MOSAIC PROPERTY GROUP
WHY SEQ?
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INTRODUCTION

SEQ & BRISBANE IS CYCLICALLY NEXT IN LINE

HISTORY HAS A HABIT OF REPEATING ITSELF

PEOPLE FOLLOW JOBS

DO NOT UNDERESTIMATE THE APPEAL OF SEQ/BRISBANE TO OVERSEAS MARKETS

MOSAIC PROPERTY GROUP HAS A LONG TERM STRATEGY TO INVEST SUSTAINABLY IN SOUTH EAST QUEENSLAND

Mosaic Property Group has a long term strategy to invest sustainably in South East Queensland.

It is widely acknowledged that Brisbane and South East Queensland (SEQ) are best positioned to lead the next residential property cycle in Australia.
NET INTERNAL MIGRATION TO QUEENSLAND, SEQ AND BRISBANE IS THE STRONGEST IT HAS BEEN OVER THE PAST TEN YEARS

SOUTHEAST QUEENSLAND

[ BRISBANE ]

[ MORETON BAY REGION ]
[ SUNSHINE COAST ]

[ GOLD COAST ]
Based on key market fundamentals, indicators and dynamics, it is widely acknowledged that Brisbane and South East Queensland (SEQ) are best positioned to lead the next residential property cycle in Australia.

This favourable outlook has recently gathered further momentum, with Australia’s largest residential data provider, CoreLogic RP Data, publishing in February 2018 that Brisbane is well placed to take over as the best performing capital city housing market over the next five years.

Research Director Tim Lawless stated that there are a variety of economic and demographic factors that are likely to support improving market conditions across South East Queensland.

Market expert JLL knows the new Brisbane Inner Apartment Market intimately, also concluded in January 2018 that supply had peaked, with the number of new apartments entering the market to reduce considerably over the next 18 to 24 months.
To provide further context, please note:

Queensland is continuing to transition to a post-mining economy and employment prospects have turned around, predominately driven by major infrastructure projects either underway or about to kick off in Brisbane and the broader SEQ region.

These major projects are generational pieces of infrastructure, of scale and importance that will materially change the city of Brisbane and the SEQ region, especially with regards to the stimulation of construction, employment and tourism activity.

The majority of direct/indirect growth to flow from the delivery of this $18.2 billion major infrastructure project pipeline will be evident before the year 2022.

Improved employment conditions are also currently evident in Queensland. An upswing recorded in December 2016 has already created 18,695 new jobs over a short five-month period; close to 670,000 new jobs are also forecast for Brisbane, Sunshine and the Gold Coast by 2020.

Further sustained employment growth in Queensland and more particularly SEQ is anticipated to place downward pressure on the unemployment rate and subsequent upward pressure on wage growth.

Net internal migration to Queensland, SEQ and Brisbane is the strongest it has been over the past ten years which will eventually transition into increased demand and ultimately put pressure on existing housing supply and values.

The outlook for continued overseas migration growth to Queensland, SEQ and Brisbane is also very strong as a result of improved tourism conditions, increased international student numbers, impressive natural lifestyle appeal and major projects like Queens Wharf; especially given this project will be a large scale integrated resort development that contains significant gaming and entertainment facilities.

Supply is now quickly self-regulating in the Inner Brisbane apartment market with factors emerging that will tip the supply balance back towards demand from 2019 onwards.

The market will be crying out for new Inner Brisbane apartment product from 2019 as supply has become heavily constrained, which will consequently expedite the absorption of existing new stock in the current market place.

Strong demand still exists in Brisbane for larger, well finished / designed apartments, in infill locations that are well serviced with existing amenity and infrastructure. The right product in these locations still remains undersupplied relative to demand.

SEQ, and Brisbane as the focal point, is going to be the strongest residential market in Australia over the next five years, as it is undervalued relative to its fundamental appeal when compared with the other big east coast cities.

Sydney home owners have a strong opportunity right now to free the significant equity that likely exists in their dwellings and buy into a much more affordable, and often more appealing market like SEQ.

An example used in the Financial Review recently to exemplify the situation described how a Western Sydney home owner could sell their house on which they have a $200,000 mortgage for $800,000, buy a property in SEQ for $400,000, buy a Jim’s Mowing franchise for $80,000 and still have $100,000 in the bank. This scenario further reiterates the appeal for Sydney buyers to move to SEQ, as the affordability proposition coupled with improved quality of life magnifies.

With the significant median house price gap that now exists with Sydney housing, currently circa $585,000 more expensive, moving forward, it is likely that this gap will reduce quickly as the SEQ and Brisbane market moves through the next growth phase of its property cycle.

Wise investors are already aware that quality, residential property located in Brisbane and SEQ can currently deliver higher yields, contain lower entry prices and are positioned at the earlier stage of the growth cycle, so ultimately have greater potential for future upside.

These combined market fundamentals, indicators and dynamics clearly demonstrate why Brisbane and SEQ are widely anticipated to be the best performing Australian residential property market over the coming five-year period.
SEQ & BRISBANE IS CYCLICALLY NEXT IN LINE

The charts below help contextualise:

SEQ, and Brisbane as the focal point, is going to be the strongest market in Australia for the next five years, as it is undervalued relative to its fundamental appeal and has had a long / extended period of under-performance when compared with the other big east coast cities.

Whilst it is important to establish that different drivers exist for the Sydney and Brisbane markets, it is interesting to reflect on the recent growth that has occurred in Sydney post a long/extended period of under-performance in context of Brisbane’s current cyclical position.

