Department of State Development, Infrastructure, Local Government and Planning

SEQ Market Factors 2021 – Dwelling Demand Analysis – Final Report

December 2021

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Executive Summary

The SEQ Market Factors report provides contextual information for the Queensland Government's Land Supply and Development Monitoring report. The 2021 report examines 12 factors that provide insights into the demand for residential dwellings in South East Queensland.

Leading into 2021 it had been expected that the impacts resulting from the Covid-19 pandemic would negatively impact economies throughout Australia and globally, this has not transpired to the degree anticipated. The initial economic slowdown appears to have been short lived as government stimulus injected significant funding which generated unexpected levels of confidence, particularly in the detached residential housing market.

Analysis of the core market factors presented in this report show the majority of factors experiencing strong movements that favour the development of housing and take up of residential land. Employment has bounced back, as has economic growth. Dwelling development activity has taken off, as has housing finance, followed by house prices and rents, and vacancy levels have tightened. A further reduction in interest rates has added to the incentive for the population to buy houses.

Factors that reflect a different perspective include the Underlying demand factors of Population growth, and Wage Price growth. Population growth has been impacted by the lack of Net Overseas Migration with this impact being partially mitigated by an increase in Net Internal Migration. Wage Price growth has resumed positive growth since zero growth in the June 2020 quarter but is being constrained by the ongoing impacts from the Covid-19 virus.

Table Ex 1. Summary of SEQ Market Factors, 2021

Factor		Measure 2021	Measure 2020*	Change
Underlying	State Final Demand	3.96%	1.21%	Strongly Up
	Interest Rates	0.1%	0.25%	Down
	Population Growth	0.89%	1.62%	Slowing
	Employment Growth	11.9%	-5.39%	Rapid Growth
	Wage Price Growth	1.72%	1.75%	Stable
Effective	Building Approvals	34,473	26,022	Strongly Up
	House Prices	14.63%	2.32%	Strongly Up
	Rental Growth (3b House)	10.4%	N/A	***New***
	Housing Finance	$58.2b	$37.2b	Strongly Up
	Dwelling Vacancy	1.16%	2.65%	Down ***(New)***
	Lot Registrations**	18,945	20,995	Down
	Residential Construction Sentiment	68.0	23.5	Strongly Up

Source: Innovociti, 2020; Various, 2020
*Indicates measures from 2020 SEQ Market Factors report
** Lot registrations includes both attached and detached lot registrations which reflects a significant drop in attached lot registrations in 2020/21. Standard lot registrations increased by 5.2% over this period from 10,226 to 10,758 registrations.

In general it would appear that the residential development market, particularly for houses, will remain strong through the next 6-12 months as the forward bookings of dwelling construction and financing flow through. This could be affected if indications of construction material shortages and labour capacity are realized and sustained.

On the other hand it is quite possible that the favourable residential development conditions created by government incentives and low interest rates have brought forward demand rather than created significant amounts of new demand. If this is the case then it would be expected that over the next 12 months the residential development market in SEQ would slow.

1.0 Introduction

The 2021 SEQ Market Factors report is the third report of its type, the first being undertaken in September 2019. The second report (2020) was heavily influenced by the economic impacts resulting from the Covid-19 virus and the subsequent government responses. In 2021 Covid-19 is still impacting the world economy as it is the South East Queensland (SEQ) economy.

1.1 Background

The SEQ Market Factors report provides contextual information for the Queensland Government's Land Supply and Development Monitoring report. The initial SEQ Market Factors report (September, 2019) identified ten metrics comprising measures of underlying demand and effective demand. Over time these factors have been reviewed for their usefulness and timeliness. As a result some factors have been replaced and other factors added. The factors contained in the 2021 SEQ Market Factors report are shown in the following table with those added and subtracted from past reports highlighted.

Factor	Position
Building (Dwelling) Approvals	Initial Factor
Median House Price Growth	Initial Factor
Employed Persons (Total)	Initial Factor
Interest Rates	Initial Factor
Property Sentiment Survey	Initial Factor
Housing Finance	Initial Factor
Lot Registrations	Initial Factor
Wage Price Index	Initial Factor
State Population Growth	Initial Factor
State Final Demand	Replaces Gross State Product
Rental Growth	New Factor
Dwelling Vacancy	New Factor

Source: Innovociti, 2021

For the 2021 SEQ Market Factors report State Final Demand has replaced Gross State Product (GSP) principally due to the timing of when GSP data is published. The more regular publication of State Final Demand data provides more timely insights into the current economic position of Queensland, noting that GSP data is not available until 19 November 2021 for the year to June 2021. State Final Demand also provides the benefit of producing quarterly results thereby showing economic growth variations across the reporting year.

Given the dynamic state of the housing market due to the Covid-19 impact rental growth and dwelling vacancy data for South East Queensland areas has been added to this report. These factors provide additional insight into housing market demand including current demand positions at the smaller area level.

1.2 Underlying and Effective Factors

The 12 core factors are separated relatively evenly between Underlying factors and Effective factors. Within these types of factors they are categorized as Economy Wide, or Direct (Underlying); and Lag, or Current/Lead (Effective) as shown in Table 1.2. Explanations of these categorisations are outlined in the following sections.

Table 1.2 Categorisation of Core Market Factors

Dwelling Demand Factor Types		
Underlying	***Economy Wide*** • State Final Demand • Interest Rates	***Direct*** • Population Growth • Employment Growth • Wage Growth
Effective	***Lag*** • Residential Building Approvals • Rental Growth • House Price Movements	***Current & Lead*** • Housing Finance • Lot Registrations • Dwelling Vacancy • Property Sentiment Surveys

Source: Innovociti, 2021

2 Underlying Factors

The Underlying Factors of dwelling demand capture the overall drivers that influence dwelling demand. They incorporate economy wide factors that reflect and operate at the National and State level including State Final Demand and Interest Rates. They also include factors that more directly drive dwelling demand including population growth, employment growth, and income growth.

2.1 Economy Wide Factors

Over the series of three SEQ Market Factors reports, State Final Demand and Interest Rates have emerged as the most significant economy wide factors that influence the underlying demand for dwellings. They are constrained by being applicable at the State and National level respectively, however they provide an important balance with the other factors incorporated into this report in providing an overall perspective on the broader economy and the financing climate.

2.1.1 State Final Demand

At the state level, State Final Demand provides the most timely direct measure for state economic growth. Over the 12 months to June 2021 State Final Demand for Queensland recorded a strong return to growth of 3.96%. This was well up on the ten year, five year, and three year average growth rates and was achieved through strong June 2021 quarter growth.

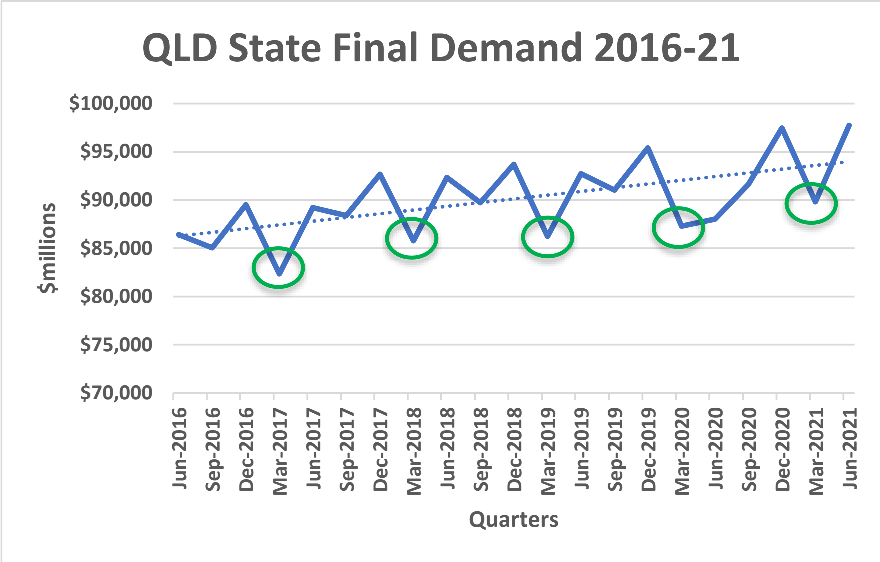
Table 2.1.1 QLD State Final Demand Growth: June 2011-June 2021

Timing (Yr ending)	QLD Final Demand (annual)	
	$millions	% Growth
Jun-2011	$317,433	
Jun-2012	$346,985	8.52%
Jun-2013	$351,288	1.22%
Jun-2014	$354,185	0.82%
Jun-2015	$340,908	-3.89%
Jun-2016	$336,545	-1.30%
Jun-2017	$346,111	2.76%
Jun-2018	$359,177	3.64%
Jun-2019	$362,373	0.88%
Jun-2020	$361,710	-0.18%
Jun-2021	$376,627	3.96%
10 Yr		**1.72%**
5 Yr		**2.28%**
3 Yr		**1.59%**

Source: ABS National Accounts and State Accounts, Sept. 2021.

