

BayLife Deception Bay Market Overview Report

Prepared for **BayLife Capital Limited**
By Broad Property Research & Advisory Pty Ltd
ABN 86 563 894 018

April 2016



Release Number Two

BAYLIFE APARTMENTS DECEPTION BAY – QUEENSLAND



INVESTMENT ANALYSIS SCORECARD APRIL 2016

GROWTH ACCELERATOR FACTORS			
Attributes	Maximum score	Project score	Commentary
Population growth	15	15	Population growth rate of 4.4% pa; top 3 in Qld and top 6 across all of Australia
Infrastructure investment	15	15	More than \$1 billion in local infrastructure investment currently underway
Employment access	15	12	Over 25,000 businesses in the region, employing 112,000 local residents
Rental demand	15	15	Current vacancy rate of 1.0% suggests a significant shortfall of rental product
Rental returns	15	15	Apartments in Deception Bay are currently achieving gross rental yields of 6.3% pa
	75	72	

AREA / DEVELOPMENT FACTORS			
General development amenity	10	8	Architect-designed project with extensive resident-only recreation facilities
Development margin factor	10	10	Development margin of just 20.7%
Shopping access	5	5	Local shops within walking distance; Westfield within 7km
Transport access	5	3	Major arterial routes and buses nearby; rail <3km (when completed in late 2016)
Education access	5	5	Local within walking distance; major within 5km-10km
Value-for-money pricing	15	15	Under \$5,000 per square metre gross
Apartment liveability	10	10	Large internally with well-sized balconies; some with large private courtyards
Low body corporate fees	10	10	Yes
On-site management	5	5	Yes
	75	71	

TOTAL SCORE: 143/150

**This Scorecard forms part of the comprehensive Market Overview Report – April 2016
and should be read in conjunction with such report**

Executive summary

BayLife Capital Limited intends to build 74 apartments across four buildings in a resort-style development at 27-31 Webster Road in Deception Bay. Located 32 kilometres north of Brisbane's central business district (CBD), Deception Bay is in the south-eastern corner of the bay of the same name which separates the Redcliffe Peninsula and Bribie Island.

BayLife Deception Bay will comprise 18 one-bedroom plus study apartments and 54 two-bedroom/two-bathroom apartments across four low-rise buildings and beautifully-landscaped resident recreation facilities including BBQs and a swimming pool. All apartments have one car park.

The ability for tenants to share comfortably makes a property more attractive, and is a way to appeal to a wider audience of prospective renters and/or future buyers. To this end, it should be noted that the average size of the one-bedroom plus study apartments in **BayLife Deception Bay** (70m² gross) are a full 10m² (17%) larger than the average size of new one-bedroom apartments currently for sale across Brisbane (60m² gross). Such generous living space is also very appealing to owner-occupiers.

The area covered by the Moreton Bay Regional Council (in which Deception Bay is located) is the third fastest-growing Local Government Area (LGA) in Queensland behind only Brisbane City and the Gold Coast, and the sixth fastest-growing LGA in all of Australia.

Deception Bay and its adjoining suburbs have a total population of almost 102,000 permanent residents. Over the past decade, the population of these suburbs has increased by an average of 3,600 new permanent residents each year. This equates to an average annual population growth rate of 4.4%, making it one of the fastest-growing regions in Queensland. Importantly, population growth in the Deception Bay Study Area is supply-led; that is, population growth has increased when new dwellings have been delivered. This provides a significant level of comfort to proponents of new apartment projects such as **BayLife Deception Bay**.

Deception Bay is also set to be finally connected to Brisbane's extensive Citytrain network via the completion of a new 12.6km dual-track railway line from Petrie to the Redcliffe suburb of Kippa-Ring. This \$1.15 billion project is scheduled to commence operation in the middle of this year. It will include six new railway stations, including one close to Deception Bay in the adjacent suburb of Rothwell. This will connect the Deception Bay area with many more major employment centres and higher-paying jobs.

The project also includes a 3-metre wide concrete shared path for cyclists and pedestrians along the entire length of the corridor. The new rail link will:

- Provide an alternative to driving to Brisbane's Central Business District during peak periods;
- Help reduce congestion on the road network and free up capacity for journeys that can't be made using public transport;
- Provide better access to major employment centres both within and outside the Moreton Bay region;
- Help attract investment to the area and create business opportunities; and
- Act as a catalyst for growth along the route, with stations becoming hubs of new development in the region.

