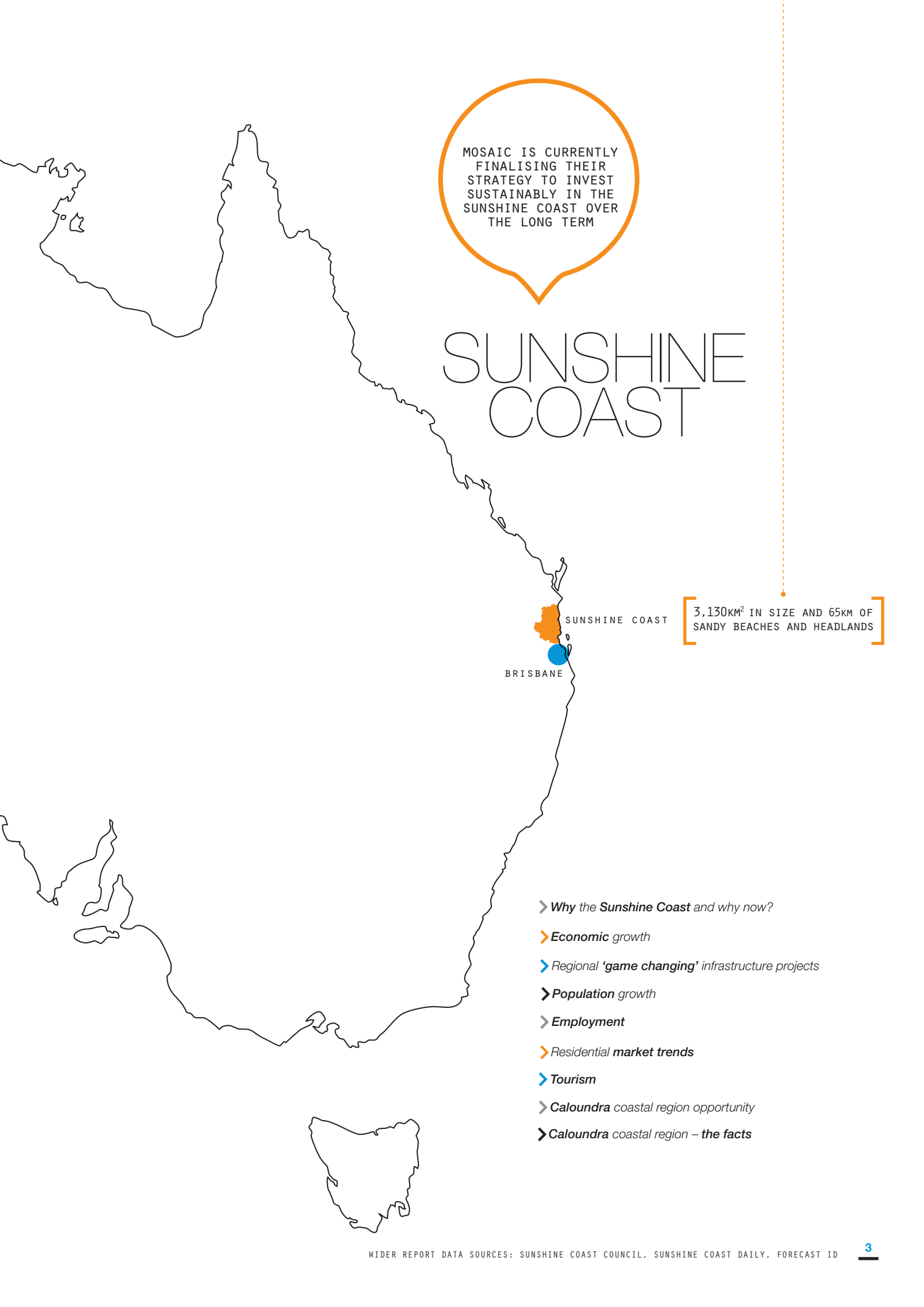


MOSAIC
SUNSHINE
COAST
2016



MOSAIC IS CURRENTLY
FINALISING THEIR
STRATEGY TO INVEST
SUSTAINABLY IN THE
SUNSHINE COAST OVER
THE LONG TERM

SUNSHINE COAST

3,130km² IN SIZE AND 65KM OF
SANDY BEACHES AND HEADLANDS

- **Why the Sunshine Coast and why now?**
- **Economic growth**
- **Regional 'game changing' infrastructure projects**
- **Population growth**
- **Employment**
- **Residential market trends**
- **Tourism**
- **Caloundra coastal region opportunity**
- **Caloundra coastal region – the facts**

A COMBINATION OF
KEY ECONOMIC AND
MARKET INDICATORS
PROVIDE EVIDENCE
THAT THE SUNSHINE
COAST IS CURRENTLY
POISED TO ENTER
INTO A GROWTH PHASE

INTRODUCTION

THE SUNSHINE COAST

- The Sunshine Coast is one of Australia's most **popular holiday destinations** and **internationally renowned** for its natural beauty, sandy beaches and tourist attractions.
- The Sunshine Coast is the fourth largest region in Queensland by resident population and the tenth largest **'significant urban area'** in Australia.
- This coastal city is approximately **3,130 km²** in size and stretches along approximately **65km** of sandy beaches and headlands, from Caloundra in the south, to Noosa in the north.
- The **Bruce Highway is a prominent arterial** transport route that enables a quick one hour drive from the Sunshine Coast to the state capital of Brisbane.
- A **regular rail service** maintained by Queensland Rail operates between the Sunshine Coast and Brisbane and includes electric train commuter service and the tilt train.
- The **Sunshine Coast Airport** is centrally located at Marcoola and is serviced by regular direct jet flights to Sydney and Melbourne with connections to other capital cities.
- The Sunshine Coast was the **highest growing regional economy** in Queensland between 2000/01 and 2010/11.
- With a clear and progressive approach to **sustainable economic growth**, the Sunshine Coast economy and property market are poised to enter a new era of sustained growth.

THE SUNSHINE COAST HAS A CLEAR VISION VIA THEIR 20 YEAR ECONOMIC BLUEPRINT TO ATTRACT MAJOR INVESTMENT AND CREATE A HIGH VALUE, BUT SUSTAINABLE ECONOMY, WHICH REPRESENTS A NEW ERA FOR THIS REGION

After extensive research, due diligence and examining the Sunshine Coast market on the ground from a local perspective for many years, Mosaic is currently finalising their strategy to invest sustainably in the Sunshine Coast over the long term.

For a number of reasons, this market will logically complement Mosaic's existing strategy in Brisbane, albeit on a reduced scale that best reflects a regional based coastal economy and acknowledges realistic market opportunities and depth.

A combination of key economic and market indicators provide evidence that the Sunshine Coast is currently poised to enter into a growth phase of the residential property cycle.

The Sunshine Coast also has a clear vision via their 20 year economic blueprint to attract major investment and create a high value, but sustainable economy, which represents a new era for this region.

The transition and diversification of the Sunshine Coast economy away from a pure reliance on industries like tourism and construction will encourage more sustainable economic cycles and consequently avoid the peaks and troughs that have historically impacted on property market performance.

The current and future level of infrastructure investment proposed for the Sunshine Coast also provides a strong opportunity to maximise the 'effortless advantage' and capitalise on this high level of public and private sector investment.

This level of infrastructure investment is unprecedented and to put this in perspective, the \$1.8 billion University Public Hospital due for completion in 2016 is the largest infrastructure project ever to be undertaken on the Sunshine Coast and the recently launched \$5 billion Aura Master Planned City will be the largest project of its type in Australia.

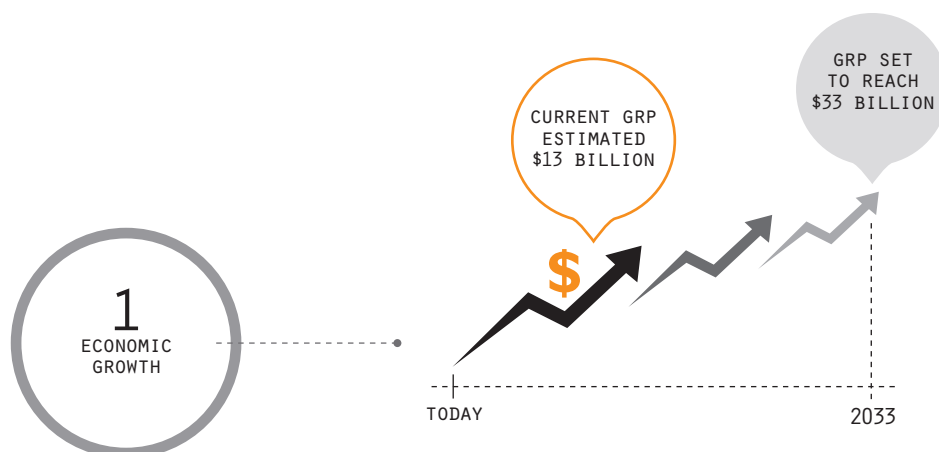
The amalgamation of the traditional Caloundra and Maroochydore Local Government Areas (LGA) to form the Sunshine Coast LGA has also given the region renewed confidence and certainty regarding future growth, as the combined political forces can better lobby State and Federal Governments for important infrastructure funding.

