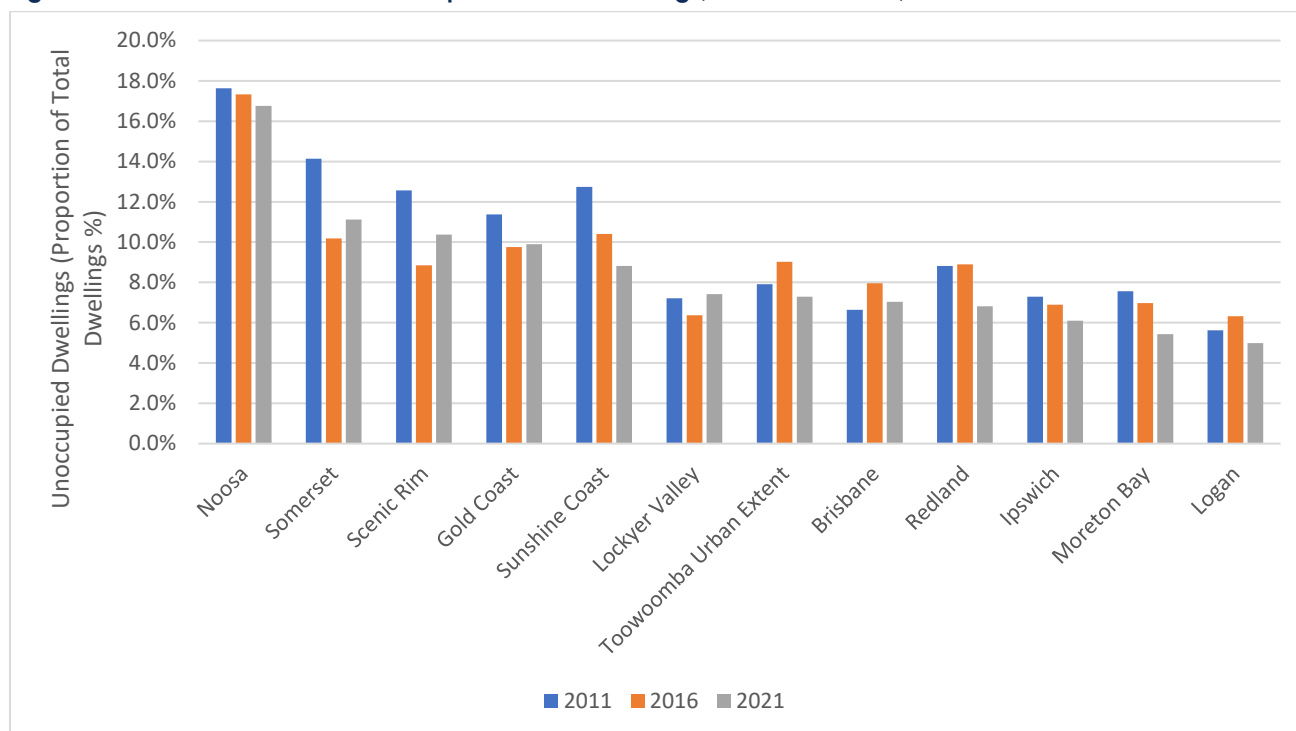
Source: ABS (2022i)

8.2.1.1 LGAs in SEQ

In 2021, the LGAs which recorded the highest incidence of unoccupied private dwellings were Noosa, Somerset, Scenic Rim, Gold Coast and Sunshine Coast. Whilst the relatively high incidence of unoccupied private dwellings in Noosa and the Gold Coast is likely attributable to these properties being on the short stay letting market, in the more rural parts of SEQ this is likely attributable to properties remaining vacant without tenants longer term.

Figure 8-2 summarises the incidence of unoccupied dwellings across SEQ as of the 2011, 2016 and 2021 Censuses of Population and Housing.

Figure 8-2 Incidence of Unoccupied Private Dwellings, LGAs within SEQ, 2011-2021



Note: In 2011, Noosa and Sunshine Coast have been disaggregated based on SLA boundaries, which do not exactly align with LGA boundaries.