The importance of such major transport infrastructure improvements should not be underestimated, as research has shown that such activity can translate into:

- Higher population growth;
- Greater “rentability” and hence higher rental demand;
- Increased property values; and
- A wider target market from which buyers and renters come.

In addition, ongoing upgrades of the Bruce Highway and the Gateway Motorway will continue to improve the connectivity of Deception Bay to other major centres including Brisbane City, Brisbane Airport and the Sunshine Coast.

The vacancy rate for permanent rental accommodation in Deception Bay is currently just 1.0%. A vacancy rate under 3% suggests a significant shortfall of suitable rental product. In fact, Deception Bay has one of the lowest residential vacancy rates of all areas in Queensland.

Such a tight rental market has already created significant upward pressure on rents. Weekly permanent rents across Deception Bay have increased by an average of \$11 per week per annum over the past year, an annual growth rate of around 4%. Apartments in Deception Bay are currently achieving gross rental yields of 6.3% per annum. This is not only an excellent return in the current investment climate but places Deception Bay as one of the better-performing suburb across the region.

According to the Residential Tenancies Authority, more than 76 new rental bonds are lodged each month in Deception Bay. Such strong demand for rental accommodation in Deception Bay is not surprising given that 37% of households in Deception Bay are renting. This is higher than the Queensland average and suggests there will be strong demand for new apartment product such as **BayLife Deception Bay**.

Not only are the apartments in **BayLife Deception Bay** much larger than those in many competing projects, the pricing of **BayLife Deception Bay** is exceptionally competitive as well, with the one-bedroom plus study apartments priced between \$299,000 and \$309,000 and the two-bedroom apartments in stage 2 priced between \$319,000 and \$347,000. This equates to an average of only \$4,256 per square metre (gross). This compares to the average selling price of new apartments across Inner Brisbane of around \$7,000 per square metre (gross). And compared to asking prices of around \$9,000 per square metre (gross) across Inner Melbourne and nearly \$11,000 per square metre (gross) across Inner Sydney, **BayLife Deception Bay** offers exceptional value-for-money.

Independent rental appraisals indicate expected weekly rents for the one-bedroom plus study apartments range from \$315 per week to \$330 per week and expected weekly rents for the two-bedroom apartments range from \$340 per week to \$370 per week. Of course, with the upcoming completion of the Moreton Bay Rail Link and the close proximity of **BayLife Deception Bay** to the new Rothwell railway station, rents are likely to increase considerably between now and settlement. Astute buyers can therefore lock in today’s affordable prices whilst receiving tomorrow’s rental returns upon settlement.

However, the very affordable prices proposed for the one-bedroom plus study apartments and two-bedroom apartments and their livable designs means the project will be very appealing to intending owner-occupiers, including from first home buyers looking to enter the market.

Section 1 – Introduction

Introduction

BayLife Capital Limited intends to build 74 apartments across four buildings in a resort-style development at 27-31 Webster Road in Deception Bay. Located 32 kilometres north of Brisbane's central business district (CBD), Deception Bay is in the south-eastern corner of the bay of the same name which separates the Redcliffe Peninsula and Bribie Island. Stage 1 is fully sold and/or allocated and construction is soon to commence.

Deception Bay is located in Moreton Bay Regional Council, one of the fastest growing regions in Queensland, and neighbouring suburbs include Rothwell, Narangba and North Lakes. Deception Bay is also located close to the Bruce Highway, Westfield North Lakes, Costco North Lakes, and the new 12.6km dual-track railway line from Petrie to Redcliffe. This \$1.15 billion project commenced construction in 2012 and will include six new railway stations when it commences operation in mid-2016.

The project

BayLife Deception Bay will comprise 18 one-bedroom plus study apartments and 54 two-bedroom/two-bathroom apartments across four low-rise buildings and beautifully-landscaped resident recreation facilities including BBQs and a swimming pool. All apartments have one car park.



Buildings 1 and 4 each comprise 16 two-bedroom/two-bathroom apartments, with four apartments per floor over four levels, serviced by one elevator per building. Attractive ocean views will be achieved from most apartments on the higher levels.

Buildings 2 and 3 each comprise 21 apartments, with 3x one-bedroom plus study apartments (with the study of a size to be an effective second bedroom) and 4x two-bedroom/two-bathroom apartments per floor over three levels. Apartments in building 3 have attractive views of the swimming pool and resident recreation facilities. Ground-floor apartments in all buildings have expansive private-use courtyards; apartments on higher levels have well-sized balconies.

