



MOSAIC TOWN HOME / TOWN HOUSE STRATEGY

MOSAIC DIVERSIFIES

LATEST TOWN HOUSE DEVELOPMENT
HAVENWOOD BY MOSAIC

In previous editions of the Mosaic Bell Report, the diversification of Mosaic's product mix to include boutique town home / town house product has been discussed in an introductory sense.

In this edition of the Mosaic Bell Report, we explore this concept further and offer our corporate partners, investors and owner occupiers an insight into the detailed thinking and market analysis that has informed this diversification strategy.

Importantly, the execution of the Mosaic town home / town house strategy is also well underway with a number of well located, boutique projects to be launched to market from April 2016.

There are currently a number of strong fundamental drivers indicating that infill town home / town house product located within 8km to 15km radius of the Brisbane CBD represents a strong market opportunity.



➤ Town home / town house product is well positioned to capitalise on the forecast growth and improvement of Brisbane's detached housing market.

➤ The sheer volume and size of the baby boomer demographic who are demonstrating a tendency and desire to age in place, often in middle ring suburban locations, but require greater space that better reflects their detached principal place of residence.

➤ The next phase of the Brisbane property cycle will be driven by "a flight to quality" as both owner occupiers and investors demand larger product, higher quality finishes and better value for money.

FUNDAMENTAL
DRIVERS OF
THE TOWN HOME/
TOWN HOUSE
STRATEGY
INCLUDE:

➤ Town homes / town houses offer a higher land content, and whilst under a community title scheme, this is appealing for discerning investors given the importance of the land value equation which drives many wise residential investment decisions.

➤ Detached housing located in high demand, aspirational middle ring suburbs is not always affordable for families and DINKS (double income no kids) consequently well designed town home / town house product still provides a favourable outcome without compromising excessively in terms of location, amenity, privacy and space.

➤ Town homes / town houses can provide greater space than that afforded by typical investment grade apartments which is more appealing for end users whether being downsizers who want grandchildren to visit or young families that wish to entertain friends privately in a useable weather proof outdoor area.



3 KEY FUNDAMENTALS

> The following sections **analyse three** of these key fundamental drivers of the Mosaic town home / town house strategy.

1

BRISBANE
DETACHED
HOUSING TO
OUTPERFORM
NATIONALLY

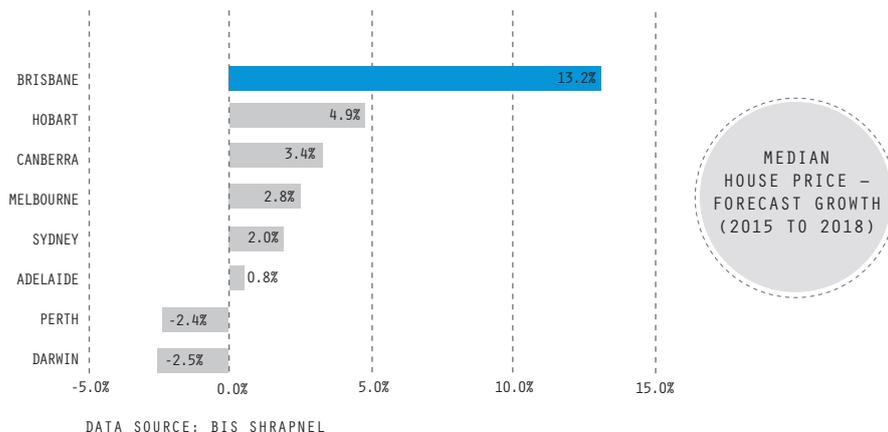
Brisbane's detached housing market is forecast to outperform nationally and town home / town house product is fundamentally well aligned to capitalize on this growth.

At a high level, experts including BIS Shrapnel and the NAB Economics team have forecast Brisbane's residential housing market to outperform the wider national market in the immediate to midterm future.

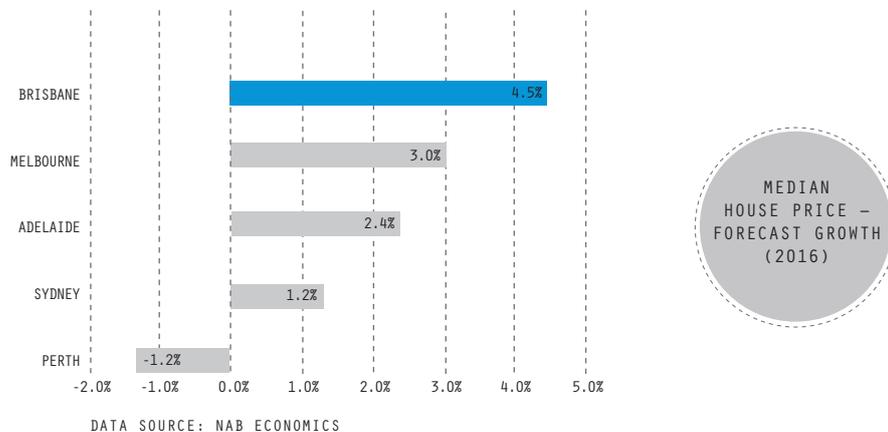
IN SUMMARY:

> From 2015 to 2018, BIS Shrapnel forecast that Brisbane house prices will increase by **13.2%** which will be the strongest growth of all national capital cities (please refer to chart opposite).

