

# The Glen Residences

## Market Demand Assessment

The following Market Demand Assessment has been prepared by Federation Centre's Residential Development Partner and is drawn from their extensive experience in developing major residential projects throughout Australia as well as source data from the Australian Bureau of Statistics, RP Data and City of Monash.

### 1. Demographic Analysis

Glen Waverley is located in the Monash Local Government Area (LGA) and has a significant Asian influence with around one in four residents being of Chinese ancestry. The population is characterised as very well educated, with two major universities in close proximity (Monash and Deakin) along with one of Melbourne's top-performing state high schools (Glen Waverley Secondary College).

Key attributes of the Glen Waverley residential population comprise the following:

- The population of Glen Waverley in 2011 was 39,219 and continues to experience steady growth (approximately 200 per annum),
- Median age is 38 years of age,
- A high proportion of residents are from non-English speaking backgrounds at 39% with a major proportion of the residents with Asian ancestry, particularly from China (the proportion of people with Chinese ancestry in Glen Waverley is 26.9%),
- Approximately 1 in 10 residents attend university, with Glen Waverley being a popular suburb housing students who study at either Monash University or Deakin University,
- There is ongoing growth in Glen Waverley of residents that are between 15 to 29 years of age. On average it increased by 210 residents per annum over the 5 year period from 2006 and 2011. This growth is supported by the strong schooling options including Glen Waverley Secondary College and Monash University and Deakin University.

Glen Waverley consists of 10,906 families. The relevant aspects of the family composition are as follows:

- Couples without children – 34.27% or 3,738 families,
- Families with non-dependent children - 9.88% or 1,078 families.

In addition there are 14,733 households in total of which single person households make up:

- Single person households - 2,368 households.

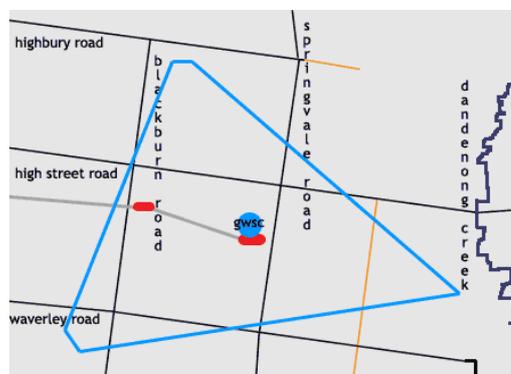
## 2. Geographic Analysis

Additional strengths and appeal of the Glen Waverley market include:

- The Glen Waverley metro rail station located in Kingsway,
- The Glen Shopping Centre,
- Strong education opportunities:
  - Secondary schooling:
    - Glen Waverley Secondary College –ranked number 4 (Based on VCE (ATAR) Results 2014) in the top public high schools in Victoria,
    - Wesley College,
  - Tertiary Education:
    - Monash University,
    - Deakin University,
    - Homesglen TAFE.



The Glen shopping centre falls within the Glen Waverley Secondary College catchment:



### 3. Catchment Analysis

An analysis of the existing Glen Waverley catchment suburbs is detailed below. Of note is the high proportion of residents (1 in 4) living in Glen Waverley who are buying again in Glen Waverley. This shows a clear trend of residents either trading up or down within the suburb rather than migrating out of the area.

2013/2014

Suburb	No.	%	Cumulative Share
VIC-Glen Waverley	216	23%	23%
VIC-Mount Waverley	61	6%	29%
VIC-Wheelers Hill	33	3%	33%
VIC-Rowville	19	2%	35%
VIC-Vermont South	19	2%	37%
VIC-Wantirna South	17	2%	39%

