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Land developers

SPECIAL REPORT





TUNED IN: Brendan Gore says Peet has substantially altered its operations in recent years to ride out the challenges in WA's land market. **Photo:** Gabriel Oliveira

Optimism back but risk remains

WA's residential land developers are cautiously positive the market is rebounding, but likely economic disruption from the COVID-19 pandemic could press pause on the recovery.



Dan Wilkie
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6-PAGE FEATURE

WESTERN Australia's land developers were an upbeat bunch at the start of 2020.

Many were reporting their best sales figures in several years as an upswing of economic activity, primarily from the state's resources sector, was finally flowing into the residential property market.

Dwelling commencement forecasts, a leading indicator closely linked to the land development market, have moved into positive

territory in the first few months of the year, with the Housing Industry Association saying the half-decade long slump in housing construction activity is coming to an end.

The HIA says it expects the 2020 financial year to be the trough of the current market cycle at 11,435 detached home starts, with 2020-21 forecast to be the first fiscal year since 2014-15 to experience an increase in housing construction activity, with an uptick of 21 per cent.

Cedar Woods Properties managing director Nathan Blackburne said general sentiment among developers was as good as it had been for half a decade, with buyers more willing to purchase on the back of record-low interest rates and a friendlier finance environment.

He said enquiry and sales were up across all of Cedar Woods' WA estates, with modest price growth achieved at its Ariella Private Estate in the north-eastern suburbs.

"It has probably been a good five years since the industry has seen price growth for any new housing product," Mr Blackburne told *Business News*.

"There are pockets of Perth that are performing well, and the lower supply areas that are a bit closer to the city are those that traditionally perform better than those projects that are further out.

"Certainly in a recovery what tends to happen is that projects closer to the city tend to recover first.

"What we've seen over December-January is the southern corridor estates, which have been doing it tough in recent years, performing better."

Mr Blackburne said a major change at Cedar Woods had been in the profile of buyers at its Byford and Baldivis estates, with fly-in, fly-out workers more prevalent purchasers.

"The FIFO workers are feeling more secure with their employment, they are showing greater

“ There is a light at the end of the tunnel with the investment market, it's starting to reappear... it's certainly far more active than it was 12 months ago - Mark Hector

confidence in the market having bottomed, they believe that it's a good time to buy and we are seeing much more activity as a result," he said.

At Qube Property Group, managing director Mark Hector was celebrating the return of investors to the land development sector, following the launch of the company's Aspley estate in the southern suburbs midway through last year.

Mr Hector said Qube had also experienced an uptick of traffic and sales across all of the company's estates since November, with improved economic

fortunes and buyers showing confidence that the market had bottomed.

"There is a light at the end of the tunnel with the investment market, it's starting to reappear," Mr Hector told *Business News*.

"It's very small doses but it's certainly far more active than it was 12 months ago.

"If you look at the vacancy rate now being extremely low compared to what it was the last three to four years, it was only a matter of time before they were going to dip their toe back in the water."

Peet managing director Brendan Gore said the ASX-listed

developer had considerably altered its strategy in recent years, adjusting to a market of limited demand and slow sales.

And with 20,000 lots in its WA landbank, Mr Gore said Peet would continue to be cautious in where it invested its considerable capital.

"If we were to deploy capital it would be predominantly across the eastern seaboard at this point in time, and that's really following population growth, employment growth trends, wage growth trends and so forth," he said.

"When times are tough like they have been in WA you still have to stick to your values and what you're all about, so for us, it's about sticking with the value of community and making sure it feels like a community and it acts like a community, as opposed to from an economic sense just trying to deliver a whole heap of small lot and micro-lot product.

"That in itself can get to a point where it creates its own problems if it's not done right.

"That's where these lengthy downturns can get quite challenging and test your resolve."

WA residential land market – a snapshot

\$265,000 Median lot price
4.1% Annual growth in land prices/sqm
372sqm Median lot size in metro area
25% Median lot size reduction past 10 years
21.5% Forecast increase in detached housing commencements 2020-21



20,000 LOTS IN PEET'S WA LANDBANK

While he acknowledged the residential land market was trending in a positive direction, Mr Gore was not yet willing to call recovery until the state experienced a sustained rise in population growth, particularly from interstate migration.

"Until that gets to the neutral

line or turns positive, that's something that we would want to see before we call a market rebound," Mr Gore said.