The apartments proposed for **BayLife Deception Bay** are well-sized; with internal living space of 61m² for the one-bedroom plus study apartments and 69m² for the two-bedroom apartments. The ground-level apartments have courtyards ranging from 23m² to 66m²; apartments above ground level all have 9m² balconies.

The apartments proposed for **BayLife Deception Bay** offer exceptional value-for-money, with the one-bedroom plus study apartments in stage 2 priced between \$299,000 and \$309,000 and the two-bedroom apartments in stage 2 priced between \$319,000 and \$347,000. Expected weekly rents for the one-bedroom plus study apartments range from \$315 per week to \$330 per week; expected weekly rents for the two-bedroom apartments range from \$340 per week to \$370 per week¹. The pool apartments in stage 2 are north-facing.

The location

Deception Bay is a beachside suburb located in the growth corridor between Brisbane and the Sunshine Coast. Located right on beautiful Moreton Bay, Deception Bay is an older, established suburb that is undergoing considerable rejuvenation and redevelopment fuelled by the rapid growth around the rapidly expanding North Lakes area as a key commercial and residential hub of Brisbane's northside.

Deception Bay and its adjoining suburbs of Burpengary, Mango Hill, Narangba, North Lakes, and Rothwell have become important employment nodes with large-scale commercial activities (such as Costco and Bunnings), business, light industry and residential development. Expansion of the nearby Westfield North Lakes along with a new IKEA will be a further catalyst for employment and growth. **BayLife Deception Bay** is set to benefit from the area's rejuvenation and further development, with the added benefit of being "at the beach".

The new \$1.15 billion rail link to Redcliffe (discussed in greater detail below) will be another major catalyst for growth in the area. This rail link will commence operation in mid-2016 and is set to further transform the area and will directly link **BayLife Deception Bay** with Brisbane's CBD.

Infrastructure and employment

The major economic sectors of the Deception Bay area are retail trade, construction trades, medical and community services, and property and business services, followed by automotive, manufacturing, and cafés, hotels, restaurants and takeaways. Information technology and creative businesses are increasing in importance. Fishing and prawning are the principal primary industries.

Young couples and families are moving into the area and making the most of the seaside facilities on offer and easy access to other Brisbane localities. Families are well catered for with three local primary schools and a Catholic primary school, as well as a local high school. Three other high schools plus the Southern Cross Catholic College and two training institutes (one TAFE college and an Australian Technology College) are located in nearby Redcliffe.

Moreton Bay's Gross Regional Product is estimated at \$12.825 billion, which represents almost 10% of Greater Brisbane's Gross Regional Product and 4.3% of Queensland's Gross State Product. There are over 25,000 businesses in the Moreton Bay region, employing 112,000 local residents². The 270-bed Redcliffe Hospital provides primary healthcare for the region and is another major employer.

More than 20,000 people work in 420 businesses located at the nearby Brisbane Airport and the Australia TradeCoast precinct - the fastest growing industry and trade precinct in the country that covers the Brisbane Airport, the Port of Brisbane and more than 7,000 businesses - employs a further 43,000 people.

¹ Source: Brisbane North Properties (May 2014); Crown Properties Redcliffe (June 2014); Brisbane North Properties (April 2016).

² Source: Moreton Bay Regional Council, NIEIR and Remplan, 2015.

The Brisbane Domestic Airport has 17 million passenger movements annually and an average of 3,750 flights per week. The Brisbane International Airport has almost five million passenger movements annually and an average of 555 flights per week. Collectively, the Brisbane Domestic/International Airport – easily accessed by excellent road connections from Deception Bay - is Australia's second-busiest capital city airport by aircraft movements and the third-largest airport in Australia by passenger numbers.

Curfew free and operating 24/7, Brisbane Airport is one of Australia's most important growth hubs. There are more than 100 construction and development projects underway within the airport precinct or in planning; the largest being the \$1.35 billion New Parallel Runway currently under construction. This is currently Australia's biggest aviation project. More than \$100 million is being spent upgrading the Domestic Terminal, while plans are underway for a new Regional Satellite Terminal, new aircraft aprons and taxiways, more car parks, two new hotels, and a Brisbane Airport Conference Centre³.