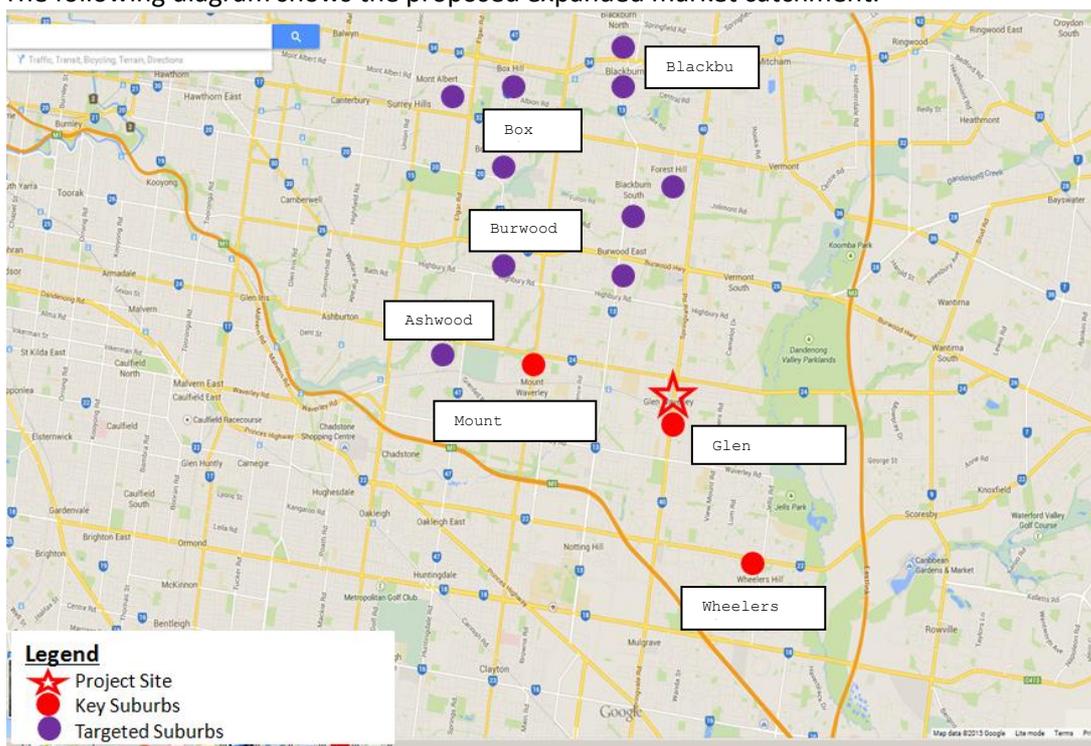
2010

Suburb	No.	%	Cumulative Share
VIC-Glen Waverley	212	23%	23%
VIC-Mount Waverley	66	7%	30%
VIC-Wheelers Hill	29	3%	33%
VIC-Mulgrave	20	2%	35%
VIC-Glen Iris	18	2%	37%

It is expected that whilst there will be a number of people buying from the key suburbs highlighted above, to maximise project success, the catchment will need to be expanded to include other suburbs with the following key characteristics:

- Median prices that price locals out of their market,
- Located in the Eastern Suburbs.

The following diagram shows the proposed expanded market catchment:



## 4. Target Market

The entire target market is expected to comprise various layers which are detailed as follows:

### 4.1. Primary Market Segmentation

#### i. Owner Occupiers – First Home Byers (FHB)

First home buyers will take up the apartment dwelling option due to an insufficient supply of homes below \$600,000 in the Glen Waverley market. The key challenge is for them to consider an apartment proposition in an area that predominantly features detached homes and townhouses. It is anticipated that the majority of the take up will occur in the first building released (building B) leveraging off pent up demand, however overall a minor take up is expected which is consistent with trends in other middle suburban projects.

#### ii. Owner Occupier - Empty Nesters

This segment is extremely discerning. They will purchase, but they are looking for a proposition that shows their success and meets their expectations in regards to design. Key motivational drivers include the trade down opportunity, freeing up equity, and reduced home maintenance and enhanced lifestyle considerations. The challenge with this segment of the market is to create a project that delivers on their inspirational expectations at a price point where they see value.