Source: ABS (2022i)

8.2.2 SA2s in SEQ

Within SEQ, the areas which recorded the highest incidence of unoccupied private dwellings as of the 2021 Census were mostly tourist localities on the Sunshine and Gold Coasts, the tourist localities of Moreton Island and North Stradbroke Island which are accessible only via ferry, the Southern Moreton Bay Islands which are similarly only accessible by ferry, Brisbane City and Kangaroo Point, which accommodate a number of apartments which flow in and out of the short term letting market and Eagle Farm – Pinkenba.

Mermaid Beach – Broadbeach, Surfers Paradise – North and Surfers Paradise – South SA2s recorded the highest number of unoccupied private dwellings in SEQ in 2021, together accounting for 7.5% of unoccupied private dwellings across SEQ. There was a significant jump in both the quantum and incidence of unoccupied private dwellings in Mermaid Beach – Broadbeach between 2016 and 2021, increasing by 1,348 dwellings to 3,032 unoccupied dwellings in 2021.

Table 8-2 summarises the localities in which the incidence of unoccupied private dwellings was particularly high in the urban parts of SEQ, with Table 8-appe summarising the number of

unoccupied private dwellings within each SA2 identified as having a high incidence of unoccupied private dwellings.

Table 8-2 Areas with High Incidence of Unoccupied Private Dwellings in SEQ, 2011 to 2021

SA2	Local Government Area	Incidence of Unoccupied Private Dwellings		
		2011	2016	2021
Moreton Island	Brisbane	-	-	64.6%
North Stradbroke Island	Redland	-	-	43.4%
Noosa Heads	Noosa	29.5%	33.1%	33.8%
Surfers Paradise - North	Gold Coast	-	-	31.0%
Main Beach	Gold Coast	28.7%	26.4%	29.9%
Mermaid Beach - Broadbeach	Gold Coast	27.3%	21.9%	29.5%
Surfers Paradise - South	Gold Coast	-	-	28.3%
Caloundra - Kings Beach	Sunshine Coast	26.8%	29.7%	27.6%
Coolangatta	Gold Coast	19.8%	17.6%	26.2%
Brisbane City	Brisbane	12.1%	13.6%	23.0%
Sunshine Beach	Noosa	26.6%	26.5%	22.7%
Peregian Beach - Marcus Beach	Noosa	-	26.1%	21.7%
Noosaville	Noosa	18.3%	17.6%	19.6%
Burleigh Heads	Gold Coast	15.3%	15.7%	19.1%
South Brisbane	Brisbane	8.7%	14.7%	19.0%
Southern Moreton Bay Islands	Redland	-	-	18.9%
Mooloolaba - Alexandra Headland	Sunshine Coast	18.4%	18.5%	18.4%
Kangaroo Point	Brisbane	11.9%	14.5%	17.7%
Eagle Farm - Pinkenba	Brisbane	8.3%	23.9%	17.4%
Currumbin - Tugun	Gold Coast	15.1%	16.3%	16.2%

Source: Bull & Bear Economics analysis, based on data from ABS (2022i)

Table 8-3 Areas with High Incidence of Unoccupied Private Dwellings in SEQ – Number of Unoccupied Private Dwellings, 2011 to 2021

SA2	Local Government Area	Incidence of Unoccupied Private Dwellings		
		2011	2016	2021
Moreton Island	Brisbane	-	-	234
North Stradbroke Island	Redland	-	-	857
Noosa Heads	Noosa	806	1,014	1,201
Surfers Paradise - North	Gold Coast	-	-	2,857
Main Beach	Gold Coast	807	777	924
Mermaid Beach - Broadbeach	Gold Coast	2,038	1,684	3,032
Surfers Paradise - South	Gold Coast	-	-	2,787
Caloundra - Kings Beach	Sunshine Coast	1,201	1,424	1,428
Coolangatta	Gold Coast	733	706	1,205
Brisbane City	Brisbane	593	759	1,946
Sunshine Beach	Noosa	992	991	870
Peregian Beach - Marcus Beach	Noosa	-	569	476
Noosaville	Noosa	837	900	1,091
Burleigh Heads	Gold Coast	716	762	1,021
South Brisbane	Brisbane	229	530	1,526