Over the past 12 months the QLD economy bounced back in the December 2020 quarter following the March and June 2020 quarter slow down. State Final Demand slowed again in the March 2021 quarter, though this is more cyclical than an ongoing Covid-19 impact as this incorporates the low work levels of January and is reflected in most previous years as shown in Figure 2.1.1. As noted above, strong growth returned in the June 2021 quarter.

Figure 2.1.1 QLD State Final Demand



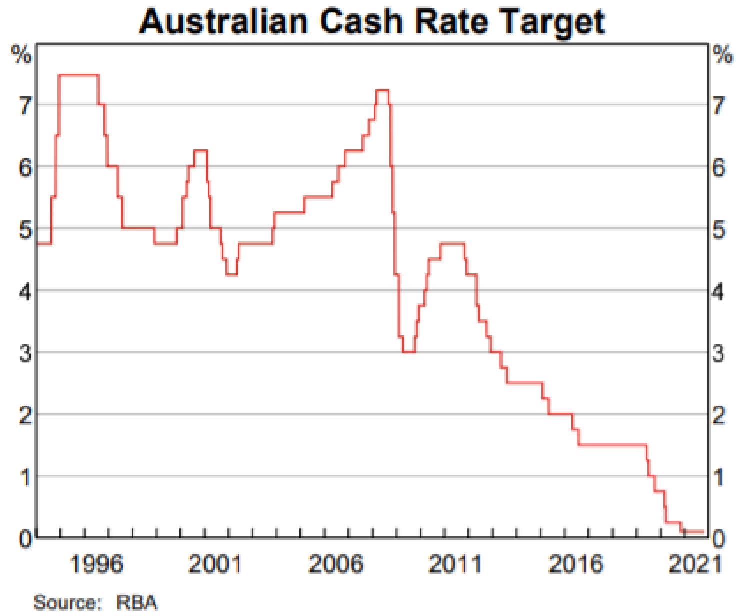
Source: ABS National Accounts and State Accounts, Sept 2021.

March Quarters

2.1.2 Interest Rates

Australian interest rates (the Australian Cash Rate) as determined by the Reserve Bank of Australia (RBA) have continued their downward path stretching this to 120 months (ten years), since November 2011. Since the last SEQ Market Factors report the Reserve Bank reduced the Cash Rate by 15 basis points (0.15%) from 0.25% to 0.1%. This is a new low for Australian interest rates following the previous historical low of 0.25% at the time of the last SEQ Market Factors report. The RBA has kept the rate at 0.1% for the past year having reduced the rate from 0.25% to 0.1% in November 2020 to support the Australian economy as it dealt with the impacts of the Covid-19 virus.

Figure 2.1.2 Australia's Cash Rate, 1994-2021 (Oct 2021)



The Reserve Bank is committed to maintaining low interest rates in the medium term as Australia continues its recovery from the Covid-19 generated slow down. The Reserve Bank Governor noted in his November statement that "The Australian economy is recovering after the interruption caused by the Delta outbreak. As vaccination rates increase even further and restrictions are eased, the economy is expected to bounce back relatively quickly. The central forecast is for GDP growth of 3 per cent over 2021 and 5½ per cent and 2½ per cent over the following two years. One important source of uncertainty continues to be the possibility of a further setback on the health front.

The Board will not increase the cash rate until actual inflation is sustainably within the 2 to 3 per cent target range. This will require the labour market to be tight enough to generate wages growth that is materially higher than it is currently. This is likely to take some time. The Board is prepared to be patient, with the central forecast being for underlying inflation to be no higher than 2½ per cent at the end of 2023 and for only a gradual increase in wages growth" (Reserve Bank of Australia, Statement by Phillip Lowe, Governor: Monetary Policy Decision, 2 November 2021).

2.2 Direct Demand Factors

The most influential factors that directly influence underlying dwelling demand that are readily available are Population Growth, Employment Growth, and Wage Growth. The most recent data on these factors and their trends provide key insights for dwelling demand at the State and SEQ regional level.

2.2.1 Population Growth

Population growth slowed in Queensland in the year to June 2021 (0.89%) impacted by the loss in Overseas Migration resulting from the Covid-19 induced international border closures. This represented a loss in Overseas Migration of over 42,000 persons from the previous year. Quarterly data indicates that the last five quarters to June 2021 saw negative Overseas Migration from Queensland of around 16,000 persons (Figure 2.2.1). Notably the overall population growth rate for Queensland in the year to June 2021 was well below the ten, five, and three year averages and the lowest net increase in population in over ten years. The contribution of Natural increase to Queensland's population growth was also down and below the ten and five year average levels. Though this represents a general downward trend in natural increase since peaking in 2013.

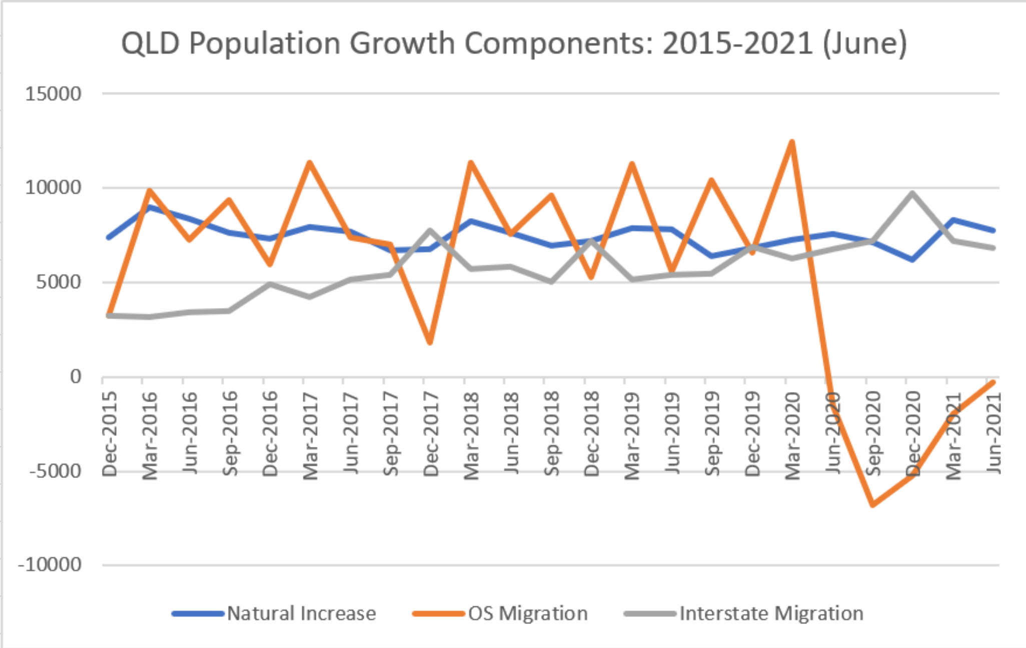
Table 2.2.1 QLD Population Growth Components 2010-21