"Typically, population growth is driven by employment, which is driven by infrastructure. If you are going to get population growth then you have to have

an infrastructure spend that is going to provide the employment.

"That is probably something that we're not really seeing at this point in time, there is Metronet and a couple of other things, but are they really population dial movers?"

"There is a significant amount of competition for labour across the eastern seaboard, with all of

the massive state infrastructure projects.

"There is also a significant amount of money going into rebuilding roads, bridges and towns and homes on the back of the bushfire devastation.

"That's all keeping us cautious, but what I can say is we are through the worst of our downturn, which has been significant, but I think it is going to take a little bit longer to get into that recovery threshold."

The downside risk, of course, is the COVID-19 pandemic that is rattling financial markets across the globe as its severity continues to increase.

"We are in uncharted territory at the moment with regards to the virus and the effect that's going to have on the WA and international economies," Qube's Mr Hector said.

"We know it's going to be negative so as a result of that, I think sales are probably going to be slower."

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Cedar Woods Properties



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Resources driving industrial rebound



ROLLOUT: iParks Property Group developed a purpose-built new headquarters for Freo Group at its Latitude32 landholdings. Photo: iParks

Resources-related investment is helping Perth's industrial land sector bounce back from a five-year downturn in investment.

Dan Wilkie

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INDUSTRIAL land developers say increased leasing activity and a rise in investment volumes are key indicators that the market has turned, with cautious optimism emerging that the sector can ride out the short-term shock of the COVID-19 outbreak.

Western Australia's resources sector is largely behind the increased optimism, with forecasts by JLL and CBRE indicating investment activity is likely to gain momentum throughout 2020.

Commercial agency **CBRE** has reported significant positivity in the sector, with demand for workshops increasing as fabrication and engineering groups expand to keep pace with an uptick in resources-sector contracting activity.

CBRE's research identified around \$50 billion in resources investment on which proponents are expected to make a final investment decision in 2020 or 2021, including Woodside's Scarborough and Browse LNG developments, as well as Perdan's \$4.5 billion proposed urea fertiliser plant on the Burrup Peninsula.

On the investment side of the equation, **JLL** research showed there was \$217 million worth of industrial land transactions in 2019 (for sales worth \$10 million or more) and while that remains below the 10-year average of \$364 million, the activity was significantly up on the 2016 to 2018 period.

Industrial developer **Linc Property's Ben Lisle** told *Business News* that enquiry at the company's estates had been particularly strong to start 2020.

"Certainly we have found that the mood and confidence has been good at the start of the year, despite the broader global uncertainty," Mr Lisle said.

"We have seen really good enquiry ... and people starting to transact."

He said e-commerce and logistics companies were driving demand at Linc estates, with the upturn in mining and resources flowing on to small-scale fabrication and manufacturing.

He said Linc's two newest estates, the Roe Highway Logistics Park and the Tonkin Highway Logistics Park, would both likely be at capacity by the end of 2020.

"We've been really happy with Roe Highway, and we've seen good

takeup even though we launched into a relatively weak market," Mr Lisle said.

"We are more than 60 per cent done and we anticipate the project will be committed, if not completed, by the end of this year.

"And it's the same thing at Tonkin; we are more than 80 per cent committed there and we have seen a pretty strong start to the year.

"Even through the COVID-19 uncertainty we are seeing people continue to want to transact, which is good.

"But we are early into that real volatility now so we have to see how that plays through, I suspect it's going to affect all of the asset classes for a while.

"At the moment, all things considered, it all feels pretty good. But obviously no one is immune to the macro uncertainty."

Mr Lisle said once its Roe and Tonkin highway estates were complete, the group would concentrate its focus largely on developing 800 hectares of land in Middle Swan, Muchea and Bullsbrook.

Linc acquired the land as part of the consortium that bought Midland Brick last year, which

“ Demand has improved and the businesses that are making those early decisions will benefit from it - Tony Canci

also features Fini Group and CFC Group subsidiary Birchmead.

"Quite a few of the planning submissions around the surplus land have either been submitted or are about to be submitted," Mr Lisle said.

"It's a combination of residential and then there is a portion that will stay industrial with the Midland Brick operations.

"We are in the final stages of resolving the conditions precedent and proceeding with that."

In Perth's southern suburbs, family-owned developer **iParks Property Group**, part of development and construction conglomerate Canci Group, has taken an early view on potential gains from the possible shift of WA's main import-export port to the Kwinana area.