> During 2016, NAB Economics expects house price growth in Brisbane to be the strongest of all major national capital cities at **4.5%** (please refer chart opposite).



MEDIAN
HOUSE PRICE -
FORECAST GROWTH
(2015 TO 2018)



MEDIAN
HOUSE PRICE -
FORECAST GROWTH
(2016)



AERIAL IMAGE OF DETACHED HOUSING LOCATED IN MT GRAVATT



2

FLIGHT TO QUALITY

Brisbane's residential cycle has moved into the next phase which will be characterized by a "flight to quality". Strong demand will especially be evident from owner occupiers demanding more space, and boutique town home / town house product with a greater land content is well positioned to outperform in these current market conditions.

The debate regarding the outlook for the residential market in Brisbane often centres on the performance of the inner Brisbane apartment market. Whilst a number of different opinions exist regarding the likely performance of this market segment, a recent report produced by JLL provided a candid and factual view of this market, which also offers some key insights regarding wider residential market opportunities in Brisbane.

IN SUMMARY, JLL HIGHLIGHTED:

- Due to its value proposition and higher yields, Brisbane will continue to experience steady demand for residential product across all the inner city precincts.
- However, some **19,800** apartments are currently under construction in the Brisbane inner city precincts or being marketed for completion during the 2015-2018 period.
- Of these apartments, **71%** of the stock is located within the Inner North and Inner South Precincts (particularly within West End, Newstead and Hamilton).
- Brisbane has never experienced such a large number of apartments coming online within such a short time period.
- Consequently, the investor market is forecast to moderate over the next 12-18 months, as large numbers of new apartments enter the rental market during 2016-2017.
- As a result, rental growth will slow and yields may continue to fall, especially for the generic 'investor type' stock.
- Due to the high levels of supply being marketed, purchasers are demanding a higher quality product, and this is expected to continue.
- With house prices at a 10-year high, market confidence is at the highest levels for a number of years. This has provided home-owners with an ideal opportunity to sell their existing dwellings and make a successful transition into a smaller residence.
- Owner occupier demand for large apartments in boutique projects is expected to persist, at least in the short term, as this market has historically been relatively under supplied.

Mosaic has evidenced that this next phase of the Brisbane residential cycle has already commenced. During 2016 to date, the strongest demand levels ever experienced have come from owner occupiers for larger apartment product in both the **Reside project at Norman Park** and the **Arc project at Auchenflower**.

To put this in context, 100% of the three bedroom apartment stock sold out in the Arc project within days of release. The owner occupier purchasers of this product included both downsizing baby boomers and DINKS.

The strongest insight to be gained from the demand experienced for these projects was that purchasers were prepared to look beyond their initially desired locations like Newstead and Teneriffe in order to achieve the space, design and value they desired. This insight demonstrates the sheer undersupply of larger, quality attached dwelling product currently in the Brisbane market, and the lengths people are prepared to go to satisfy this strong and increasing demand.



DEVELOPMENT - ARC BY MOSAIC



3

WELL ALIGNED
TO CAPTURE
DEMAND

Town home / town house product is well aligned to capture end user demand from a variety of key demographic segments which somewhat helps future proof investment performance. These key segments include downsizing baby boomers, aspirational but price sensitive families and young professionals that desire greater space.

It is well documented that Australia and Brisbane contains an ageing population and by 2050, 25% of the country's total population will be aged 65+ (currently around 14%). This demographic trend will generate new market opportunities as demand for well-designed attached dwellings that encourages ageing in place increases exponentially.

Baby boomers (roughly aged between 50 and 70) have commenced retirement in many instances and consequently are looking to downsize from their principal place of residence. This demographic segment demonstrates some key purchasing behaviors in the downsizing process listed as follows:

- [They like to age in place and remain engaged in their local community]
- [Display a tendency to delay the move to traditional retirement accommodation as long as possible]
- [Enjoy living amongst a variety of people, not just their own demographic segment]
- [Require more size than traditional, investment apartments for either their pets or to enable grandchildren to visit]

BABY
BOOMERS

Ageing in place is a somewhat recent concept that will generate further momentum and become increasingly important as the population ages and baby boomers retire. Recent insights suggest that familiarity to a locality, local doctor, shops, friends, family and community becomes increasingly important to people as they age.

To put this in context, the Brisbane City Council released "The Seniors Strategy 2012-2017" which was developed through a process of research and consultation. A total of 2,117 persons participated in the research project.