Year (to Jun)	Natural Increase	Net OS Migration	Net Internal Migration	Total Population Growth	QLD Total Population	
					ERP (no. persons)	% Growth
2011	35,804	34,629	6,795	77,228	4,476,778	
2012	35,433	46,538	11,782	93,753	4,568,687	2.01%
2013	35,527	41,831	8,874	86,232	4,652,824	1.81%
2014	35,621	27,217	6,294	69,132	4,719,653	1.42%
2015	33,117	20,434	6,861	60,412	4,777,692	1.21%
2016	32,386	24,952	11,986	69,324	4,845,152	1.39%
2017	30,607	34,075	17,795	82,477	4,927,629	1.67%
2018	29,356	27,741	24,698	81,795	5,009,424	1.63%
2019	29,880	31,749	22,831	84,460	5,093,884	1.66%
2020	28,039	27,974	25,348	81,361	5,175,245	1.57%
2021	29,352	-14,366	30,939	45,925	5,221,170	0.89%
10yr Average	**31,932**	**26,815**	**16,741**	**75,487**		**1.53%**
5yr Average	**29,447**	**21,435**	**24,322**	**75,204**		**1.48%**
3yr Average	**29,090**	**15,119**	**26,373**	**70,582**		**1.37%**

Source: ABS, 3101.0 Australian Demographic Statistics, Table 2. Population Change, Components – States and Territories, Dec 2021

The positive aspect for population growth in Queensland in the year to June 2021 has been the significant growth in internal migration which at over 31,000 persons was up 22% on the previous year and the highest level in over ten years.

Figure 2.2.1 QLD Population Growth 2015-21



Source: ABS, 3101.0 Australian Demographic Statistics, Table 2. Population Change, Components – States and Territories, Dec 2021

The changes in Queensland's population components represent a structural shift in population growth which is placing different pressure on housing supply. The loss of Overseas Migrants may represent a weakening of demand for higher rise living, whilst the lower level of Natural Increase may not represent any real drop in dwelling demand as babies are absorbed into existing households and dwellings. The rise in interstate migration (which is primarily from families) could be driving increased demand for houses, as opposed to medium and higher density dwellings. This is not conclusive at this point but will become clearer over time as more data becomes available.

2.2.2 Employment Growth

The 2020 year to June saw one of the largest drops in employed persons in SEQ in the region's history, falling by 4.6% from the previous year. This reflected the significant impact from the economic fall out from the Covid-19 pandemic. However, as rapidly as total employment fell, it recovered almost as quickly and stronger. The year to June 2021 saw total employed persons in SEQ grow by 11.9% to 1.98 million workers. This represented an increase in total employed persons over the year of over 211,000 workers.

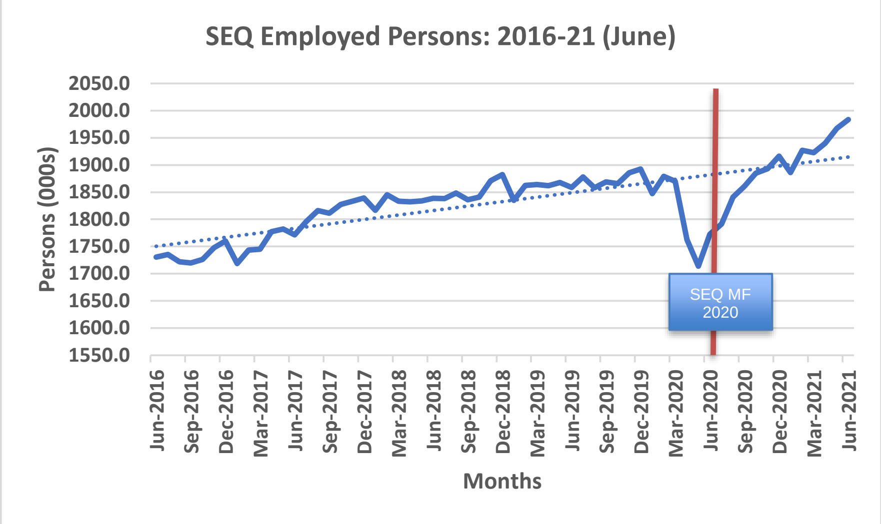
Table 2.2.2 SEQ Total Employed Persons 2011-21

Year (ending June)	SEQ Employed Persons	
	No.	% Growth
2011	1,614,302	
2012	1,618,576	0.26%
2013	1,635,843	1.07%
2014	1,679,664	2.68%
2015	1,705,054	1.51%
2016	1,730,397	1.49%
2017	1,771,328	2.37%
2018	1,838,691	3.80%
2019	1,858,595	1.08%
2020	1,772,725	-4.62%
2021	1,983,753	11.90%
10 Yr Growth		2.08%
5 Yr Growth		2.77%
3 Yr Growth		2.56%

Source: ABS 6291.0.55.001 Labour Force, Australia, Detailed, Table 16, Oct 2021
Note: Includes Toowoomba SA4

The employment rebound, as highlighted in Figure 2.2.2, was driven by Federal, State, and Local Government stimuli including JobKeeper, and a number of business support programs.

Figure 2.2.2 SEQ Employment 2016-21



Source: ABS 6291.0.55.001 Labour Force, Australia, Detailed, Table 16, Oct 2021
Note: Includes Toowoomba SA4

The significance of this recovery over the past 12 months is demonstrated in Figure 2.2.2 which shows the employment growth path since the 2020 SEQ Market Factors report. It appears that the recovery in employment has provided the confidence for SEQ residents to take advantage of government incentives and low interest rates to purchase new and existing dwellings.

2.2.3 Wage Price Growth

The 12 months to June 2021 represent the second year in a row of a slow or stable wage price growth dropping back to 1.72% growth in Queensland and rising slightly to 1.79% growth across Australia. Impacted by the uncertainty from Covid-19 and the introduction of Jobkeeper, the Queensland wage price growth rate to June 2021 represented a ten year low.

Table 2.2.3 QLD & Australia Wage Price Index 2011-21

	QLD		Australia	
Year	**Index**	**% Change**	**Index**	**% Change**
2010	104.4		104.2	
2011	108.4	3.83%	108.2	3.84%
2012	112.5	3.78%	112.2	3.70%
2013	115.6	2.76%	115.5	2.94%
2014	118.6	2.60%	118.5	2.60%
2015	121.1	2.11%	121.2	2.28%
2016	123.4	1.90%	123.7	2.06%
2017	125.8	1.94%	126.1	1.94%
2018	128.6	2.23%	128.7	2.06%
2019	131.5	2.26%	131.8	2.41%
2020	133.8	1.75%	134.1	1.75%
2021	136.1	1.72%	136.5	1.79%
10 Yr Change		**2.30%**		**2.35%**
5 Yr Change		**1.98%**		**1.99%**
3 Yr Change		**1.91%**		**1.98%**

Source: ABS 6345.0 Wage Price Index, Australia, Table 2b, August 2021

An examination of the quarterly growth rates indicates that growth in the June 2020 quarter was 0% for both Queensland and Australia, reflecting the initial reaction to the introduction of measures to combat Covid-19. Wage price growth resumed in the September Quarter but was weaker in December quarter in Queensland whilst it strengthened across Australia. The latest quarter results (June 2021) have seen a further slow down in growth in both Queensland and Australia, indicating potential continued uncertainty around the economic impacts of the Covid-19 pandemic.

Figure 2.2.3 QLD Wage Price Growth 2011-21

Source: ABS 6345.0 Wage Price Index, Australia, Table 2b, August 2021

The continued growth in wages will be an important factor to underpin future demand for housing and a factor banks will look at in determining their lending policies. As at early October 2021, the Australian Prudential Regulatory Authority has instructed lending organisations to increase the minimum interest rate buffer when assessing the serviceability of home loan applications. This essentially tightens lending policies which will reduce the number of persons eligible for home loans, and thus the volume of home purchasing (APRA, Oct 2021).