It is imperative to note, that like all Mosaic investment decisions, any potential development strategy devised for the Sunshine Coast will be sustainable, disciplined, carefully considered and remain true to the core values and philosophies which have proudly become synonymous with the Mosaic brand.

STRONG ECONOMIC GROWTH IS FORECAST TO CONTINUE WITH THE GRP SET TO REACH \$33 BILLION BY 2033

WHY THE SUNSHINE COAST AND WHY NOW?

6
MAJOR KEY FACTORS TO WHY:

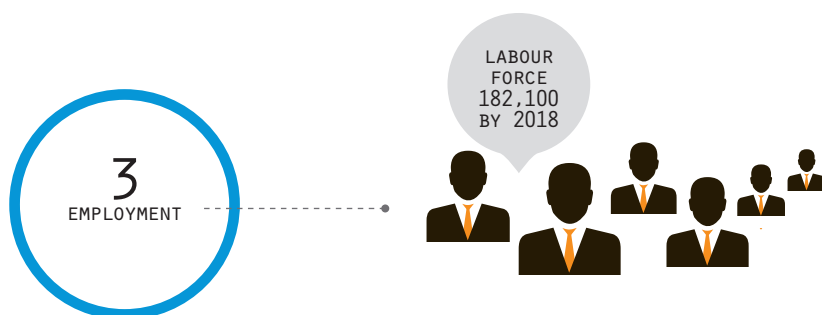


- The current Gross Regional Product (GRP) is estimated to be close to **\$13 billion**, which is twice the size of the previous decade, making it one of the largest regional economies in Queensland.
- This strong economic growth is forecast to continue with the GRP set to reach **\$33 billion** by 2033, accompanied by an increase in high value employment and household incomes.
- Well positioned to benefit from the realignment of the Queensland economy as the resources sector slows and the lower Australian dollar encourages growth in the tourism sector.
- A clear vision exists via a **20 year** economic blueprint to attract major investment and create a high value, but sustainable economy, which represents a new era for this region.
- Growth will be further improved through a targeted focus on emerging industries like health/wellbeing, education/research and aviation/aerospace.
- The Business Confidence Index reached its peak at **117** during November 2014, which was the strongest result achieved since 2009 and a positive reflection on the region from local business owners.
- The traditionally small local business community will change considerably as larger businesses start to emerge on the back of improved confidence and the economy transitions into a growth phase.
- This has already been evidenced with large Insurance company Youi confirming plans to make the Sunshine Coast its permanent Australian and New Zealand headquarters and construct a building which could house **2,000** staff by 2018.

FUTURE GROWTH IS FORECAST TO BE STRONGEST BETWEEN 2016 AND 2021 WHICH COINCIDES WITH THE SUNSHINE COAST ECONOMY ENTERING INTO A NEW GROWTH PHASE



- > The slowdown in population growth post the Global Financial Crisis appears to be turning a corner, with an annual increase of **1.8%** being recorded during the year ending June 2014. This population growth rate looks set to strengthen even further over the next 4 - 5 years.
- > The Sunshine Coast Local Government Area (LGA) currently contains a population of around **290,000**.
- > Population is projected to reach **469,873** persons in 2036 which represents annual growth of **2.4%** per annum.
- > Future growth is forecast to be strongest between 2016 and 2021, which coincides with the Sunshine Coast economy entering into a new growth phase, supported by significant, unprecedented infrastructure investment.



- > The commencement of major infrastructure projects like the Sunshine Coast University Private Hospital has stimulated employment growth post 2013.
- > As at November 2014, the Sunshine Coast Region contained a total labour force of **163,500**.
- > This total labour force is forecast to reach at least **182,100** by November 2019, indicating that a minimum of **18,600** new jobs will be created during a five year period.
- > This forecast, whilst positive, is not surprising given the large scale infrastructure projects currently under construction or proposed for the future.

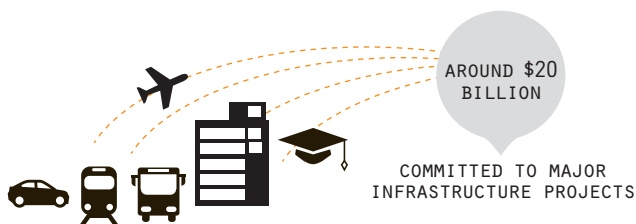
WHY THE SUNSHINE COAST AND WHY NOW?

cont.

6

MAJOR KEY FACTORS TO WHY:

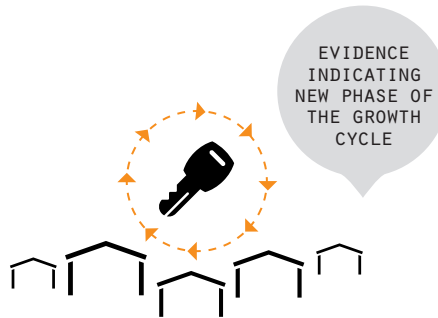
4
INFRASTRUCTURE INVESTMENT



- Commitment to a number of regional 'game changing' infrastructure projects either underway or due to commence in the near future.
- **\$1.8 BILLION UNIVERSITY PUBLIC HOSPITAL | BIRTINYA**
➤ The hospital is due for completion in late 2016 and will contain **738** beds and **6,000** staff by 2021.
- **\$5 BILLION AURA MASTER PLANNED CITY | CALOUNDRA SOUTH**
➤ A new city approximately the size of Gladstone was officially unveiled by Stockland in late 2015 and upon completion within the next 20 years will be home to more than **50,000** people and have created over **20,000** new jobs.
- **\$347 MILLION SUNSHINE COAST AIRPORT EXPANSION | MARCOOLA**
➤ Proposed airport extension is forecast to contribute **\$4.1 billion** in Gross Regional Product, generate **2,231** jobs and significantly benefit the tourism industry. The demand for this new airport can be evidenced by the fact that Qantas Airways has re-established direct daily services after a break of ten years and the existing airport was also awarded as the fastest growing in Australia, with a **13.8%** increase in passengers for the year ending September 2015.
- **MAROOCHYDRE CITY CENTRE | MAROOCHYDRE**
➤ **53** hectare site planned for development over the next 20 years and set to include fine dining, exclusive retail, entertainment facilities, five-star hotel and an entertainment, convention and exhibition centre. The project could create **10,000** jobs over the life of the development and bulk earthworks commenced in February 2016.
- **\$5 BILLION OCEANSIDE KAWANA DEVELOPMENT | BIRTINYA**
➤ Stockland are also currently developing Oceanside Kawana into a world class destination with a mix of housing, retail and business uses and on completion the project is anticipated to create approximately **12,000** ongoing jobs and contribute **\$828 million** annually to the local and state economy.
- **\$81 MILLION SUNSHINE COAST UNIVERSITY UPGRADE | SIPPY DOWNS**
➤ The University of the Sunshine Coast is one of Australia's fastest growing Universities and consequently, an upgrade to the campus was recently completed in 2015 and the University now has around **12,000** student enrolments.
- **\$4 BILLION PALMVIEW MASTER PLANNED COMMUNITY | SIPPY DOWNS**
➤ Construction of the Palmview Master Planned Community is scheduled to commence in 2016 and upon completion, the project will contain around **5,000** dwellings, house an estimated **16,000** residents and have generated numerous employment opportunities.
- **\$1.1 BILLION BRUCE HIGHWAY UPGRADE**
➤ The Bruce Highway between Caloundra Road and the Sunshine Motorway will be upgraded from four to six lanes which will enable the speed limit to be increased to **110km** per hour and is scheduled to commence in late 2016 and forecast to be completed by 2020.

LIMITED NEW APARTMENT SUPPLY HAS BEEN DELIVERED TO THE MARKET OVER THE PAST 8 YEARS

5
RESIDENTIAL
PROPERTY MARKET



- There has been consistent growth in sales volumes and median prices for both detached housing and attached dwellings (apartments and town houses) post the market trough in 2012.
- Dwelling approvals have experienced an uplift in recent activity demonstrating improved confidence in the residential property market and this is forecast to continue.
- Strong rental market conditions including rental growth and extremely low vacancy rates (lower than the Gold Coast), reflecting full occupancy in some regions like the Caloundra Coast.
- Evidence indicates the Sunshine Coast apartment market is strongly poised to commence a new phase of the growth cycle.
- Limited new apartment supply has been delivered to the market over the past 8 years and consequently the resale market is now demonstrating positive signs of capital gain.
- Strong affordability relative to Sydney, where houses are currently **90%** more expensive, and Melbourne, where houses are currently **35%** more expensive than the Sunshine Coast.

6
TOURISM



- All key indicators signal growth in the tourism sector during the year ending June 2015.
- Qantas recently re-commenced flying direct to the Sunshine Coast after a 10 year period.
- The Bureau of Infrastructure, Transport and Regional Economics (BITRE) revealed the Sunshine Coast Airport as the fastest growing airport in Australia during the year ending September 2015.
- Kings Beach in Caloundra was named the best beach in Queensland by Surf Life Saving Queensland in late 2015 and Noosa's Main Beach finished in eighth position.