#### iii. Owner Occupier - Young Couples

Young couples are likely to be the most active owner occupier segment. They will accept the value proposition and appreciate with the lifestyle opportunities. The strength of this segment is it aligns with their stage of life where they enjoy dining out, external entertainment (i.e. cinema, bowling, etc.), and good accessibility (i.e. access to the train). This segment typically enjoys two incomes and potentially higher incomes than the median as they will generally be in the growth stage of their professional careers. The primary market will therefore be predominantly derived from local families without children, families with non-dependent children and single person households. There are currently 8,643 households in Glen Waverley that fall in the secondary market demonstrating a considerable underlying demand.

### 4.2. Secondary market

#### i. Local Investors

Local Investors predominantly purchase through channel partners. The channels have scalability and the capacity to drive strong sales through their sizeable sales teams.

#### ii. Retail Investors

Retail investors who purchase through the display suite have been included in this category. The only difference is that they are more comfortable searching for investment properties and driving the outcomes themselves.

## 5. Market Analysis

The median house price in Glen Waverley was recorded at \$1,095,000 in December 2014. The median house price has experienced steady growth of 8% compounded annually over the past five years from \$747,000 in December 2009.



Glen Waverley has an extremely high apartment median at \$782,500. The price growth for apartments over the past five years has been 10.4% compounded annually from \$476,000 in December 2009.



### 5.1. Housing Composition

Glen Waverley is a traditional middle suburb that is over represented with dwellings with 3 or more bedrooms at 85.8% versus Greater Melbourne at 71.1%. This has resulted in a significant under representation of dwellings with 2 bedrooms or less at 10.7% versus 24.8% for Greater Melbourne. A quarter of residents rent, paying a median rent of \$345 per week. This equates to an ability to purchase a residence for only \$349,875<sup>1</sup> assuming the same amount of rent is used to finance a mortgage. There are currently few, if any, options for tenants to enter the market as many of the residents combined household incomes do not support ownership of real estate at the current market prices.

An analysis of the combined household incomes for singles and many young couples shows that they are unable to purchase a home in the Glen Waverley market (based on the mortgage repayments constituting 30% of their household income). Also there are few opportunities for empty nesters to downsize their homes and release the capital from their homes to supplement their pension or superannuation income. The table below details the purchasing power of the identified segments:

Target Market	Household Income	Purchasing Power
OO - FHB	\$59,800-\$71,500	\$323,375 - \$386,875
OO - Young Couples	\$91,000 - \$169,000	\$492,500 - \$914,875
OO - Empty Nesters	\$91,000 - \$260,000	\$492,500 - \$1,407,500

<sup>1</sup> Based on a mortgage of 80% of purchase price and at a principal and interest mortgage charging 4.95%

## 5.2. Sales History

There is solid strength across numerous price points in Glen Waverley (refer to following tables). There is though a limited supply of homes priced under \$500,000 with these sales constituting only 4% of the overall market in the past year. The lion's share of the sales occurs in the \$700,001 to \$1,500,000 price band representing 73% of sales or 639 transactions. The highest number of transactions occurs in the \$800,000 to \$900,000 price band with 129 sales.

Price Band	Size of Market			
	Total	C.Total	%	C.%
</\$500,000	28	667	4%	100%
\$500,001 - \$600,000	25	639	4%	96%
\$600,001 - \$700,000	37	614	6%	92%
\$700,001 - \$800,000	94	577	14%	87%
\$800,001 - \$900,000	129	483	19%	72%
\$900,001 - \$1,000,000	91	354	14%	53%
\$1,000,001 - \$1,500,000	175	263	26%	39%
\$1,500,001 - \$2,000,000	55	88	8%	13%
\$2,000,001 - \$2,500,000	23	33	3%	5%
>\$2,500,000	10	10	1%	1%

Sales data used from 31st Jan. 2014 to 31st Jan. 2015.