3 Effective Factors – Dwelling Activity

Effective demand describes the market specific aspects of dwelling demand including the "number, size, type, and location of dwellings that owner-occupiers and investors are willing and able to buy in the housing market" (National Housing Supply Council, Australian Government, 2008). The National Housing Supply Council research into Effective demand factors identified that a balance of lag and lead indicators provides the most effective and beneficial insights into dwelling demand for a region.

3.1 Lag Factors

Factors that lag the market essentially inform the industry on what has occurred. This is important in recording the history of what has happened in the residential sector including trends and provides insights into what may happen in the future. Through the previous SEQ Market Factors report and consideration of the dynamic nature of the existing dwelling market, the most insightful lag factors in relation to dwelling demand have been identified as Residential Building Approvals, House Price movements, and Rental Growth (Innovociti, 2021, DSDILGP, 2021).

3.1.1 Building Approvals

Residential building approvals in South East Queensland rebounded in the year to June 2021 driven by stimulus from the Homebuilder program and low interest rates. All forms of dwelling approvals were significantly up from the previous year. Strong growth in House approvals, up 36% to 22,223 approvals, saw them exceed their ten, five, and three year averages and reach the highest level in over ten years. High Rise approvals also rebounded strongly, up 32% to 6,883 approvals in the year to June 2021, recording their highest level since 2017/18.

In total the 34,473 building approvals across SEQ in the year to June 2021 represented an increase of 32% on the previous year and is above the ten and five year average levels of approvals across the region.

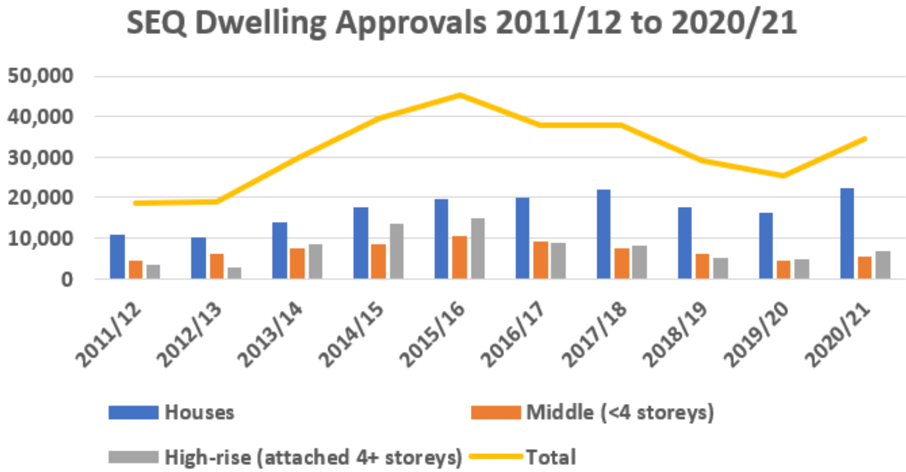
Table 3.1.1 SEQ Residential Building Approvals 2011/12-2020/21

Year (ending June)	Houses	Middle (<4 storeys)	High-rise (attached 4+ storeys)	Total
2011/12	10,688	4,437	3,542	18,667
2012/13	10,187	6,279	2,634	19,100
2013/14	13,988	7,397	8,439	29,824
2014/15	17,634	8,603	13,429	39,666
2015/16	19,733	10,385	15,008	45,126
2016/17	19,914	9,011	8,890	37,815
2017/18	22,073	7,540	7,973	37,586
2018/19	17,730	6,147	5,110	28,987
2019/20	16,377	4,442	5,203	26,022
2020/21	22,223	5,367	6,883	34,473
10yr Average	**17,055**	**6,961**	**7,711**	**31,727**
5yr Average	**19,663**	**6,501**	**6,812**	**32,977**
3yr Average	**18,777**	**5,319**	**5,732**	**29,827**

Source: Department of State Development, Infrastructure, Local Government and Planning, Nov 2021

The slowing population growth at the State level and accelerating building approvals at the regional level requires some consideration. It is possible that the type of population growth that Queensland is currently experiencing is different to normal trends and this is leading to differences in dwelling demand. For example, the loss of Overseas Migration along with overseas students returning home is more likely to have impacted the demand for higher density dwellings than houses. This is based on the housing preferences of overseas migrants and students who are generally centered around the CBD, and precincts close to the CBD, where high density housing options are common, and to a lesser extent, middle ring suburbs close to educational precincts or transport hubs (CoreLogic, Sept 2020). Whilst the return of expatriate families from overseas and the rise in Interstate migration (which appear to be families more so than lone persons) has the potential to drive up demand for houses.

Figure 3.1.1 SEQ Residential Building Approvals 2012-20



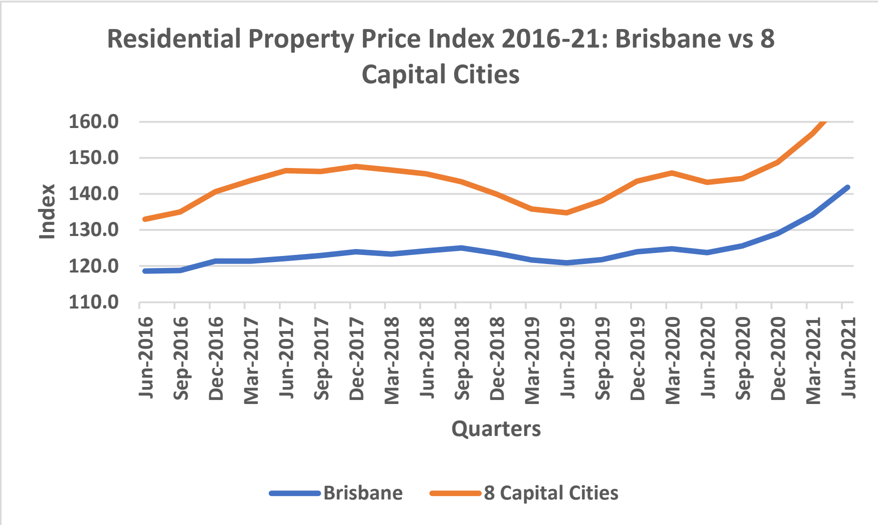
Source: Department of State Development, Infrastructure, Local Government and Planning, Nov 2021

The rise in residential building approvals does, however, appear to be consistent with growth in housing prices as examined in the following section.

3.1.2 House Prices

Dwelling prices in the Brisbane Capital City area appear to have only been negatively impacted by the Covid-19 pandemic for one quarter (June 2020) with prices rebounding back to growth in the following quarter. Price growth continued in the remaining quarters to record annual growth for the Brisbane Capital City area of 14.63%, a five year high. This was similar to dwelling price growth across Australia which grew by 16.76% over the same period, though this followed strong national growth of 6.23% the previous year.

Figure 3.1.2 Brisbane vs Australian Capital Cities Residential Prices



Source: ABS 6416.0 Residential Property Price Indexes: Eight Capital Cities, Sept 2021

Table 3.1.2 Brisbane House Price Index, 2016-21

Period (Qtrs)	Brisbane		8 Capital Cities	
	Index	Growth p.a	Index	Growth p.a
	Brisbane		8 Capital Cities	
Jun-2016	118.6		133.0	
Sep-2016	118.8		135.0	
Dec-2016	121.4		140.6	
Mar-2017	121.4		143.7	
Jun-2017	122.1	2.95%	146.5	10.15%
Sep-2017	122.9		146.2	
Dec-2017	124.0		147.6	
Mar-2018	123.3		146.6	
Jun-2018	124.2	1.72%	145.6	-0.61%
Sep-2018	125.0		143.4	
Dec-2018	123.6		140.0	
Mar-2019	121.7		135.8	
Jun-2019	120.9	-2.66%	134.8	-7.42%
Sep-2019	121.8		138.1	
Dec-2019	124.0		143.5	
Mar-2020	124.8		145.8	
Jun-2020	123.7	2.32%	143.2	6.23%
Sep-2020	125.6		144.3	
Dec-2020	129.0		148.7	
Mar-2021	134.2		156.7	
Jun-2021	141.8	14.63%	167.2	16.76%

Source: ABS 6416.0 Residential Property Price Indexes: Eight Capital Cities, Sept 2021

Growth accelerated in the March 2021 quarter with Greater Brisbane recording 4% growth for the quarter and Australia 5.4%, with rates increasing further in the June quarter for both Brisbane (5.7%) and

Australian Capital Cities (6.7%).