SA2	Local Government Area	Incidence of Unoccupied Private Dwellings		
		2011	2016	2021
Southern Moreton Bay Islands	Redland	-	-	1,037
Mooloolaba - Alexandra Headland	Sunshine Coast	1,219	1,276	1,334
Kangaroo Point	Brisbane	476	679	1,082
Eagle Farm - Pinkenba	Brisbane	11	131	238
Currumbin - Tugun	Gold Coast	853	953	1,007

Source: Bull & Bear Economics analysis, based on data from ABS (2022i)

9 Construction Costs

To obtain an understanding of construction costs in Brisbane and Australia, the analysis has considered the producer price index for inputs to the house construction industry, published quarterly by the Australian Bureau of Statistics.

An analysis has also been undertaken by input, to understand which components of house construction have faced the most significant price pressures.

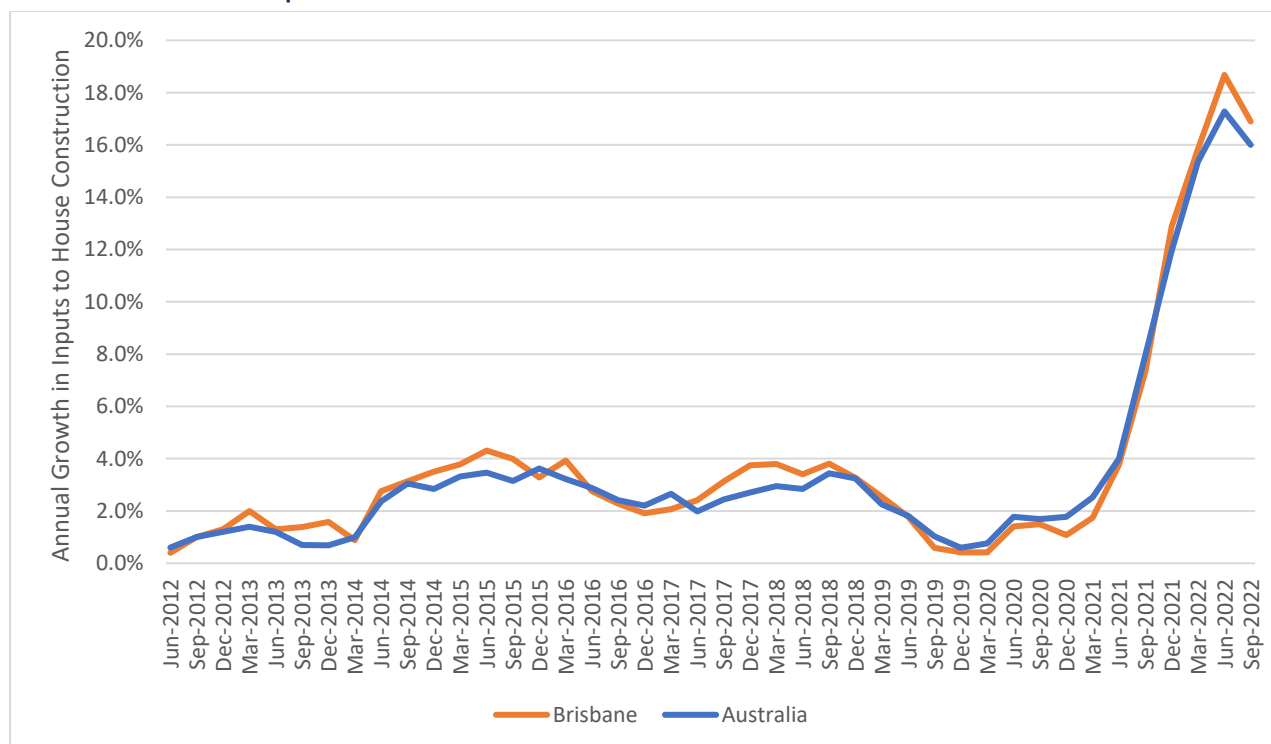
There is not significant disparity in construction costs across SEQ, with the most significant factors influencing construction costs including variations in expectations of build standard or finish across markets (e.g. units constructed on a site offering direct ocean views are likely to be of a significantly higher standard than units constructed in suburban fringe markets, hence incurring a significantly higher construction cost per unit) and site specific factors (e.g. overcoming geotechnical or contamination constraints prior to building construction can add significant cost to construction).