The company owns around 236ha of industrial land across the state, with one of its flagship assets a 12ha parcel of land at DevelopmentWA's Latitude32 precinct near Kwinana.

iParks chief executive **Tony Canci** said the findings of the state government's Westport Taskforce were creating optimism around the Kwinana area.

"We have seen businesses wanting to be early movers and move down this way," Mr Canci said.

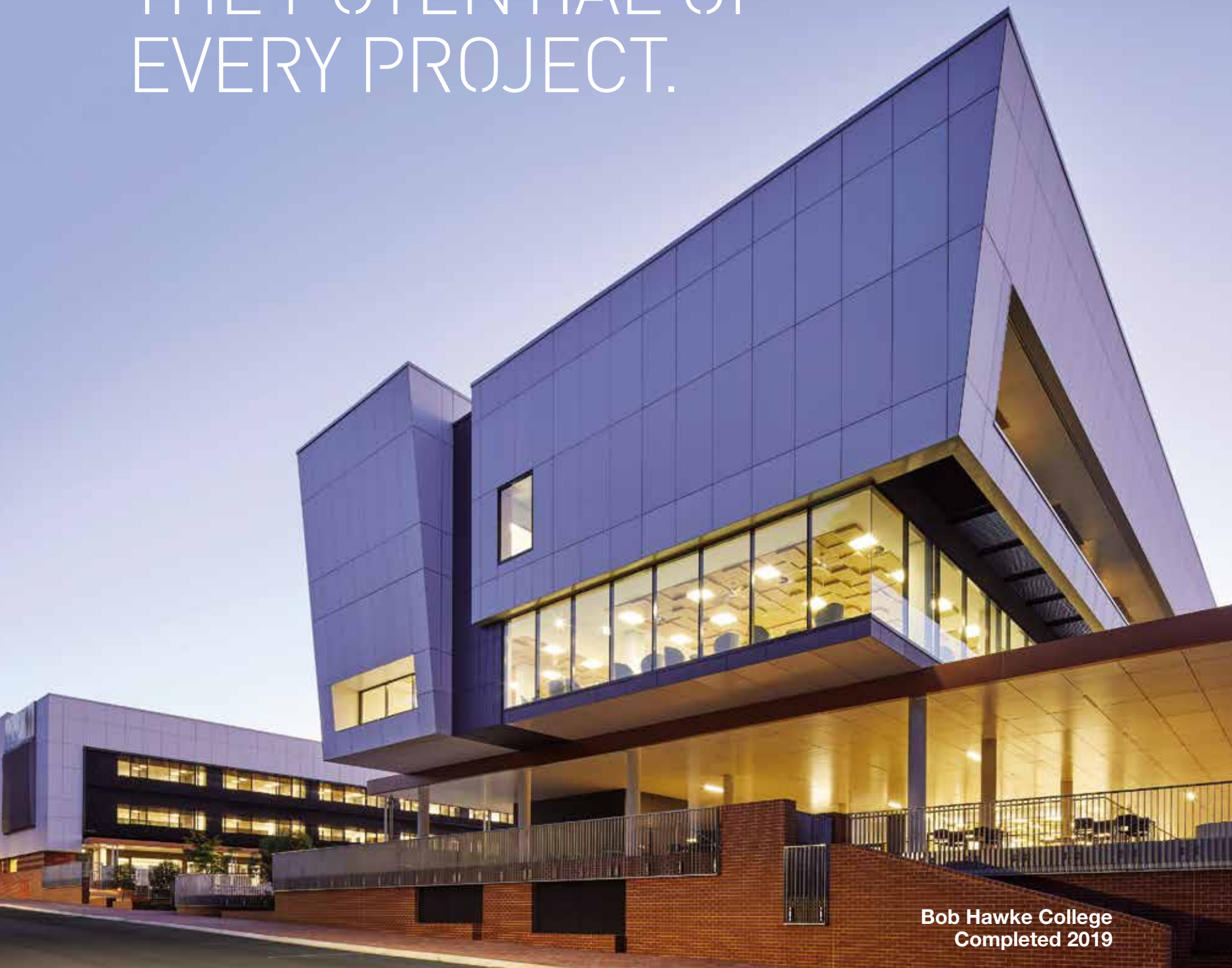
"Demand has improved and the businesses that are making those early decisions will benefit from it.

"We made the decision to invest there five years ago, but I think Westport and the general increase in economic activity has improved the demand in that area."