ECONOMIC GROWTH

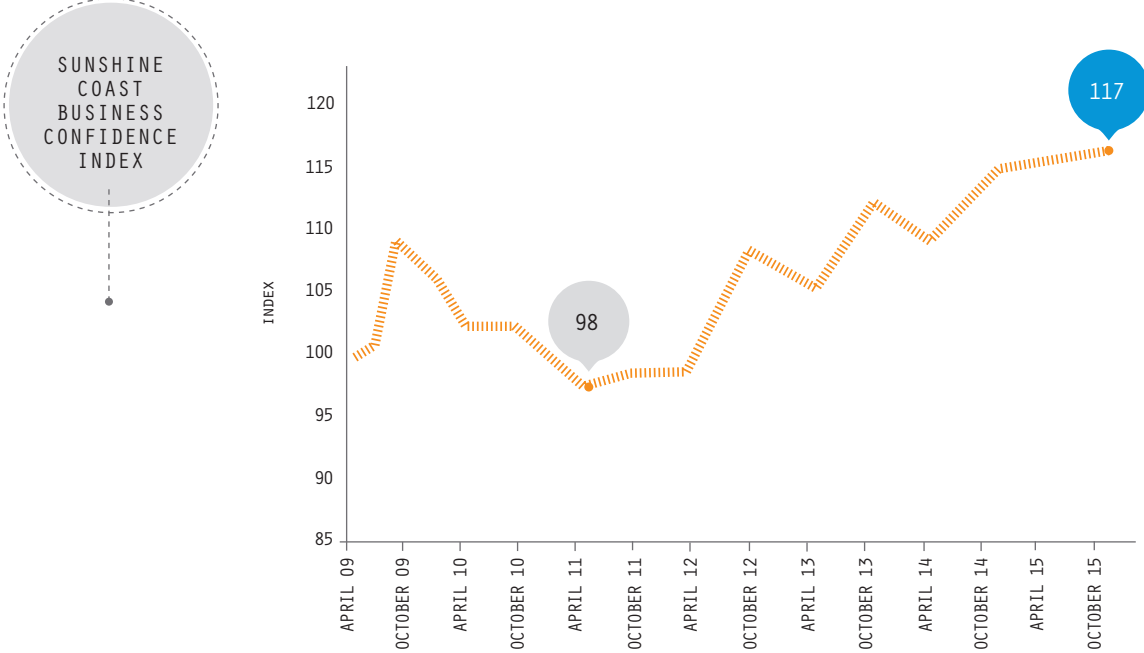
SUNSHINE COAST ECONOMY HAS DOUBLED IN SIZE

The Sunshine Coast economy has doubled in size over the past decade and the current Gross Regional Product is estimated to be close to \$13 billion. The Sunshine Coast economy is forecast to reach \$33 billion by 2033.

Recently a number of key indicators of economic growth, including population, tourism, infrastructure investment, local business confidence and the residential market have started to show signs of growth on the Sunshine Coast.

For instance, the Sunshine Coast Business Confidence Index reached its peak at 117 during November 2014 (chart 1). This is the strongest result achieved since the survey commenced in 2009, which is a positive reflection on the region from local business owners.

CHART 1



SOURCE: BOARDROOM BUSINESS, SUNSHINE COAST BUSINESS CONFIDENCE SURVEY

THE SUNSHINE COAST BUSINESS CONFIDENCE INDEX
REACHED ITS PEAK AT 117 DURING NOVEMBER 2014

These early signs of economic growth and renewed optimism do, however, follow a period of limited growth on the Sunshine Coast, driven by the Global Financial Crisis and the imbalance in the Queensland economy, focussed heavily on the mining and resources sector.

The Sunshine Coast is already well positioned to benefit from the required realignment of the Queensland economy, especially as the lower Australian dollar and very low interest rates encourage growth in the tourism and construction sectors.

However, whilst traditional growth sectors are important, the transition of the Sunshine Coast economy will be further improved through a targeted focus on emerging industries. These emerging industries such as health/wellbeing, education/research and aviation/aerospace are well positioned to respond to future growth demands, consequently attracting new and wide ranging markets.

A series of major infrastructure projects identified as regional 'game changers', especially with regards to generating new employment opportunities, will be critical in stimulating future economic growth on the Sunshine Coast.

During June 2014, the Australian Bureau of Statistics indicated that 62% of business on the Sunshine Coast were non-employing, 37% employed between 1 and 19 people and only 2% of businesses employed greater than 20 people.

These 'game changing' infrastructure projects will change this local business dynamic considerably on the Sunshine Coast as numerous flow on effects create exciting opportunities. Larger businesses will start to emerge as confidence improves and the economy transitions into a growth phase.

This has already been evidenced with large insurance company *Youi* confirming plans to spend up to \$100 million to make the Sunshine Coast its permanent Australian and New Zealand headquarters. *Youi* has secured a 4.8 hectare site in Sippy Downs and is currently seeking approval to construct a building which could house 2,000 staff by 2018. It is forecast that this business relocation could generate \$1.2 billion in economic benefits for the Sunshine Coast in what would be the largest non-government related investment in the region's history.

REGIONAL 'GAME CHANGING' INFRASTRUCTURE PROJECTS



\$1.8 BILLION UNIVERSITY HOSPITAL | BIRTINYA

[The Sunshine Coast University Hospital will offer a range of public hospital services to help meet the growing demand for health services on the Sunshine Coast]

[This public hospital will operate in conjunction with the Sunshine Coast University Private Hospital that opened in November 2013]

[The hospital is due for completion in late 2016 with **450** beds available and **3,500** staff]

[The hospital has the ability to grow to over **738** beds and **6,000** staff by 2021]



\$5 BILLION AURA MASTER PLANNED CITY | CALOUNDRA SOUTH

[A new city approximately the size of Gladstone was officially unveiled by Stockland in late 2015]

[By 2020, Aura will deliver approximately **2,975** homes, two schools, a retail centre, a regional sports park and the first Business and Enterprise Park that will generate 2,400 on-site jobs]

[From 2020 to 2030, Aura will deliver a city centre, an additional **9,405** homes, schools, tertiary facilities including a performing arts centre/library and a road connection through to the Bruce Highway]

[Upon completion, more than **50,000** people will call Aura home, over **20,000** jobs will be created and **700** hectares of conservation open space area, including nine sports parks, will be made available for local residents]

[This project is the largest of its kind in Australia]



\$347 MILLION SUNSHINE COAST AIRPORT EXPANSION | MARCOOLA

[The proposed upgrade will include a new **2,400** metre runway increasing the potential to **2 million** passengers per year (current infrastructure supports **900,000** passengers per year)]

[The increased capacity and greater scope for international flights will result in significant benefits for the Sunshine Coast tourism industry]

[The upgrade will also enhance connections between the local and global business community]

[The project received federal government funding in 2015]

[Contribution of **\$4.1 billion** in Gross Regional Product between 2020 and 2040]

[Generate **1,538** direct and **693** indirect full time jobs by 2040]

[The Coordinator General is currently evaluating the Environmental Impact Statement (EIS) before the project proceeds]

[Demand for this new airport can be evidenced by the fact that Qantas Airways has re-established direct daily services after a break of ten years and the existing airport was awarded as the fastest growing in Australia, with a **13.8%** increase in passengers for the year ending September 2015]



MAROOCHYDORE CITY CENTRE | MAROOCHYDORE

[53 hectare site planned for development over the next 20 years with 40% dedicated to open space and waterways]

[Declared a Priority Development Area by the Queensland Government]

[The project could create 10,000 jobs over the life of the development and bulk earthworks commenced in February 2016]

[The Maroochydore City Centre will feature:]

- / fine dining
- / exclusive retail
- / prime commercial office space
- / entertainment facilities
- / a five-star hotel
- / an entertainment, convention and exhibition centre



\$5 BILLION OCEANSIDE KAWANA | BIRTINYA

[Stockland are also currently developing Oceanside Kawana into a world class destination with a mix of housing, retail and business uses, including a new town centre]

[At the heart of Oceanside Kawana will be the multi-billion dollar Health Hub and Sunshine Coast Health Campus that will become one of the most vital health and medical research districts anywhere in Australia]

[The total economic benefit during the development of Oceanside Kawana is forecast to top \$5.3 billion over the next 15 years and generate more than 3,000 jobs per annum during the development phase]

[On completion, the project is anticipated to create approximately 12,000 ongoing jobs and contribute \$828 million annually to the local and state economy]



\$81 MILLION SUNSHINE COAST UNIVERSITY UPGRADE | SIPPY DOWNS

[The University of the Sunshine Coast is one of Australia's fastest growing Universities]

[Consequently, an upgrade to the campus was recently completed in 2015 and the University now has around 12,000 student enrolments]



\$4 BILLION PALMVIEW MASTER PLANNED COMMUNITY | SIPPY DOWNS

[Construction of the Palmview Master Planned Community is scheduled to commence in 2016]

[Upon completion, the project will contain around 5,000 dwellings, house an estimated 16,000 residents and have generated numerous employment opportunities]

[The project will also include primary and secondary schools, community parks, an aquatic centre, library and a district shopping centre]



\$1.1 BILLION BRUCE HIGHWAY UPGRADE

[The upgrade of the Bruce Highway between Caloundra Road and the Sunshine Motorway has been described as a critical step in improving the gateway to the Sunshine Coast]