3.1.3 Rental Growth

The most common form of rental dwellings are three bedroom (3 bed) houses and two bedroom (2 bed) units. In the 12 months to the June Quarter 2021 rental growth has been extremely strong in comparison to the past three years. This has been greatest for 3 bed houses averaging 10.4% growth across major SEQ areas compared to 3.9% over the past three years. The greatest house rental pressure appears to be in the Sunshine Coast (17.4% growth), the Gold Coast (16%), Redcliffe (13.2%), Redland (12.5%), and Brisbane (11.6%). This reflects strong demand for the coastal areas of SEQ and low levels of rental housing supply.

Table 3.1.3a SEQ Major Areas Rents (June Qtr 2021)

Region	Houses (3 bed)			Units (2 bed)		
	Rent	12 mth Growth	3 yr Growth	Rent	12 mth Growth	3 yr Growth
Brisbane	$480	11.6%	4.1%	$435	4.8%	2.0%
Caboolture	$360	5.9%	2.9%	$300	3.4%	2.3%
Gold Coast	$580	16.0%	5.1%	$495	15.1%	4.0%
Ipswich	$335	4.7%	2.6%	$275	5.8%	1.9%
Logan	$370	5.7%	1.9%	$300	3.4%	1.1%
Pine Rivers	$420	9.1%	2.9%	$310	3.3%	1.1%
Redcliffe	$430	13.2%	4.7%	$340	13.3%	5.1%
Redland	$450	12.5%	4.0%	$360	1.4%	0.9%
Sunshine Coast	$540	17.4%	6.3%	$450	18.4%	7.2%
Toowoomba	$350	7.7%	4.1%	$280	4.7%	3.8%
Average	**$432**	**10.4%**	**3.9%**	**$355**	**7.4%**	**3.0%**

Source: QLD Rental Tenancy Authority, July 2021

Unit rental growth has been slightly less buoyant over the past 12 months than houses averaging 7.4% growth across major SEQ areas compared to 3.0% over the past three years. Notably though three areas have experienced substantial rental growth. Most significantly the Sunshine Coast which saw 2 bed unit rental growth of 18.4% which was even higher than its extremely high house rental growth. The Gold Coast also saw strong 2 bed unit rental growth (15.1%), similar to its house rental growth, as did Redcliffe where its unit rental growth of 13.3% matched its house rental growth.

These strong levels of rental growth have been matched by low levels of dwelling vacancy as shown in the following section.

3.2 Current and Lead Factors

Factors that provide insights on the current market or the future market are highly valued but less accurate than lag factors. Housing Finance provides a relatively contemporary view of dwelling demand as it reflects the funding requirements for dwelling purchases and is available up to May of this year. Dwelling Vacancy is also a relatively current indicator of dwelling demand as are Lot Registrations which occur towards the end of the land production process. Property sentiment surveys of industry operators provide an insight into a collective view of how the industry sees the near future and provide a perspective of what dwelling demand might be like in the next 12 months.

3.2.1 Dwelling Finance

Dwelling finance for Owner Occupier loans and Investor loans in Queensland rose strongly (57%) over the 12 months to June 2021 to $58.2 billion up from $37 billion in the previous 12 months. Driven by government incentives and low interest rates, this level of dwelling finance is well above any levels seen over the past 12 years. The picture is similar across Australia with national dwelling finance levels rising 43% over the past 12 months from $221.1 billion to $315.3 billion.

Table 3.2.1 QLD and Australia Dwelling Finance 2010-21

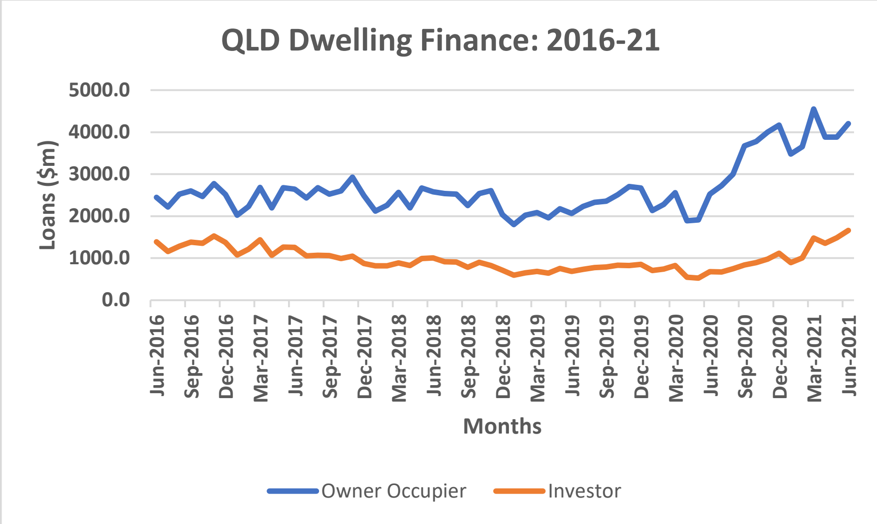
Year (ending June)	Dwelling Finance	
	QLD ($m)	Australia ($m)
2011	$31,629.3	$173,240.9
2012	$33,263.1	$171,755.3
2013	$35,718.9	$190,029.7
2014	$41,437.3	$226,469.5
2015	$43,787.5	$245,943.2
2016	$43,314.1	$241,667.9
2017	$44,987.0	$258,993.6
2018	$41,501.6	$254,255.1
2019	$35,695.0	$210,998.1
2020	$36,949.0	$221,069.9
2021	$58,146.8	$315,276.3
10yr Average	**$41,480.0**	**$233,645.9**
5yr Average	**$43,455.9**	**$252,118.6**
3yr Average	**$43,596.9**	**$249,114.8**

Source: ABS 5601.0 Lending Indicators Australia, Oct 2021

The greater rise in Dwelling Finance in Queensland tends to reflect the stronger economic response to the Covid-19 impacts as well as the higher representation of houses in Queensland residential development activity than other parts of Australia.

It has been the Owner Occupier market that has been the major driver of this growth in Dwelling Finance across Queensland as shown in Figure 3.2.1a. Following a small drop in finance levels in April 2020, Owner Occupier levels returned to growth in May and Investors in June. Owner Occupier financing then took off as the attraction of the Homebuilder incentive gained momentum. Dips in December 2020 and March 2021 coincided with government announcements to revise the scheme.

Figure 3.2.1a QLD Dwelling Finance

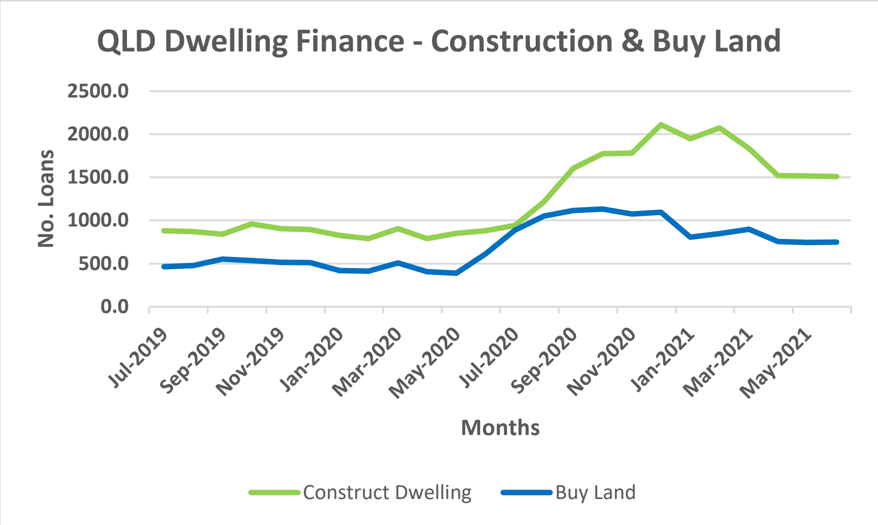


Source: ABS 5601.0 Lending Indicators Australia, Oct 2021

The historically high level of dwelling finance tends to indicate a potential overheating of the housing sector with the likelihood of lower finance levels over the coming year.