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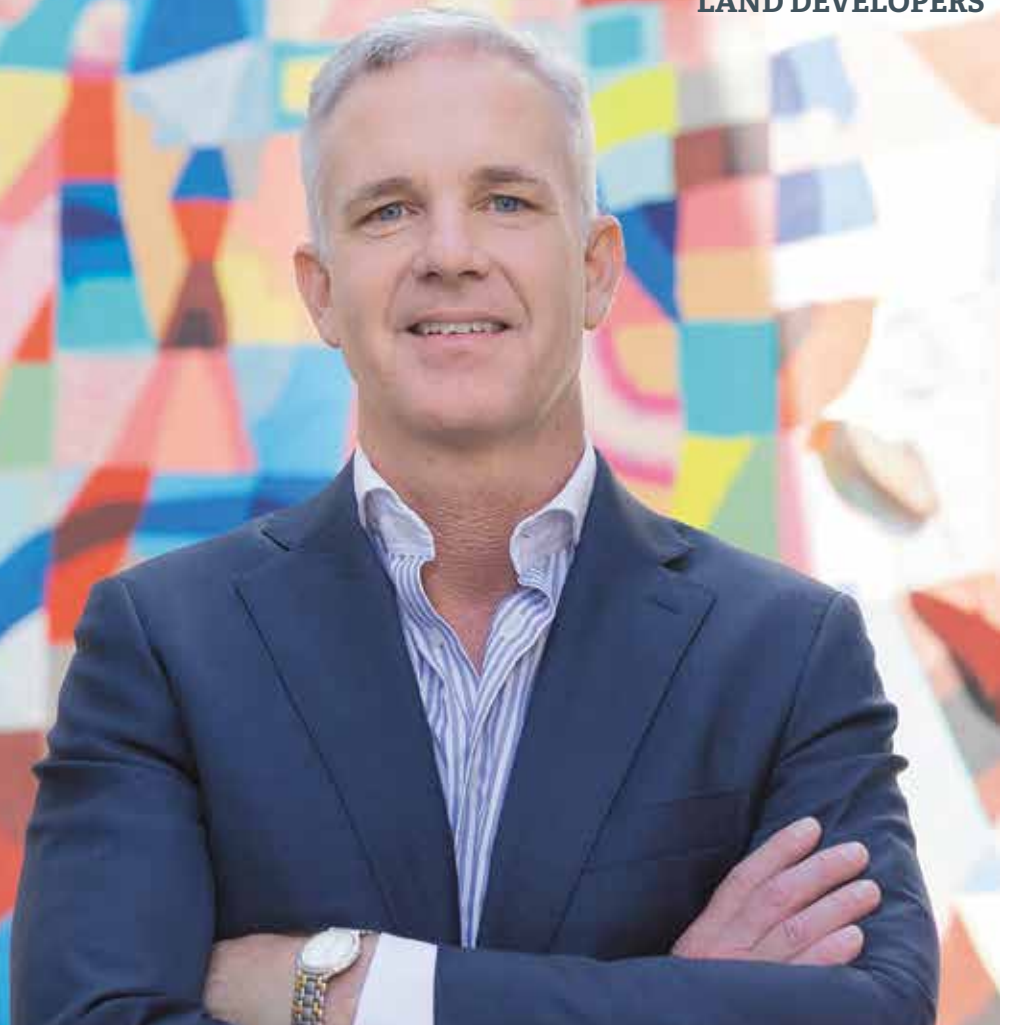
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BUILDING POTENTIAL

Density debate reaches the 'burbs



IN FOCUS: Duane Cole says understanding a place's history and what it means to the community is key to avoiding conflict. **Photo:** Gabriel Oliveira

Flashpoints over increased density are reaching the urban fringe, with local community groups in outer suburbs resisting change as much as their inner-city counterparts.

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LAND developers need to change the way they consult with the community to facilitate mixed-use development and higher densities along the urban fringe.

That's the call from **Roberts Day** director **Duane Cole**, who says developers and the community alike need to focus on outcomes that provide a positive and sustainable long-term legacy.

Mr Cole told *Business News* that moving away from traditional urban fringe development of large blocks and providing medium-density product in outer-urban areas was a big contributor to conflicts emerging between community groups and the development industry.

"We've become accustomed to a certain pattern of suburban development along the fringe, which is really causing a lot of angst and concern at a local government level," Mr Cole said.