[The seven kilometre section of highway will be upgraded from four to six lanes which will enable the speed limit to be increased to 110 kilometres per hour]

[This project is scheduled to commence in late 2016 and forecast to be completed by 2020]

AN ANNUAL INCREASE IN POPULATION OF 1.8% BEING RECORDED DURING 2014

POPULATION GROWTH

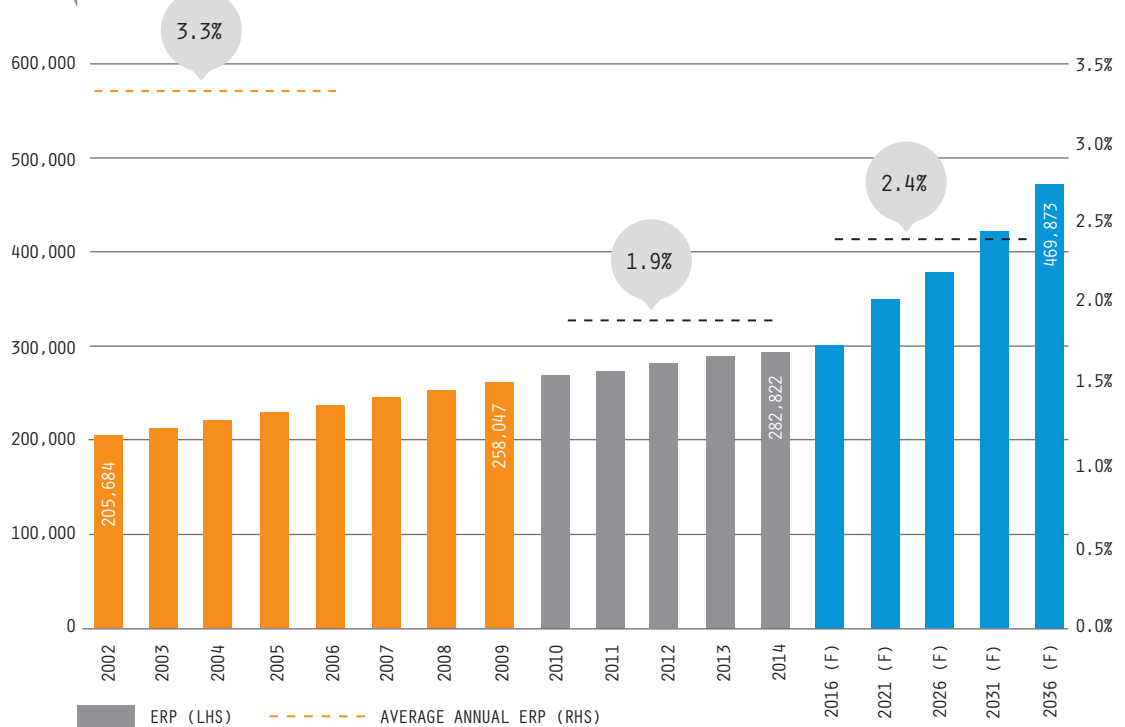
Population growth on the Sunshine Coast has historically been driven by lifestyle and affordability.

New residents moving to the Sunshine Coast slowed considerably post the Global Financial Crisis with the lowest level of annual population growth recorded during 2011 at 1.6%. This slowdown appears to be turning a corner however, with an annual increase in population of 1.8% being recorded during 2014.

The Sunshine Coast Local Government Area (LGA) currently contains a population of around 290,000. This population is projected to reach 469,873 persons in 2036 which represents annual growth of 2.4% per annum (chart 2).

Population growth is forecast to be strongest between 2016 and 2021, which coincides with the Sunshine Coast economy entering into a new growth phase. The key residential market segments that are forecast to experience the strongest growth on the Sunshine Coast include young families, empty nesters and retirees.

CHART 2



SUNSHINE COAST LGA ESTIMATED RESIDENT POPULATION (ERP) – ACTUAL AND FORECAST (MEDIUM SERIES)

EMPLOYMENT

Historically, there have, at times, been constraints to employment growth on the Sunshine Coast that have also impacted economic growth.

However, as the chart below identifies, the commencement of major infrastructure projects like the Sunshine Coast University Private Hospital has stimulated employment growth post 2013 and other projects like the Sunshine Coast University Public Hospital will continue to accelerate the creation of jobs to 2021 and beyond. The period from 2016 to 2021 and beyond looks set to provide the strongest period of employment growth in the Sunshine Coast's history.

As at November 2014, the Sunshine Coast region contained a labour force of 163,500. This is forecast to reach a minimum of 182,100 by November 2019 indicating that 18,600 new jobs will be created during this five year period (chart 3). This forecast, whilst positive, is not surprising given the large scale infrastructure projects currently under construction or proposed for the future.

Employment growth will be imperative for the future economic prosperity of the Sunshine Coast and the transition to a longer term sustainable economy. A key focus in achieving this challenge will be the ability to execute the current plan to attract major investment into emerging industries such as health, education, aviation and science on the Sunshine Coast (chart 4).

CHART 3

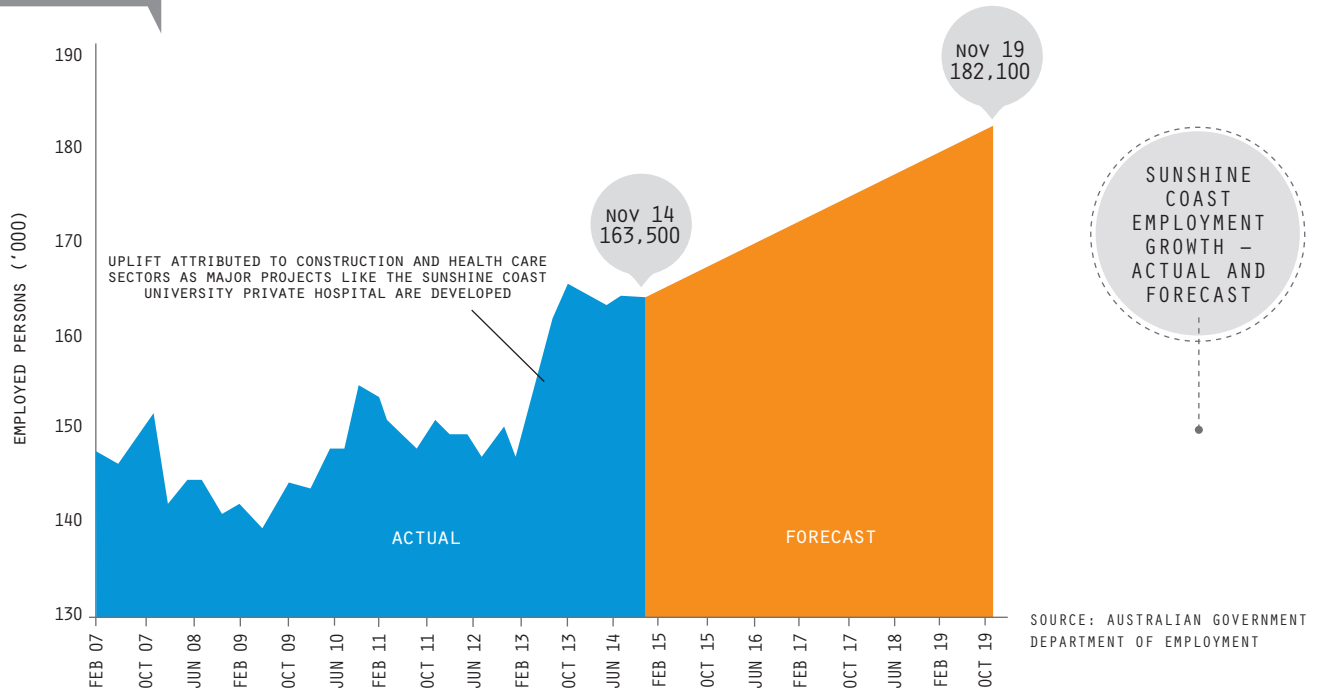
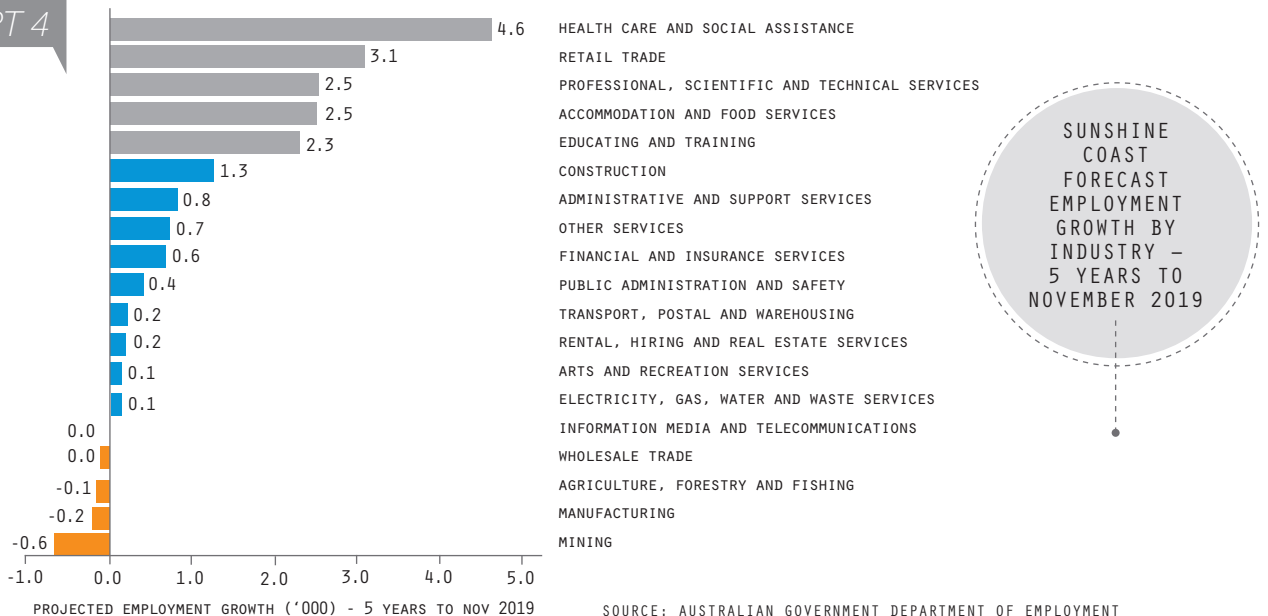