The impact of the Homebuilder program can be seen when comparing the number of loans in Queensland for the Construction of new dwellings compared to the Purchase of land (Figure 3.2.1b). Whilst both have seen accelerated levels since the introduction of Homebuilder, loans for the Construction of new dwellings accelerated faster due to the need to have dwellings completed by a certain timeframe. The number of loans for land rose first which is logical given this is required prior to building a new dwelling. The scale of new construction loans indicates that there was some available land capacity ready to build upon once construction contracts had been organized. This then dropped back after the initial growth but has stayed above the pre-Covid levels.

Figure 3.2.1b QLD Dwelling Finance



Source: ABS 5601.0 Lending Indicators Australia, Oct 2021

Notably levels for both types of loans have come back since January 2021 and currently have plateaued.

3.2.3 Dwelling Vacancy

Vacancy rates across many areas of SEQ are at 15 year lows with the exception of the Brisbane CBD, as measured by SQM Research (see Appendices for time series charts). A number of areas are experiencing extremely low vacancy levels with Northern Brisbane, the Gold Coast, Ipswich, the Beenleigh Corridor, the Sunshine Coast, and Toowoomba all registering vacancy rates below 1%.

Notably vacancy rates for these areas are lower than the same time in 2020 (June) with the Brisbane CBD (down 5.3%), and Gold Coast (down 3.3%) seeing major tightening of their rental markets.

Table 3.1.3b SEQ Major Areas Vacancy (June)

SEQ Area	Vacancy		
	2021	2020	Change
Brisbane CBD	3.90%	9.20%	5.30%
Southern Brisbane	1.50%	2.30%	0.80%
Northern Brisbane	0.70%	1.20%	0.50%
Gold Coast	0.70%	4.00%	3.30%
Ipswich	0.80%	1.20%	0.40%
Beenleigh Corridor	0.60%	1.40%	0.80%
Sunshine Coast	0.60%	1.20%	0.60%
Toowoomba	0.50%	0.70%	0.20%
Average	**1.16%**	**2.65%**	**1.49%**

Source: SQM Research, July 2021

3.2.2 Lot Registrations

Lot Registrations for the SEQ region for the 12 months to June 2021 have continued a general downward trend although this has been punctuated by a Covid-19 inspired mini-boom. The region recorded a total of 18,945 new lot registrations over this 12 month period which represented a fall of 9.7% from the previous year's level. This is also below the short, medium, and long term averages. All of this fall is due to a significant drop in Attached lot registrations. Standard lot registrations actually increased by 5.2% over this period from 10,226 to 10,758 registrations.

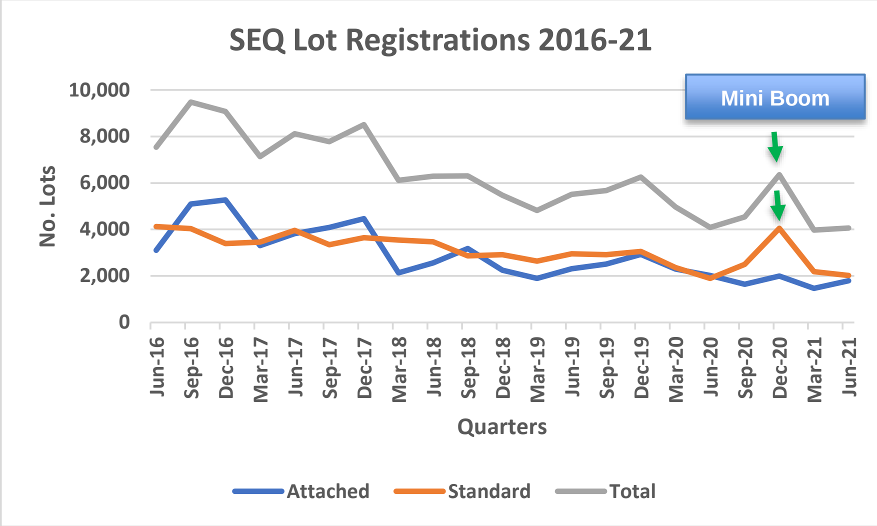
Table 3.2.2 South East Queensland Lot Registrations 2011-21

Year	Attached	Standard	Low Density	Total
2011	6,752	9,842	1,166	17,760
2012	7,051	8,251	906	16,208
2013	6,168	6,355	692	13,215
2014	7,512	9,519	880	17,911
2015	9,099	13,032	1,145	23,276
2016	11,100	14,089	1,222	26,411
2017	17,497	14,849	1,476	33,822
2018	13,249	14,006	1,439	28,694
2019	9,636	11,373	1,115	22,124
2020	9,758	10,226	1,001	20,985
2021	6,900	10,758	1,287	18,945
10yr Average	**9,520**	**11,118**	**1,121**	**21,759**
5yr Average	**11,408**	**12,242**	**1,264**	**24,914**
3yr Average	**8,765**	**10,786**	**1,134**	**20,685**

Source: QLD Treasury, November 2021

An examination of the quarterly lot registration figures indicates the region had a mini-boom over the September and December quarters of 2020. This is likely to represent a market response to the government's Homebuilder program and other government incentives introduced to soften the economic impacts of the Covid-19 pandemic. The short term boom was almost purely in Standard lot registrations as opposed to Attached lots. As was the focus of the Homebuilder program.

Figure 3.2.2a South East Queensland Lot Registrations 2011-21



Source: QLD Treasury, November 2021

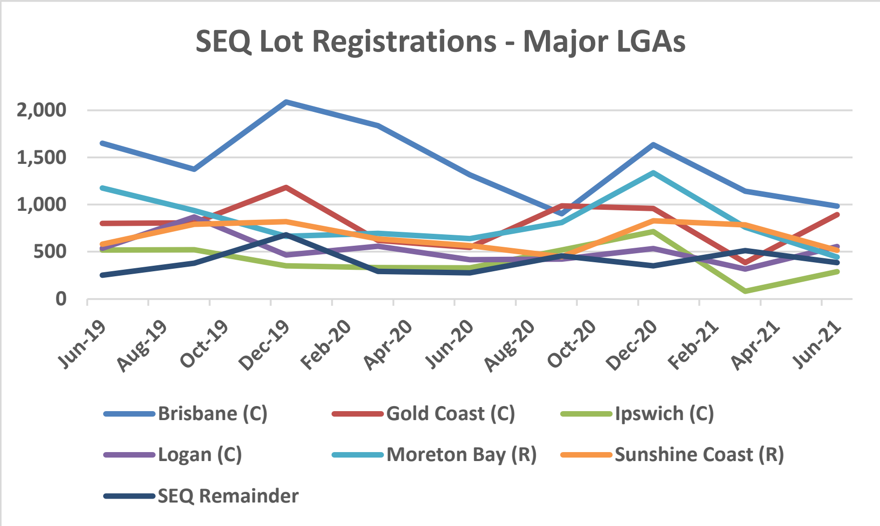
Registrations have plateaued in the March and June quarters of 2021 indicating some level of market stabilization. Though it is uncertain at this point how long this will last.

At the LGA level most of the large SEQ LGAs experienced the mini-boom over the September and December quarters with mild variations in timing (Figure 3.2.2c). The smaller SEQ LGAs appear to have experienced somewhat of an opposite effect with a dip in the September and December quarters and a rise in the March 2021 quarter. This may represent initial attention being directed to the major growth fronts with smaller fronts being slower to respond to the impetus.