Since the September Quarter 2021, price pressures escalated significantly in both Brisbane and Australia, with the annual growth in input costs to house construction significantly exceeding inflation and peaking in the June Quarter 2022 at 18.7% in Brisbane and 17.3% in Australia. Prior to the recent escalation in construction costs, annual growth had previously peaked at just over 4%.

Whilst there are early signs of growth in construction costs easing, the rate of growth remains significantly above longer term averages and is indicative of continued supply chain pressures in conjunction with continued strong demand for housing.

Figure 9-1 summarises annual growth in construction costs in Brisbane and Australia for the June Quarter 2012 to the September Quarter 2022.

Figure 9-1 Annual Growth in Construction Costs – Inputs to House Construction, Brisbane and Australia, June Quarter 2012 to September Quarter 2022



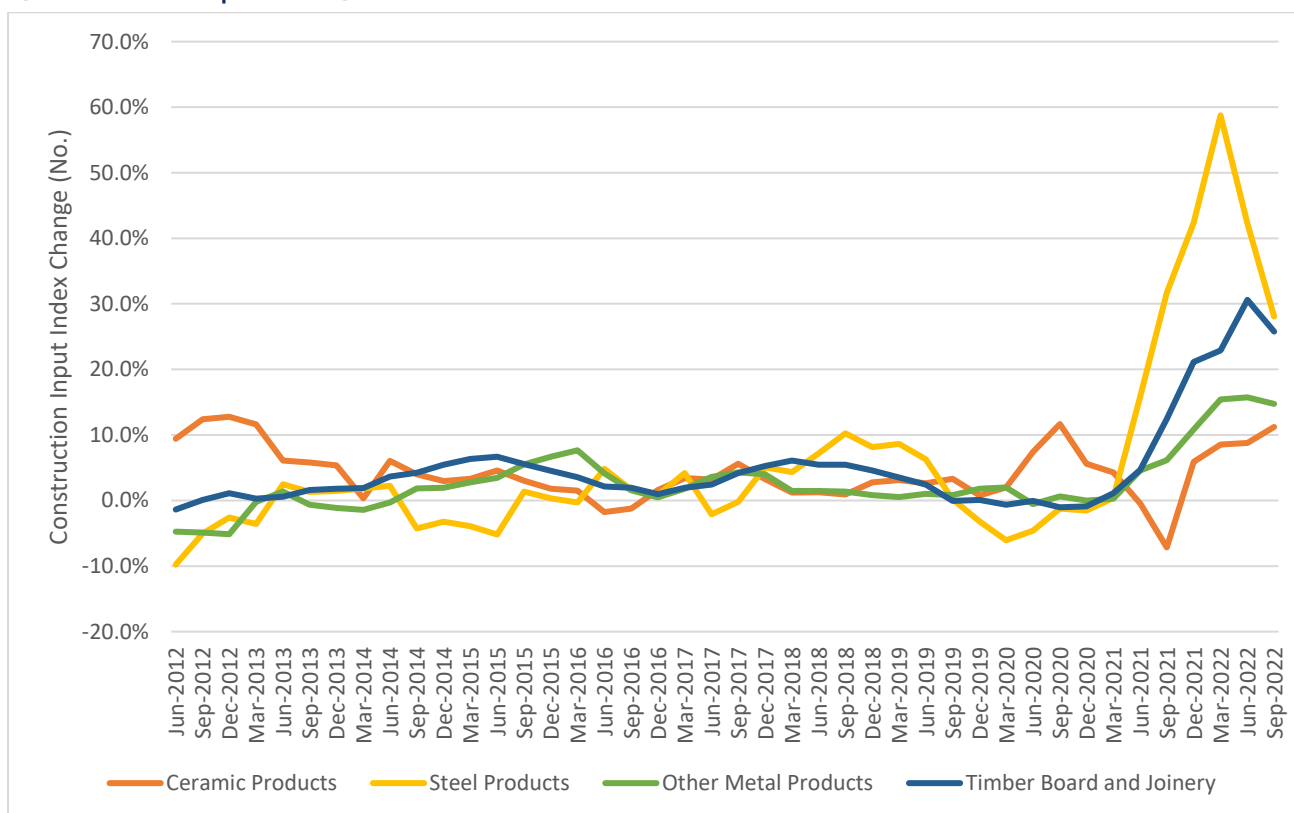
Source: ABS (2022)