CHART 4



RESIDENTIAL MARKET TRENDS

DWELLING APPROVALS ACT AS A KEY LEAD INDICATOR IN DEMONSTRATING CONFIDENCE TOWARDS THE RESIDENTIAL SECTOR

The charts below highlight that sales volumes and prices for detached houses and attached dwellings (apartments and town houses) have both trended upwards post the market trough experienced in 2012.

It is interesting to note that the detached housing market median price is currently around \$500,000, which is above previous market peaks and demonstrating price growth of 13.6% from 2012 (chart 5). However, the attached dwelling market is still below previous market price peaks and demonstrating price growth of only 6.1% from 2012, indicating it may currently be undervalued and lagging behind the detached housing market from a cyclical perspective (chart 6).

This trend, alongside strong economic fundamentals and an unprecedented spend on infrastructure projects, are key factors that will help apartments to perform strongly on the Sunshine Coast between 2016 and 2021.

CHART 5

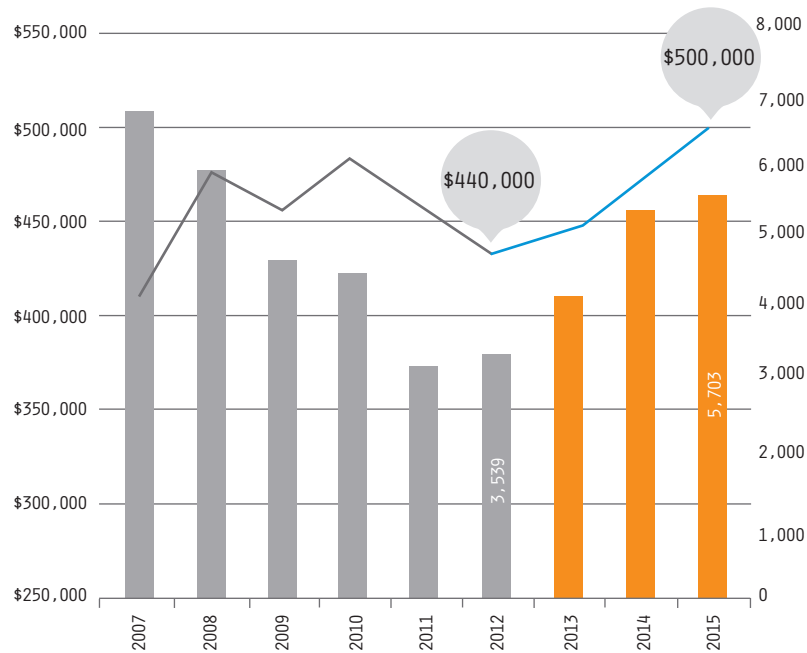
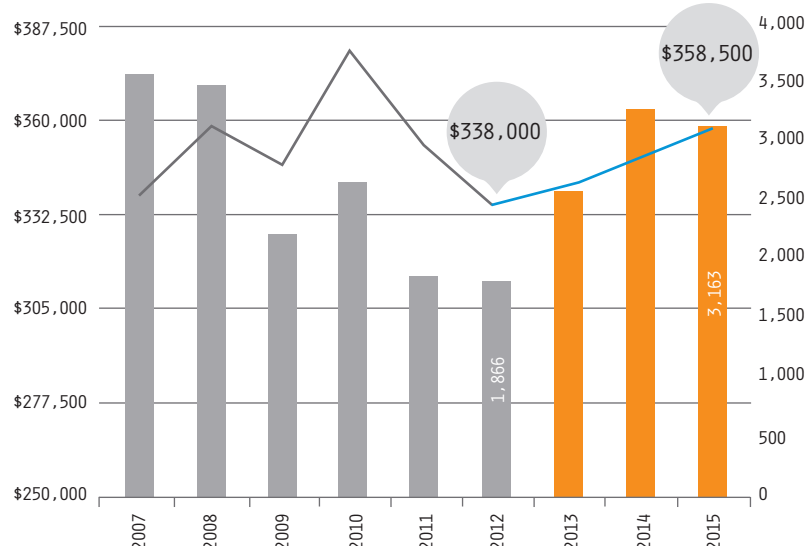
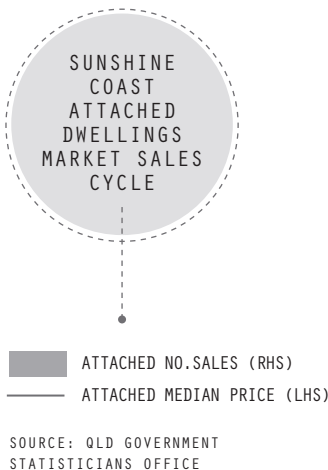


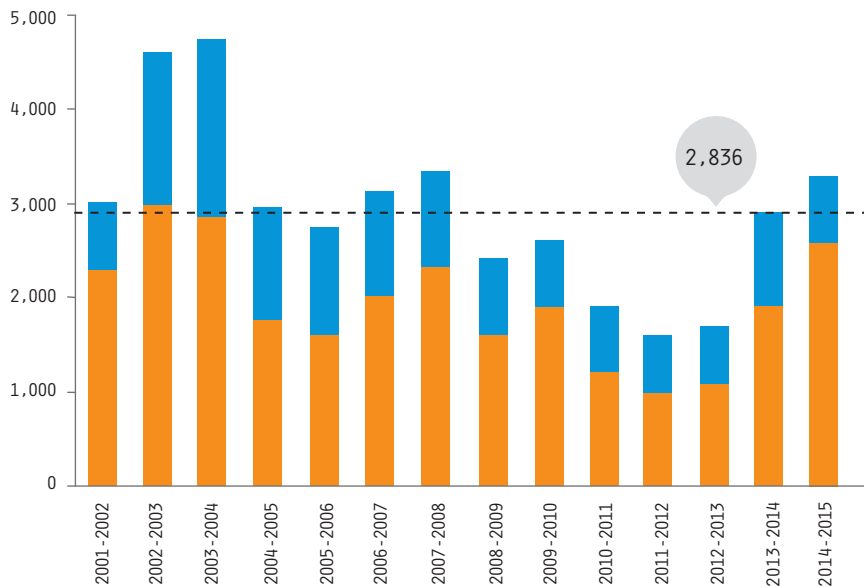
CHART 6



THE SUNSHINE COAST WILL REPRESENT ONE OF THE BEST PERFORMED RESIDENTIAL MARKETS IN SOUTH EAST QUEENSLAND BETWEEN 2016 AND 2021

Dwelling approvals act as a key lead indicator in demonstrating a level of confidence towards the residential sector of the property market. The following charts clearly demonstrate that post a downturn period commencing around the time of the Global Financial Crisis, dwelling approvals have experienced an uplift in activity. This bodes well for current and future confidence levels regarding the Sunshine Coast residential property market (charts 7 and 8).

CHART 7

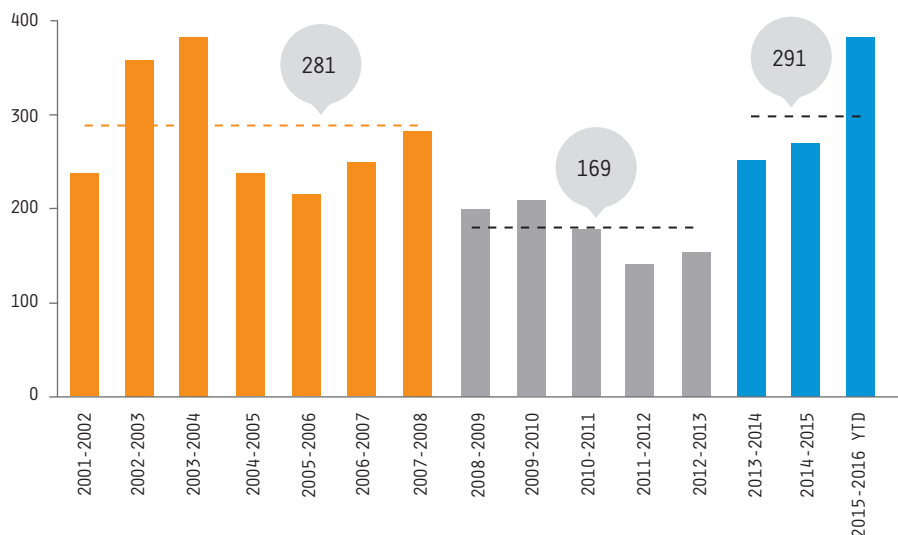


SUNSHINE COAST RESIDENTIAL DWELLING APPROVALS BY FINANCIAL YEAR

ATTACHED PRODUCT
DETACHED HOUSES

SOURCE: ABS, QLD GOVERNMENT STATISTICIANS OFFICE

CHART 8



SUNSHINE COAST AVERAGE RESIDENTIAL DWELLING APPROVALS PER MONTH BY FINANCIAL YEAR

SOURCE: ABS, QLD GOVERNMENT STATISTICIANS OFFICE

RESIDENTIAL MARKET TRENDS

cont.