A SUMMARY OF THE KEY SURVEY FINDINGS ARE HIGHLIGHTED AS FOLLOWS:

- > Participants were aged between **51** and **79**
- > **62%** were retired
- > **83%** still lived in a detached house
- > Significantly, **89%** wished to stay where they currently lived in the foreseeable future
- > Only **5%** were considering moving away from Brisbane

DATA SOURCE: BRISBANE CITY COUNCIL



CLICK TO VIEW VIDEO - 'ONE OF OUR
DOWNSIZERS, MARGIE, TALKS ABOUT
MOVING INTO A MOSAIC PROPERTY'



3

WELL ALIGNED
TO CAPTURE
DEMAND
(CONTINUED)

➤ The following chart demonstrates that demand for town home / town house product exists across a wide variety of key demographic segments. This is achieved by segmenting population by important age brackets and comparing across two key locations as identified below:

[Locations where Mosaic has actively targeted and successfully secured town home / town house sites (high demand, low supply established suburbs with a high proportion of detached houses, i.e. McDowall and Everton Park)]

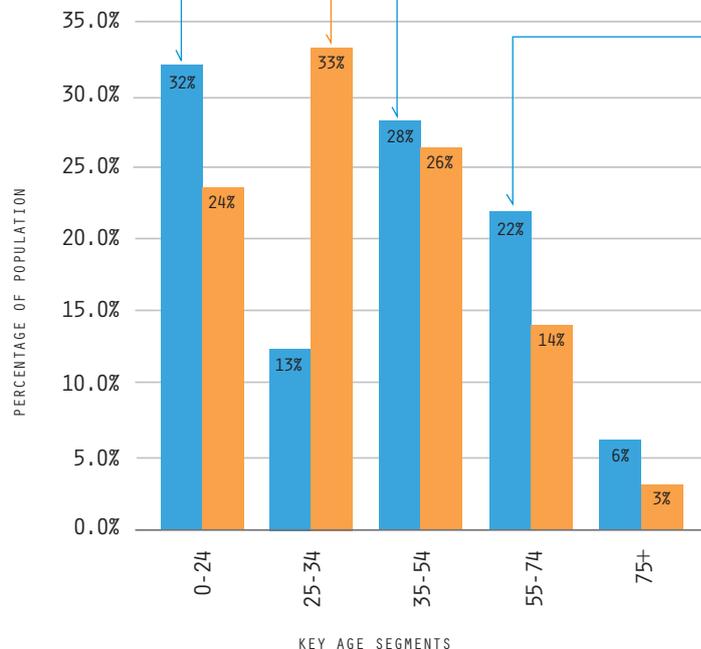
[Locations where high supply levels of investment grade apartments currently exist and are proposed for the future (includes the areas of Newstead/Bowen Hills, South Brisbane, West End, Fortitude Valley)]

A higher proportion of persons aged between **0** and **24** which is effectively the children of young and maturing families that desire to live in aspirational locations and require extra living space.

A lesser proportion of persons aged between **25** and **34** which is typically a first home buyer market that is delaying the commitment to purchase and attracted to renting smaller apartments in areas like South Brisbane and Fortitude Valley where apartment supply is ample and consequently demand already well catered for.

A higher proportion of persons aged between **35** and **54** which are typically young to maturing families or DINKS which are key demographic segments because household income levels are generally higher and the desire to live in an aspirational location with extra space is strong.

A higher proportion of persons aged between **55** and **74** which are typically baby boomers entering into retirement that wish to age in place whilst downsizing into a more manageable attached dwelling without compromising extensively on space and design.



Blue Bar: MOSAIC TOWN HOME/TOWN HOUSE LOCATIONS (TOTAL POPULATION 44,800 AS AT JUNE 2014)
Orange Bar: HIGH SUPPLY INVESTMENT GRADE APARTMENT LOCATIONS (TOTAL POPULATION 29,594 AS AT JUNE 2014)

* BASED ON ESTIMATED RESIDENT POPULATION (ERP) AS AT JUNE 2014
 DATA SOURCE: QUEENSLAND GOVERNMENT STATISTICIANS OFFICE; ABS



STRATEGY EXECUTION WELL UNDERWAY

Mosaic take great pride in delivering the highest standard of quality, service and value for their discerning corporate partners, investors and owner occupiers.

In this regard, Mosaic is proud to announce that from April 2016 a number of well-located, boutique town home / town house projects will be released to the market. This signifies a key milestone in the delivery on a commitment made to corporate partners, investors and owner occupiers that Mosaic would deliver quality town home / town house product to the market.

The following provides a brief introduction to Mosaic's first boutique town house project to be released in April 2016.



HAVENWOOD

BY MOSAIC

Combining the convenience of an urban environment with a social community lifestyle, Havenwood by Mosaic delivers a unique, inspired and integrated residential development.

Surrounded by a network of reserves and forests that create an important wildlife corridor, you can enjoy all the benefits of a balanced, community lifestyle, while still being only 12kms from the bright lights of the Brisbane CBD.

The clever use of integrated indoor and outdoor living spaces maximises privacy and space, providing plenty of room for the kids to play or the dog to run. With all the advantages of a traditional family home without the ongoing maintenance, Havenwood offers an attractive housing option for many households, attracting a vibrant and varied mix of residents.

This inviting community is only 20 minutes from the CBD, 60 minutes from the beautiful Sunshine Coast, with easy access to the Brisbane Airport and Westfield Chermide.

With its stylish design and luxurious interiors, convenient location and numerous lifestyle options, Havenwood by Mosaic is the community you've been looking for.