The same trend appears for Units in Glen Waverley as in housing. There is a limited supply of units available under \$400,000 (8%) of the total market. There is strength in all unit sales in all price bands up to \$1,000,000 with each bracket representing approximately 1 in 3 sales each:

- \$400,000-\$600,000 – 29%
- \$600,001-\$800,000 – 35%
- \$800,001-\$1,000,000 – 23%

Price Band	Size of Market			
	Total	C. Total	%	C. %
</\$400,000	13	154	8%	100%
\$400,001 - \$600,000	45	141	29%	92%
\$600,001 - \$800,000	54	96	35%	62%
\$800,001 - \$1,000,000	36	42	23%	27%
>\$1,000,000	6	6	4%	4%

Sales data used from 31st Jan. 2014 to 31st Jan. 2015.

The Ikon apartment in Kingsway, marketed in 2011 and completed in late 2013, provides the best guidance on both the acceptance of apartments by the market and the price. From a market depth perspective, resales at Ikon have been limited and therefore do not provide any guidance.

### Ikon, 39 - 55 Kingsway, Glen Waverley



- Designed by NH Architecture, the concept relates to a 10 storey mixed use development.
- The development will incorporate flexible retail tenancies at ground level (Level 3), commercial office space on Level 4, and 116 residential apartments on Levels 5 - 12, apportioned as to 80 one bedroom apartments and 36 two bedroom apartments.
- The development will be complemented by three levels of basement car parking, accommodating 116 vehicle spaces.
- The proposed building is located on a prominent site within the Glen Waverley Activity Centre, and as such, has been designed to ensure an attractive view from all vantage points.

#### Sales Evidence.

The project has been offered to the market since April 2011, and in accordance with a sales schedule provided by the developer interests, 116 apartments representing 100% of the residential component, have been sold "off the plan", providing gross proceeds of \$55,519,000, conforming with market parity. The majority of the apartments were purchased by local investors/owner occupiers, there being no representation from interstate or overseas. A summary of sales is as follows:

Ap'nt	Level	Type	Area (sq.m.)	Balc (sq.m.)	BRs	Cars	Sale Price	Value Rate p.s.m.
5.C	5	C	50.7	19.1	1 + S	1	\$426,000	\$8,402
5.J	5	G	42.1	15.3	1	1	\$355,000	\$8,432
5.K	5	G	42.1	15.3	1	1	\$355,000	\$8,432
6.C	6	C	50.7	7.8	1 + S	1	\$420,750	\$8,299
6.E	6	C	50.7	7.8	1 + S	1	\$420,750	\$8,299
7.A	7	A	77.8	8.4	2 + S	1	\$629,250	\$8,088
7.D	7	C	50.7	7.8	1 + S	1	\$426,250	\$8,407
7.P	7	J	64.8	8.7	2	1	\$528,250	\$8,152
8.C	8	C	50.7	7.8	1 + S	1	\$432,000	\$8,521
8.H	8	E	74.3	11.7	2	1	\$539,000	\$7,254
9.F	9	C+	55.3	9.5	1 + S	1	\$447,250	\$8,088
9.I	9	L	63.7	29.0	2	1	\$570,000	\$8,948
10.E	10	C	50.7	7.8	1 + S	1	\$449,750	\$8,871
10.K	10	M	51.4	9.7	1 + S	1	\$449,750	\$8,750
11.E	11	C	50.7	7.8	1 + S	1	\$459,750	\$9,068
11.J	11	M	51.4	8.2	1 + S	1	\$459,750	\$8,945
12.I	12	L	63.7	11.7	2	1	\$593,250	\$9,313
12.K	12	M	51.4	9.0	1 + S	1	\$470,000	\$9,144

Note: the 1 bedroom apartments at Ikon had internal bedrooms and the 1+ study were really only 1 bedroom apartments as the study consisted of a desk located in the bedroom rather than a defined study. The mix of apartments was 69% 1 bedroom and 31% 2 bedrooms.