The following chart (*chart 9*) highlights attached dwelling approval trends (apartments and town houses) for the key South East Queensland markets of Brisbane, Gold Coast and the Sunshine Coast.

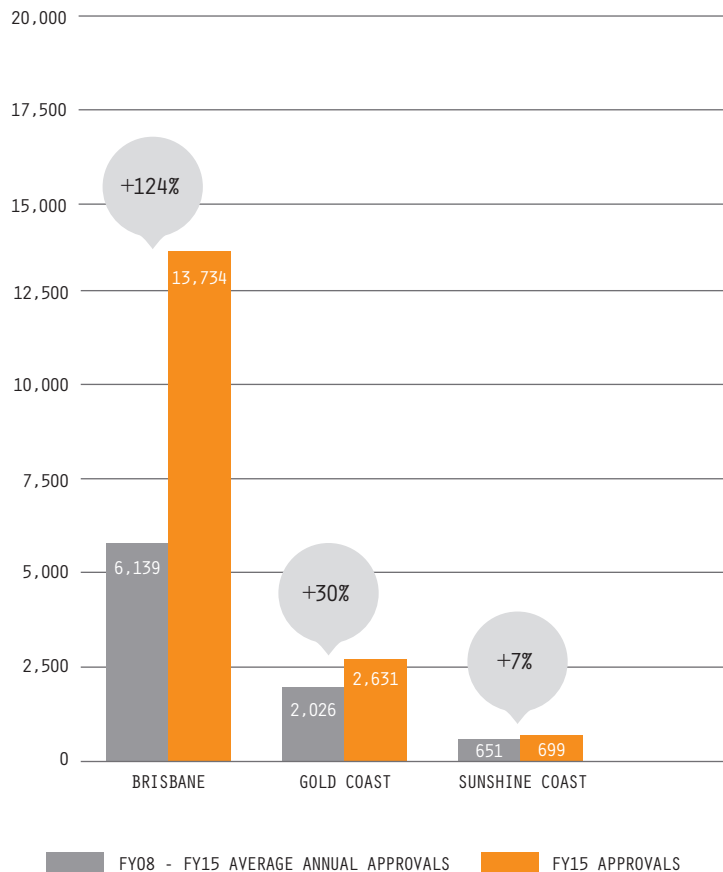
The chart indicates that attached dwelling approvals attained in Brisbane during FY15 were 124% above the annual average between FY08 to FY15. In similar, but less magnified circumstances, attached dwelling approvals attained on the Gold Coast during FY15 were 33% above the annual average between FY08 to FY15 and only 7% higher on the Sunshine Coast.

Whilst recent confidence has improved on the Sunshine Coast regarding the wider residential market, the apartment market is lagging Brisbane quite considerably and the Gold Coast moderately, indicating that the next growth phase of this cycle may have only just commenced.

This trend, alongside strong economic fundamentals and an unprecedented spend on infrastructure projects, contributes strongly to the belief that the Sunshine Coast will represent one of the best performed residential markets in South East Queensland between 2016 and 2021.

CHART 9

KEY SOUTH EAST QUEENSLAND MARKETS – ATTACHED DWELLING APPROVALS GROWTH AND COMPARISON

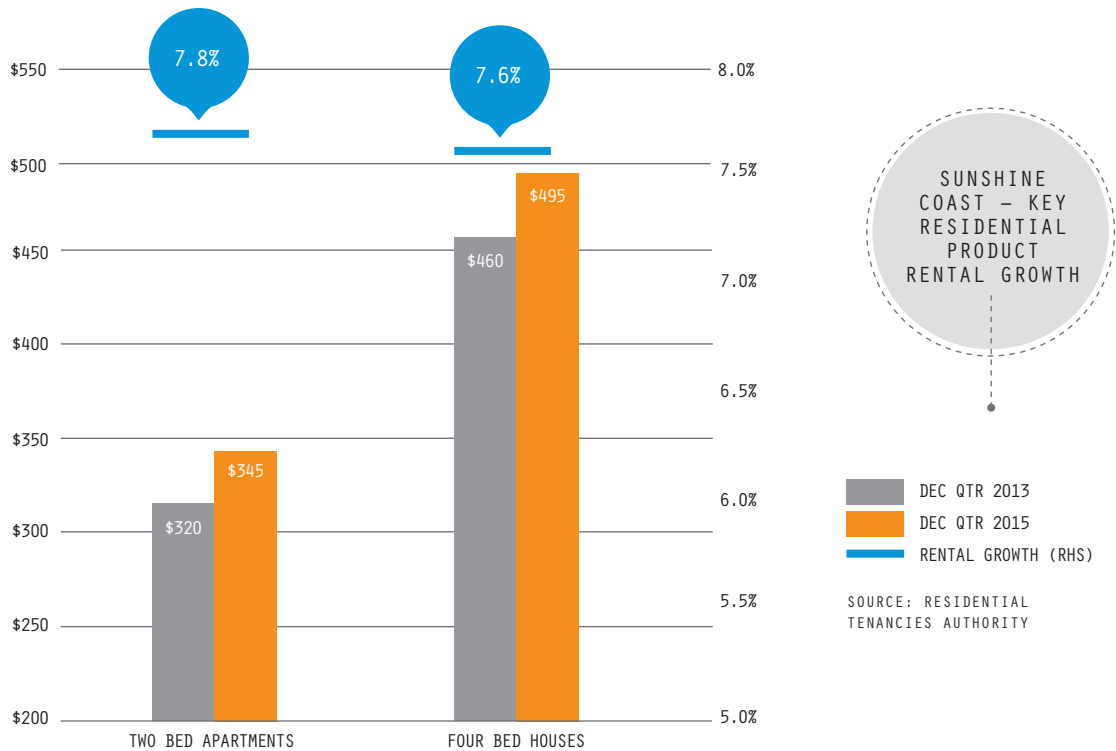


SOURCE: ABS, QLD GOVERNMENT STATISTICIANS OFFICE

RENTAL MARKET ON THE SUNSHINE COAST HAS PERFORMED WELL OVER THE PAST TWO YEARS

The chart below (chart 10) indicates that the rental market on the Sunshine Coast has performed well over the past two years with strong growth achieved for two key residential product types, being two bedroom apartments (7.8%) and four bedroom houses (7.6%).

CHART 10



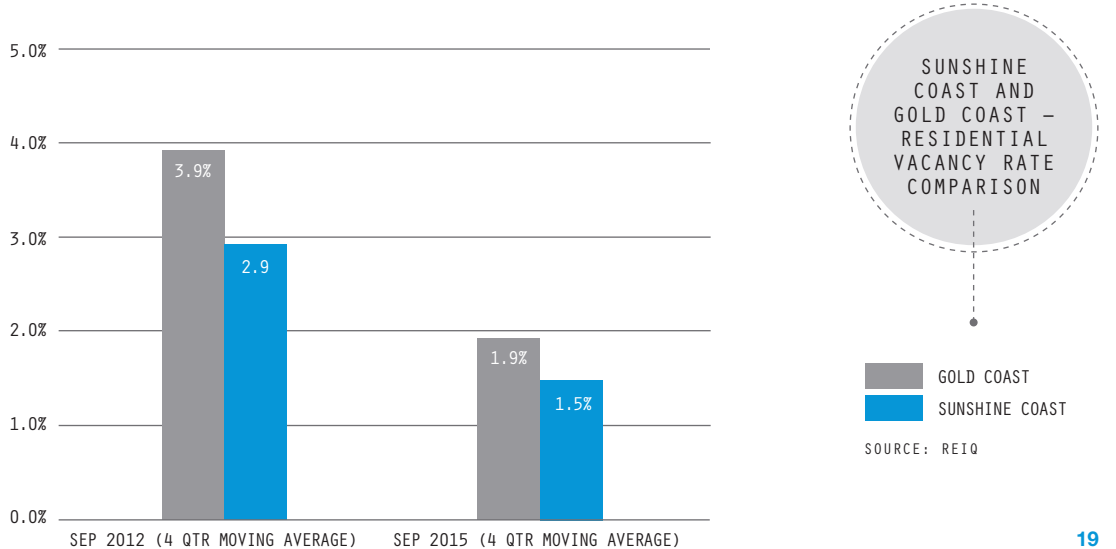
SUNSHINE COAST – KEY RESIDENTIAL PRODUCT RENTAL GROWTH

DEC QTR 2013
DEC QTR 2015
RENTAL GROWTH (RHS)

SOURCE: RESIDENTIAL TENANCIES AUTHORITY

The chart below (chart 11) also indicates that the rental market on the Sunshine Coast has performed well over the past two years with residential vacancy rates decreasing from 2.9% in September 2012 (4 qtr moving average) to 1.5% in September 2015 (4 qtr moving average). Sunshine Coast residential vacancy rates also currently remain lower than the Gold Coast, a region that has experienced a strong level of renewed economic and development confidence in recent times.