SEQ, AND BRISBANE AS THE FOCAL POINT, IS WIDELY TIPPED TO BE THE STRONGEST MARKET IN AUSTRALIA FOR THE NEXT FIVE YEARS.
SEQ & BRISBANE IS CYCLICALLY NEXT IN LINE (cont.)

**FIGURE 2**

**MELBOURNE**

SHORT / INTENSE OUT-PERFORMANCES

PERIOD OF SLIGHT OUT-PERFORMANCE

PERIOD OF UNDER-PERFORMANCE

JUN 01 | JUN 05 | JUN 09 | JUN 13 | JUN 17

**FIGURE 3**

**BRISBANE**

SHORT / INTENSE OUT-PERFORMANCES

CYCLICALLY READY

LONG EXTENDED PERIOD OF UNDER-PERFORMANCE

JUN 01 | JUN 05 | JUN 09 | JUN 13 | JUN 17

SOURCE: CORELOGIC, RP DATA
SEQ & BRISBANE IS CYCLICALLY NEXT IN LINE (cont.)

**FIGURE 4**

CUMULATIVE CHANGE IN DWELLING VALUES POST GFC JAN 2009 - JAN 2018

**FIGURE 5**

CUMULATIVE CHANGE IN DWELLING VALUES POST GFC JAN 2009 - JAN 2018

**SOURCE:** CORELOGIC, RP DATA

<table>
<thead>
<tr>
<th>Region</th>
<th>Change 2009-2018</th>
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</thead>
<tbody>
<tr>
<td>NATIONAL</td>
<td>53.6%</td>
</tr>
<tr>
<td>COMBINED REGIONALS</td>
<td>21.9%</td>
</tr>
<tr>
<td>COMBINED CAPITALS</td>
<td>63.7%</td>
</tr>
<tr>
<td>CANBERRA</td>
<td>31.3%</td>
</tr>
<tr>
<td>DARWIN</td>
<td>-1.8%</td>
</tr>
<tr>
<td>HOBART</td>
<td>36.4%</td>
</tr>
<tr>
<td>PERTH</td>
<td>4.4%</td>
</tr>
<tr>
<td>ADELAIDE</td>
<td>21.2%</td>
</tr>
<tr>
<td>BRISBANE</td>
<td>19.5%</td>
</tr>
<tr>
<td>MELBOURNE</td>
<td>89.9%</td>
</tr>
<tr>
<td>SYDNEY</td>
<td>92.0%</td>
</tr>
</tbody>
</table>

**SOURCE:** CORELOGIC, RP DATA
The charts below help contextualise:

- Previously when the price differential between Brisbane and Sydney housing became favourably weighted to Brisbane from an affordability perspective, it led to significant increases in net interstate migration to Queensland and an associated boost to the economy / residential real estate market.

- In 1999 net interstate migration to Queensland was below 17,000 persons per year, but as house prices in Brisbane hit a differential of 59% relative to Sydney, net interstate migration began to increase.

- However, a more critical observation is that as house prices in Brisbane hit a differential of 55% relative to Sydney, net interstate migration to Queensland went into overdrive, topping out at just under 38,000 in 2003.

- With Brisbane house prices now equivalent to 48% of those in Sydney, affordability has moved well below the critical 55% threshold at which net interstate migration skyrocketed in 2001.

- Consequently, the trend of people leaving NSW to move to Queensland is already evident, and if history repeats, which it often has a habit of doing in context of markets driven by cyclical considerations and human behaviour, growth in residential real estate in SEQ and Brisbane should follow.
HISTORY HAS A HABIT OF REPEATING ITSELF (cont.)

**FIGURE 7**

The trend of people leaving New South Wales to move to Queensland is already evident.

Source: ABS.

With Brisbane house prices now equivalent to 48% of those in Sydney, affordability has moved well below the critical 55% threshold at which net interstate migration skyrocketed to Queensland in 2001.
The charts below help contextualise:

- The outlook for Queensland’s economy, especially with regards to employment and the labour market, bodes well for further population growth and improved demand for residential real estate.
- Further sustained employment growth in Queensland, with the majority in SEQ, is anticipated to place downward pressure on the unemployment rate and subsequent upward pressure on wage growth.
- As the chart below demonstrates, employment projections from the QGSO indicate some 1 million additional jobs required in SEQ between 2016 and 2041.
DO NOT UNDERESTIMATE THE APPEAL OF SEQ/BRISBANE TO OVERSEAS MARKETS

The outlook for continued overseas migration growth to Queensland, SEQ and Brisbane is very strong due to improved tourism conditions, increased international student numbers, impressive natural lifestyle appeal and major projects like Queens Wharf.

The Queens Wharf project, amongst others, will be a game changer for Brisbane, with the large scale integrated resort development containing significant gaming and entertainment facilities will drive significant tourist demand, especially from Asian countries.

**FIGURE 10**

QLD’S INTERNATIONAL TOURIST NIGHTS BY COUNTRY OF ORIGIN

- YEAR ENDING SEPTEMBER 2015
- YEAR ENDING SEPTEMBER 2016
- YEAR ENDING SEPTEMBER 2017

SOURCE: QTC, TOURISM RESEARCH AUSTRALIA

**FIGURE 11**

QLD’S SERVICES EXPORTS (EDUCATION): OVERSEAS STUDENTS COMMENCEMENTS

- HIGHER EDUCATION
- VOCATIONAL EDUCATION
- ENGLISH LANGUAGE COURSE
- OTHER

SOURCE: QTC, AUSTRADE
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