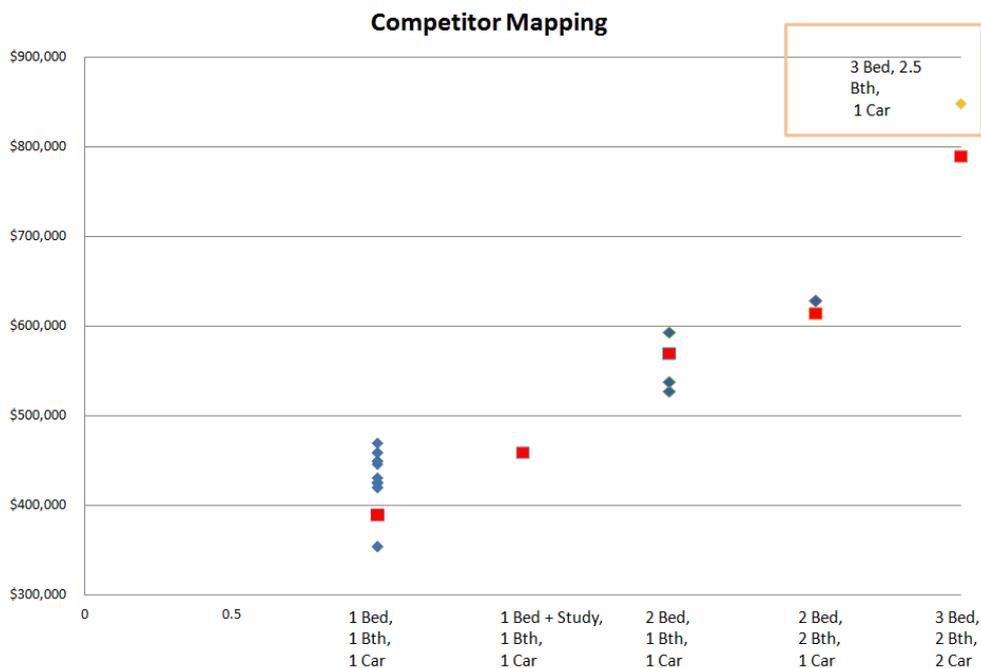
### 5.3. Proposed Pricing

The analysis shows that a value proposition that provides numerous housing options at price points below \$600,000 will be extremely appealing to many in the market. The project will be able to leverage off pent up demand due to the limited current availability of homes below this point.

The following table shows the proposed pricing for The Glen:

Indicative Apartment Revenue		
		Base Case
1 bed, 1 bath	44m <sup>2</sup>	\$390,000
1 bed, 1 bath + Study	52m <sup>2</sup>	\$460,000
2 bed, 1 bath	65m <sup>2</sup>	\$570,000
2 bed, 2 bath	70m <sup>2</sup>	\$615,000
3 bed, 2 bath	90m <sup>2</sup>	\$790,000

The blue diamonds in the competitor mapping diagram below represent the original pricing of the Icon apartments, the red squares represent the proposed base case pricing for the project. The Glen is positioned slightly more price competitively than Ikon, this is before the superior value proposition of the mixed use environment and the proposed roof top garden at is taken into consideration.



#### 5.4. Rental Analysis

The following table shows the current average rental for apartments in the Glen Waverley area and an assessment of likely yields for The Glen.

Apartment	No.	Average Rental	Price based on achieving 5% rental yield	Glen Waverley Proposal	
				Price	Yield based on market rents
1B, 1B, 1C	6	\$374	\$389,133.33	\$ 390,000	4.99%
2B, 1B, 1C	3	\$402	\$417,733.33	\$ 570,000	3.66%
2B, 2B, 1C	7	\$477	\$496,228.57	\$ 615,000	4.03%