The June quarter 2021 has seen a rise in lot registrations for the Gold

Coast, Ipswich, and Logan, whilst Brisbane, Moreton Bay, and the Sunshine Coast have fallen.

Figure 3.2.2c SEQ LGA Lot Registrations 2019-21



Source: QLD Treasury, November 2021

A Developer Perspective on Residential Lot Demand

The recent levels of elevated demand for residential lots in SEQ have been influenced by government stimulus measures such as Homebuilder and increased interstate migration reflecting Queensland's position as a more affordable and possibly safer location. Feedback from the local development industry has indicated that this has led to "unprecedented land sales across the region and the forward selling of lots which will not settle for another 18 months" (LSDM Feedback, Oct 2021). The impact of this is that these sales will not feature in current Lot Registration data, thereby under representing the current levels of demand, whilst also reducing the short term levels of supply.

An examination of Queensland residential sales data for Stockland Group and Peet Limited for the 2021 financial year indicate that Deposits have been higher than Settlements. For Stockland this has been quite significant with the volume of Deposits 33.7% higher than Settlements for 2021 compared to an average of 14.3% lower over the three previous years. For Peet the volume of Deposits for residential lots in 2021 has been 9.9% higher than Settlements. It is noted that Deposits are not as secure as contracts in hand and as such have a higher risk of future cancelation.

This tends to support the view of the development industry that demand for residential lots is greater than currently being recorded and that future supply may be taken up at a rate faster than suggested by currently available data. This is likely to reflect a market fluctuation which should be expected as part of economic and residential development cycles. Whether this is a significantly abnormal rise and for how long it will last will depend on a range of factors that are indeterminant at this point.

3.3.3 Residential Construction Sentiment

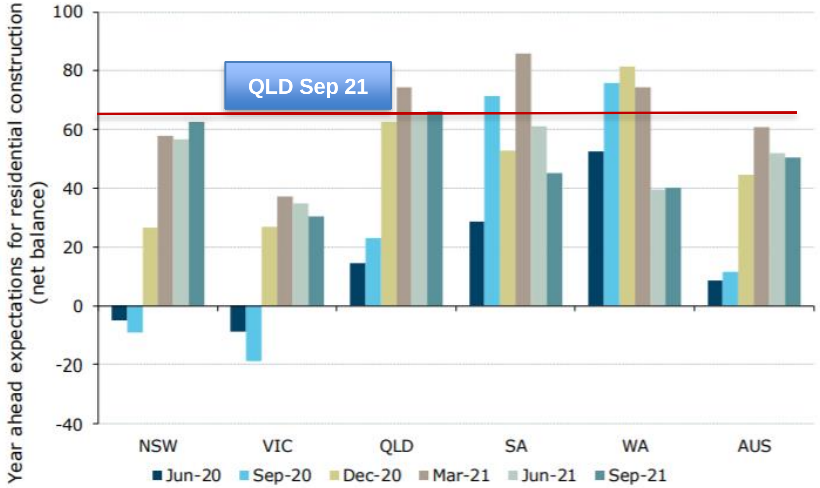
The Residential Construction Expectations index generated from the ANZ PCA property industry survey provides insight into the likely future direction of residential development. This factor reports on expectations for residential construction in Queensland (and Australia's other states) over the following 12 months from September 2021.

Since the 2020 SEQ Market Factors report (which reported on March 2020 expectations) confidence in residential construction activity in Queensland has grown significantly with a substantial increase in the

December 2020 quarter. Confidence peaked in the March 2021 quarter and came back slightly in the June 2021 quarter. It has remained steady in the September 2021 quarter. This is likely to be reflective of the wider economic conditions and the sporadic outbreak of Covid 19 cases and associated control measures across different states.

As at September 2021 residential construction expectations in Queensland were higher than in any other state, slightly ahead of NSW. Victoria, Western Australia, and South Australia have comparably lower levels of confidence at this point.

Figure 3.3.3 Australian States Residential Construction Expectations



Source: ANZ-Property Council

5 Conclusion

At the time of the 2020 SEQ Market Factors report the data drawn upon for the report indicated that the residential market in SEQ was slowing as was expected due to the impact of the Covid-19 virus and associated government measures taken to address this impact. However this slowdown appears to have been short lived as government stimulus injected significant funding into the sector which generated unexpected levels of confidence. Employment bounced back, as did economic growth. Dwelling development activity took off, as did housing finance, followed by house prices and rents, and vacancy levels tightened.

Table 5.0 Summary of SEQ Market Factors, 2021

Factor		Measure		Change
		2021	2020*	
Underlying	State Final Demand	3.96%	1.21%	Strongly Up
	Interest Rates	0.1%	0.25%	Down
	Population Growth	0.89%	1.62%	Slowing
	Employment Growth	11.9%	-5.39%	Rapid Growth
	Wage Price Growth	1.72%	1.75%	Stable
Effective	Building Approvals	34,473	26,022	Strongly Up
	House Prices	14.63%	2.32%	Strongly Up
	Rental Growth (3b House)	10.4%	N/A	***New***
	Housing Finance	$58.2b	$37.2b	Strongly Up
	Dwelling Vacancy	1.16%	2.65%	Down ***(New)***
	Lot Registrations**	18,945	20,995	Down
	Residential Construction Sentiment	68.0	23.5	Strongly Up

Source: Innovociti, 2020; Various, 2020

*Indicates measures from 2020 SEQ Market Factors report

** Lot registrations includes both attached and detached lot registrations which reflects a significant drop in attached lot registrations in 2020/21. Standard lot registrations increased by 5.2% over this period from 10,226 to 10,758 registrations.

The summary table of the core market factors show the majority of factors experiencing strong movements that favour the development of housing and take up of residential land. As well as the factors mentioned above, a further reduction in interest rates has added to the incentive for the population to buy houses. Insights from residential developers in South East Queensland indicate that dwelling demand is even higher than officially reported as reflected in the high levels of forward sales. This is partially reflected in the increase in Standard Lot Registrations, though the significant decrease in Attached Lot Registrations has seen overall Lot Registrations reduce from last year.

Factors that reflect a different perspective include the Underlying demand factors of Population growth, and Wage Price growth. Population growth has been impacted by the lack of Net Overseas Migration with this impact being partially mitigated by an increase in Net Internal Migration. Future population growth and consequently dwelling demand will be significantly impacted if Net Overseas Migration does not return to normal levels in the short term. Wage Price growth has resumed positive growth since zero growth in the June 2020 quarter but is being constrained by the ongoing impacts from the Covid-19 virus.

In general it would appear that the residential development market, particularly for houses, will remain strong through the next 6-12 months as the forward bookings of dwelling construction and financing flow through. This could be affected if indications of construction material shortages and labour capacity are realized and sustained. What is uncertain is what will drive demand following this. Population growth has slowed but appears to have changed towards households that are demanding houses more so than attached dwellings. Whether this is a long term change or temporary shift is unknown at this point. Internal migration has increased and may represent a longer term shift if Queensland is seen to be a long term safe and affordable location. If Net Overseas Migration takes longer to recover, say 3-5 years, then this is likely to initially impact the higher density rental market then flow through to the detached housing market which has historically been the dwelling pattern of overseas migrants.

On the other hand it is quite possible that the favourable residential development conditions created by government incentives and low interest rates have brought forward demand rather than created significant amounts of new demand. If this is the case then it would be expected that over the next 12 months the residential development market in SEQ would slow. This could be starting to play out as reflected in the slow down in lot registrations in SEQ in the March and June quarters of 2021. Tightening of financing policies by lending institutions will also act as a head wind to continued strong growth in housing development.