CHART 11



SUNSHINE COAST AND GOLD COAST – RESIDENTIAL VACANCY RATE COMPARISON

GOLD COAST
SUNSHINE COAST

SOURCE: REIQ

THE SUNSHINE COAST AIRPORT IS THE FASTEST GROWING AIRPORT IN AUSTRALIA, WITH A 13.8% INCREASE IN PASSENGERS FOR THE YEAR ENDING SEPTEMBER 2015

TOURISM

The following table highlights that the Sunshine Coast tourism industry has experienced recent growth according to key lead indicators. This growth has been encouraged by the weakening of the Australian dollar as the resources sector slows.

SUNSHINE COAST KEY TOURISM INDICATORS COMPARISON – YEAR ENDING JUNE 2015

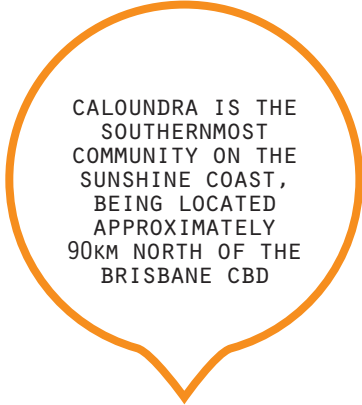
	VISITORS	HOLIDAY	VISITING FRIENDS & RELATIVES	BUSINESS	EXPENDITURE (\$M)
Domestic Overnight	2,873,000	1,583,000	996,000	203,000	\$1,800.70
International Overnight	257,000	194,000	54,000	6,000	\$193.60
TOTAL	3,130,000	1,777,000	1,050,000	209,000	\$1,994
ANNUAL CHANGE	↑3.4%	↑2.6%	↑4.2%	↑25.5%	↑1.7%

SOURCE: TOURISM AND EVENTS QUEENSLAND, SUNSHINE COAST REGIONAL TOURISM SNAPSHOT

Another recent milestone achieved in late 2015 that will encourage future tourism growth on the Sunshine Coast was when Qantas Airways flew into Sunshine Coast Airport, re-establishing direct daily services after a break of ten years.

Qantas' international reach is very strong, and by re-connecting the Sunshine Coast to its network, it will allow the region to market itself more strongly in Asia, Europe and America as a holiday destination.

The Australian Government's Bureau of Infrastructure, Transport and Regional Economics (BITRE) data revealed the Sunshine Coast Airport as the fastest growing airport in Australia, with a 13.8% increase in passengers for the year ending September 2015.



CALOUNDRA IS THE SOUTHERNMOST COMMUNITY ON THE SUNSHINE COAST, BEING LOCATED APPROXIMATELY 90KM NORTH OF THE BRISBANE CBD

CALOUNDRA COASTAL REGION OPPORTUNITY

Extensive research, due diligence and examination of the Sunshine Coast market from a local perspective have unveiled that the Caloundra coastal region currently represents one of the strongest market opportunities on the Sunshine Coast for the period ahead.

Caloundra is the southernmost community on the Sunshine Coast, being located approximately 90km north of the Brisbane CBD or 1 hour 15 minutes' drive. Given this close proximity to Brisbane, appealing beaches and laidback coastal lifestyle, Caloundra has long had a strong affiliation with Brisbane residents who regularly holiday and, in many instances, retire in this location.

Kings Beach is the main beach located at Caloundra and is popular for numerous reasons including its 25m ocean pool, children's water playground, Surf Lifesaving Club, amphitheatre and surrounding cafes.

The popularity of Kings Beach was evidenced when it was recently awarded the coveted title of Queensland's best beach by Surf Life Saving Queensland. Given the high quality of beaches located in Queensland this was a significant achievement, especially considering the many categories assessed including patrolling rates, coastal conditions, family friendliness, facilities and overall cleanliness.

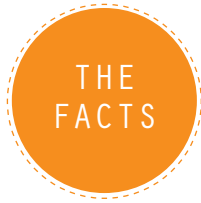
To put this achievement in perspective, Noosa's Main Beach only finished in eighth position.

A key fundamental that differentiates the Caloundra coastal property market from other Sunshine Coast regions is the hilly topography that exists. This enables property owners to attain high quality views of the beaches and Glass House Mountains for which the region is highly renowned.

The Caloundra Central Business District that offers a 'high street' character is currently being revitalised through a master planning process, and new investments in hospitality, cultural, lifestyle and creative industries are being targeted.

This can be evidenced through the recent launch of a new laneway development that is set to bring the urban culture associated with Melbourne and Sydney to the beachside CBD. When complete, this development will contain restaurants, rooftop garden, open air cinema, juice and gelato bars, pop-up shops and a microbrewery.

CALOUNDRA COASTAL REGION



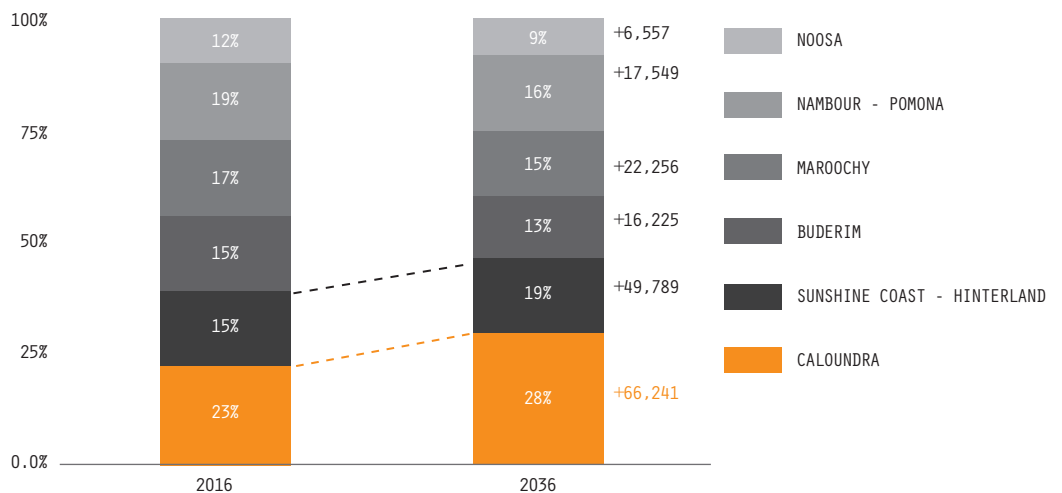
As previously identified, the Sunshine Coast is well positioned to benefit from a number of large infrastructure investment projects.

The scale and geographical location of these projects highlights that the greatest beneficiary of resultant flow-on impacts is likely to be the southern end of the Sunshine Coast and Caloundra region.

This is evidenced by the chart below (*chart 12*) which highlights the forecast share of Sunshine Coast population growth for each major region from 2016 to 2036. The Caloundra region is forecast to achieve the strongest increase in market share of the total Sunshine Coast population over the 20 year forecast period. The Caloundra region is also forecast to experience the strongest level of absolute population growth of 66,241 persons from 2016 to 2036, which equates to an annual increase of 3,312 residents.

CHART 12

SUNSHINE COAST STATISTICAL AREAS 3 (SA3) – SHARE OF FORECAST POPULATION GROWTH



SOURCE: QLD GOVERNMENT STATISTICIANS OFFICE

STRENGTH OF THE RESALE MARKET HIGHLIGHTS THAT EXISTING QUALITY APARTMENT STOCK IS UNDERSUPPLIED

The following chart (*chart 13*) highlights historical sales volumes for attached dwellings (apartments and town houses) located in the two key suburbs of the Caloundra Coast region. Sales volumes for attached dwellings have started to trend upwards in Caloundra and Kings Beach post a downturn period following the Global Financial Crisis.