"We know that type of development doesn't support itself and I think what we need to challenge

in the planning system is how we do development in that space differently, and how we think about it differently.

"Potentially something we need to address is how we can try and encourage other forms of development on the fringe, beyond what you would expect in a suburban pattern.

"Mixed-use, walkable catchments are where we have a sense of sustainability. Whether that be from a social perspective or an economic perspective, that's what we should be encouraging."

Mr Cole's commentary comes against a backdrop of recent flare-ups between developers and community groups in the metropolitan area, one of which has emerged in Port Kennedy.

Singaporean-owned developer **Western Australia Beach and Golf Resort** has been planning to create a \$425 million beach-side estate in Port Kennedy for nearly three decades, with a local structure plan recently released for public comment.

The development is centred around The Links Kennedy Bay

golf course, with the proposal to comprise around 900 residential lots, a redeveloped clubhouse and a new town centre precinct.

Port Kennedy Progress Association chair Dirk Mulder said the local community was particularly concerned around the size of the blocks to be developed at Kennedy Bay, as well as the capacity of the local road network to handle the increased density.

"From a density point of view, we don't have a problem with it because there will be people that want density," Mr Mulder said.

"But it is sprinkled throughout the estate rather than concentrated around the town centre that they're planning.

"Port Kennedy, as an outer coastal suburb, is a place where families come to have space, not to sit in [small houses] next to each other without any transport or other links.

"If you want to lift it out and stick it in Subiaco or West Perth, you could actually see some merit in that, because it makes sense. But where it is in Port Kennedy, it is just wrong."

“Potentially something we need to address is how we can try and encourage other forms of development on the fringe, beyond what you would expect in a suburban pattern - Duane Cole

While Mr Mulder claimed the local community had not been engaged prior to the plan being released for public comment, the project's proponents say there had been a long history of consultation prior to the formulation of the plans.

Responding to the criticism, a spokesperson for WABGR said the developer had worked closely with several community groups to formulate its development plan, including Mr Mulder's PKPA, the Friends of Port Kennedy and the Kennedy Bay Community Association.

The spokesperson said that consultation had resulted in a development plan to create a

coastal destination attractive for tourists and visitors as well as the local community.

"A mix of activated spaces, strong recreational services, medium-density housing and a thriving local economy is integral in ensuring this outcome," the WABGR spokesperson said.

"At its heart will be a new local centre, with walkability and visual connection to the beach front at its fore."

Meanwhile, in the Perth Hills, **Satterley Property Group** is facing stiff opposition from resident groups over its Stoneville North project, which has been proposed to be built on land owned by the Anglican Diocese of Perth.

Satterley has proposed to deliver around 1,400 lots at Stoneville, a plan that locals claim is a planning disaster because the existing road network could not handle such an increase in density.

In August, the **Shire of Mundaring** recommended the Western Australian Planning Commission not approve the Satterley plan, on the grounds that it would increase the risk of properties being lost to bushfires and cause traffic management issues.

Satterley, however, maintains that the estate is necessary to increase the housing choice in the Perth Hills area, and to create job opportunities throughout its construction phase, as well as future jobs once a new town centre is developed.

While not willing to comment on specific developments, Roberts Day's Mr Cole said many conflicts around density had arisen because of a lack of understanding around the consequences of change.

"The more engagement you have with the community up front increases the likelihood



OPENING UP: The Kennedy Bay estate is designed to provide better access to an underutilised pocket of coastal land. **Photo: PKPA**

1,400 LOTS AT SATTERLEY'S PROPOSED STONEVILLE PROJECT

that you will future-proof the pathway through to approval," Mr Cole told *Business News*.

"We have got projects that have chosen not to do that and we have challenges securing the approvals.

"It's really important that we have the buy-in on what we are

trying to do by all stakeholders, including the local community. So that collaboration is absolutely crucial."

Mr Cole said Roberts Day's placemaking approach to planning was helping to assuage community concerns in many instances.

"Places are complex and they are very difficult for people to understand and they don't understand the planning system either," he said.

"So it's important that we break away from the planning systems and really talk about the place in the first instance to get everyone on the same page.

"Once we've done that we've broken down a lot of barriers, and that enables us to have the

hard discussions around matters of planning, urban design and what's necessary to fulfil that expectation.

"At the end of the day, we are technicians, and when we go to a project there is no-one that knows a site better than the locals.

"So we want to tap in to that intelligence because that can actually make your project far more robust than if we were to do that in isolation."

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