Appendix 1 - References

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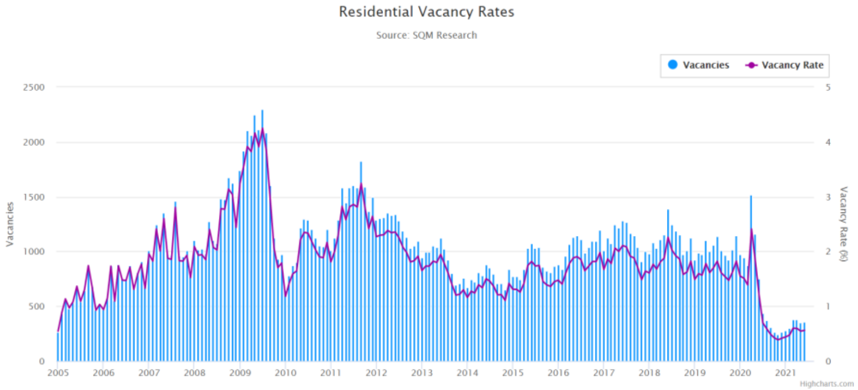
SQM Research, Vacancy Charts, Major Areas in SEQ, July 2021

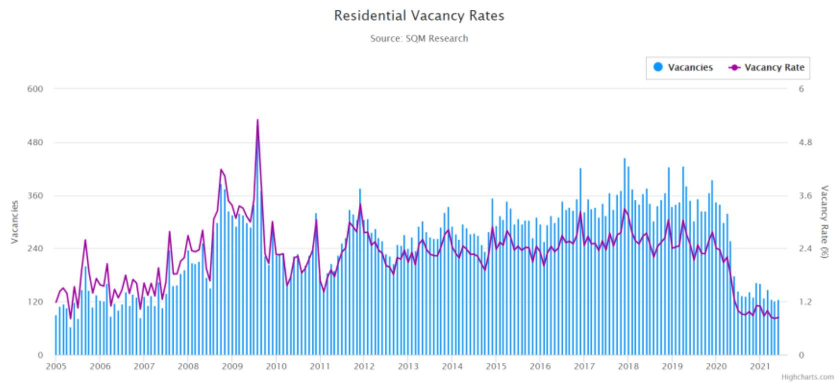
Stockland FY21 Results Annexure, August 2021

Appendix 2 - SEQ Major Area Vacancy Charts (July 2021)

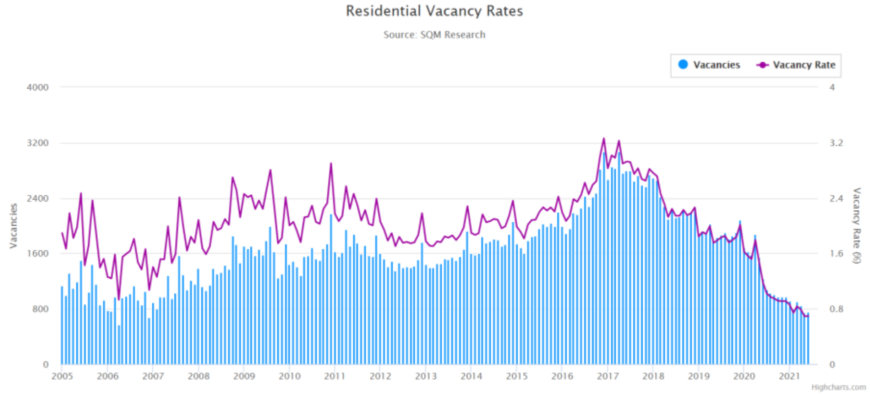
Sunshine Coast



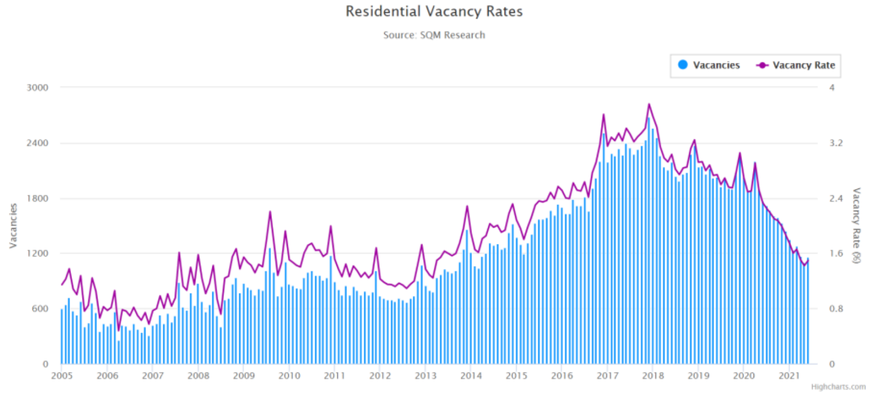
Ipswich



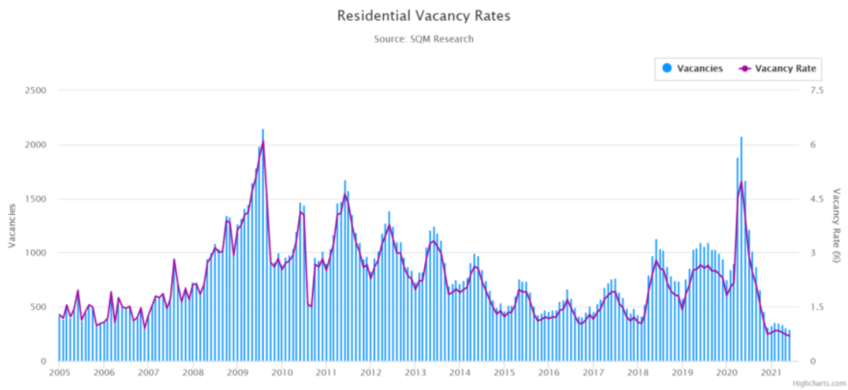
Northern Brisbane



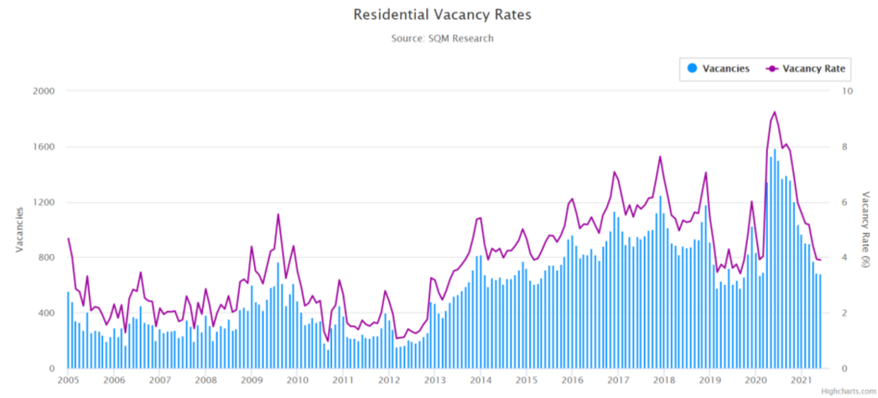
Southern Brisbane



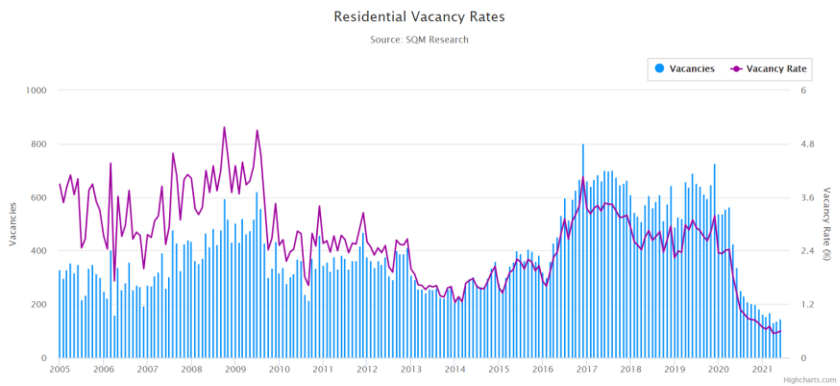
Gold Coast Main



Brisbane CBD



Beenleigh Corridor



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