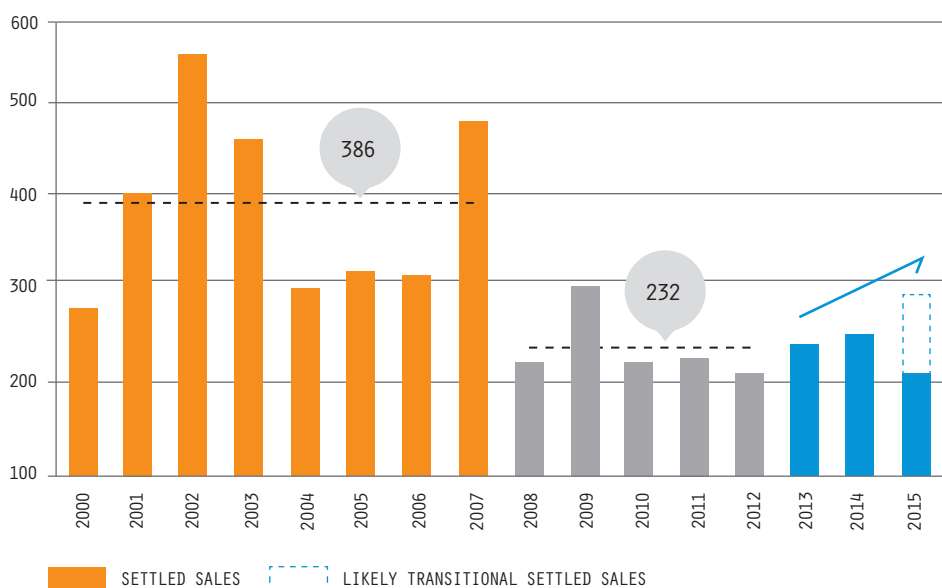
This chart also reflects that the majority of new apartment projects were launched in the Caloundra and Kings Beach market pre 2007, with limited new stock released to the market since.

A resale analysis of four key apartment projects launched during this period indicates that their recent resale performance has been strong. The four projects selected for analysis include Aspect, Points North, Linear and the Observatory and were all of a higher standard in quality and contained a location that enabled them to achieve strong local market and owner occupier acceptance.

In summary, 45 apartments were resold in these projects during 2014 and 2015. On average, the apartments sold for an increase of \$39,909 and were held for an average time period of 7.2 years. This average hold period of 7.2 years indicates that many of these apartments would have been purchased in the downturn period of the market, but still managed to achieve positive growth upon resale in 2014 and 2015.

The recent strength of this resale market highlights that existing quality apartment stock is undersupplied and further reflects the belief that, like the wider Sunshine Coast market, the next growth phase of the Caloundra coastal region apartment cycle is only now ready to commence.

CHART 13

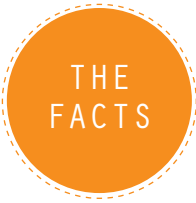


CALOUNDRA AND KINGS BEACH - ATTACHED DWELLING SALES VOLUMES

SOURCE: PRICEFINDER

CALOUNDRA COASTAL REGION

cont.



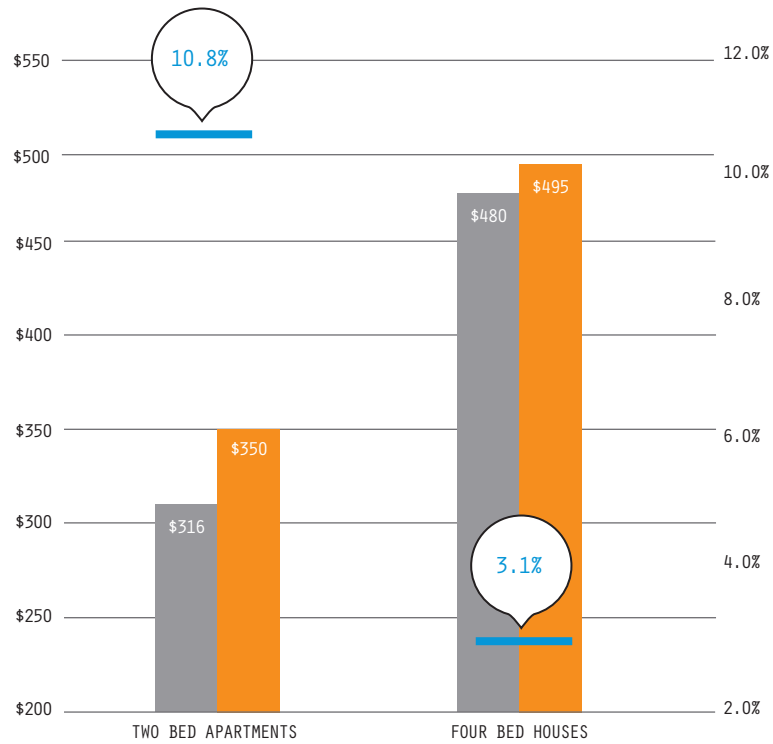
The chart below (chart 14) indicates that the rental market on the Caloundra coastal region has performed well over the past two years with strong growth achieved for two key residential product types, being two bedroom apartments (10.8%) and four bedroom houses (3.1%). It is interesting to note that rental growth for apartments has considerably outperformed detached housing, providing further evidence that this market is undersupplied with quality apartment stock.

CHART 14

CALOUNDRA COASTAL REGION – KEY RESIDENTIAL PRODUCT RENTAL GROWTH

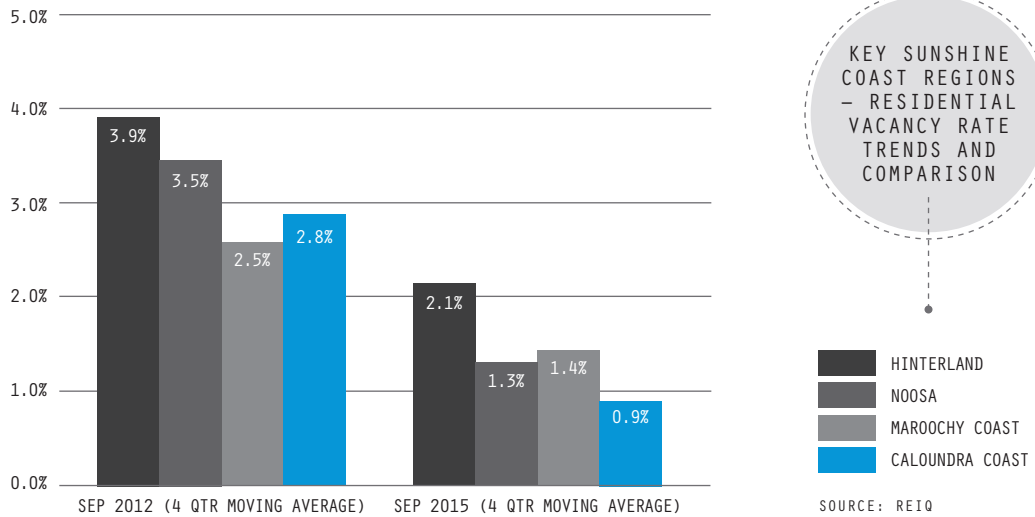
- DEC QTR 2013
- DEC QTR 2015
- RENTAL GROWTH (RHS)

SOURCE: RESIDENTIAL TENANCIES AUTHORITY



The following chart (*chart 15*) also indicates that the rental market for the Caloundra coastal area has performed extremely well over the past two years, with residential vacancy rates decreasing from 2.8% in September 2012 (4 qtr moving average) to 0.9% in September 2015 (4 qtr moving average). The current residential vacancy rate for the Caloundra coastal region demonstrates full occupancy and further confirms that this market is undersupplied with quality apartment stock.

CHART 15



CALOUNDRA COASTAL REGION – FUTURE APARTMENT SUPPLY

Despite evidence of strong demand and an undersupply of existing new apartment stock, the following table highlights that future apartment supply for the Caloundra coastal region currently remains low.

A total of only 277 apartments are currently proposed for the Caloundra coastal region, which interestingly only represents 41% of sales activity recorded in 2002 when this market peaked at 557 apartment sales.

This future supply can be further segmented with 87 apartments (31%) currently being sold off the plan, 74 apartments (27%) with a possibility of being developed and 116 apartments (42%) deferred with no commencement date currently planned.

This constrained future supply environment further substantiates the importance of timing in relation to capitalising on the existing market opportunity to deliver quality apartments on the southern end of the Sunshine Coast between 2016 and 2021.

PROJECT NAME	PROJECT ADDRESS	PROJECT CITY	APT 'S	STATUS	PROJECT STAGE
'Mahia Rise'	21-23 MAHIA TCE	KINGS BEACH	16	APARTMENTS SELLING OFF PLAN	DEVELOPMENT APPROVAL
'Ocean Verge'	27 VERNEY ST	KINGS BEACH	40	APARTMENTS SELLING OFF PLAN	DEVELOPMENT APPROVAL
'Aqua View'	29-31 CANBERRA TCE	KINGS BEACH	31	APARTMENTS SELLING OFF PLAN	DEVELOPMENT APPROVAL
'Milvia on Kings'	1 ARTHUR ST	KINGS BEACH	9	POSSIBLE	DEVELOPMENT APPROVAL
'Maltman Street Units'	25-31 MALTMAN ST	KINGS BEACH	65	POSSIBLE	DEVELOPMENT APPROVAL
'Canberra Terrace Units 1'	6 CANBERRA TCE	CALOUNDRA	36	DEFERRED	DEVELOPMENT APPLICATION
'Revere Apartments'	87-89 LANDBOROUGH PDE	GOLDEN BEACH	41	DEFERRED	DEVELOPMENT APPROVAL
'Dingle Avenue Units'	5 DINGLE AVE	KINGS BEACH	30	DEFERRED	DEVELOPMENT APPROVAL
'Canberra Terrace Units 2'	21-23 CANBERRA TCE	KINGS BEACH	9	DEFERRED	DEVELOPMENT APPROVAL
TOTAL			277		

SOURCE: CORDELL, CORELOGIC RP DATA

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