A review of price growth by input indicates that whilst all inputs have recorded price escalation, pressures have been most significant for steel products, timber board and joinery and other metal products. These inputs are critical for the construction of the frame of a residential property.

Whilst price pressures for inputs are generally showing signs of easing, there has been an acceleration in the rate of growth for ceramic product and plumbing products, which aligns with houses that were commencing construction now being fitted out concurrently, placing upward pressure on the price of these inputs.

Figure 9-2 summarises the annual growth in construction costs for selected inputs to house construction between the June Quarter 2012 and the September Quarter 2022.

Figure 9-2 Annual Growth in Construction Costs – Selected Inputs to House Construction, Brisbane, June Quarter 2012 to September Quarter 2022



Source: ABS (2022)

10 Summary

The analysis presented in this report has clearly highlighted increased demand for housing in SEQ has placed significant upward pressure on the cost of housing. It is evident that SEQ facing a rental crisis, with rental affordability only further deteriorating since the release of 2021 Census data.

There are varying factors which are driving the increased cost of housing in SEQ, including:

- + The resilience of the SEQ and Queensland economy, with unemployment rates remaining low and continued growth in discretionary expenditure significantly above CPI increases;
- + Increased migration to Queensland and the SEQ region, which has more than offset declines in international migration;
- + Fracturing of households during COVID-19 which was unprecedented leading to an increase in demand for rental dwellings in a market which was already constrained, as evidenced by low residential vacancy rates across most SEQ markets;
- + Increased capacity to pay for housing, due to significantly higher household savings rates during COVID-19. Dual income households which were not impacted by job losses during COVID-19 are anticipated to have accumulated significant savings, which were typically utilised to fund renovations or property upgrades due to fewer opportunities for discretionary spending on travel or dining out; and

The introduction of the HomeBuilder stimulus significantly increased demand for newly constructed dwellings, which translated to significant growth in the cost of inputs to house construction. Whilst construction cost pressures are showing early signs of easing, these remain well above historic averages. Whilst recent increases in the cost of borrowing through repeated cash rate increases (which are anticipated to continue until mid 2023) have moderated growth in median property prices in SEQ (with the market peaking in early 2022) it is not considered likely to result in widespread loan defaults or distressed sales significantly above historic averages.

The evidence base clearly highlights a preference for detached dwelling typologies in SEQ, with a shift away from attached dwellings between 2016 and 2021 in most SEQ markets. The lack of diversity in dwellings being delivered in most SEQ markets has meant that opportunities are increasingly reduced for both younger persons to remain within their local community (due to a lack of affordable housing) and empty nesters to downsize within their local community (due to a lack of suitable downsizing opportunities).

It is suggested that future housing policy consider supply responses, as demand levers/incentives would only place further pressure on a housing market already facing capacity constraints.

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