The Australia TradeCoast Region is an 8,000 hectare trade and industry region located at the mouth of the Brisbane River. With world-class infrastructure; direct links to air, sea, road and rail networks; strategic government partnerships; and export facilities, Australia TradeCoast is one of the fastest growing trade and industry regions in Australia, with more than \$5 billion of infrastructure proposed over the next ten years.

It is forecast that by 2026, the Australia TradeCoast Region will employ more than 110,000 persons and become the second largest employer in Brisbane behind the CBD⁴. The Bruce Highway and Gateway Motorway provide ready access for residents of Deception Bay to Brisbane Airport and the Australia TradeCoast Region.

Deception Bay is also set to be finally connected to Brisbane's extensive Citytrain network via the completion of a new 12.6km dual-track railway line from Petrie to the Redcliffe suburb of Kippa-Ring. This \$1.15 billion project commenced construction in 2012 and will include six new railway stations upon commencement of services in mid-2016, including one station close to Deception Bay in the adjacent suburb of Rothwell. This will connect the Deception Bay area with many more major employment centres and higher-paying jobs.

The project also includes a 3-metre wide concrete shared path for cyclists and pedestrians along the entire length of the corridor. The new rail link will:

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- Help attract investment to the area and create business opportunities; and
- Act as a catalyst for growth along the route, with stations becoming hubs of new development in the region.

³ Source: Brisbane Airport Corporation website, accessed December 2015.

⁴ Source: Resolution Research, 2013.

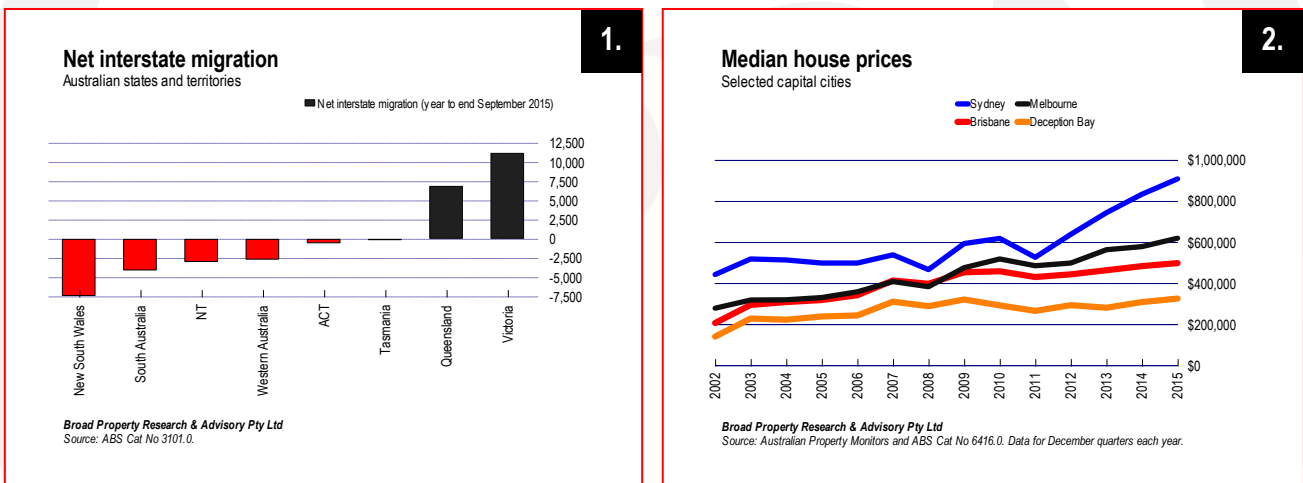
The importance of such major transport infrastructure improvements should not be underestimated, as research has shown that such activity can translate into:

- Higher population growth;
- Greater “rentability” and hence higher rental demand;
- Increased property values; and
- A wider target market from which buyers and renters come.

In addition, ongoing upgrades of the Bruce Highway and the Gateway Motorway will continue to improve the connectivity of Deception Bay to other major centres including Brisbane City, Brisbane Airport and the Sunshine Coast.

Market Overview

Queensland has always had strong property fundamentals such as low vacancy rates, high population growth, insufficient housing stock, and high employment. Queensland is a growth state and most of its annual population gain settles in its south-east corner. As shown in **chart 1**, Queensland is one of only two states that attract a significant number of interstate migrants.



This is because of the continuing strength of the Queensland economy and greater housing affordability, especially compared to Sydney. See **chart 2** above.

Furthermore, as the differential in median house prices between Sydney and Brisbane continues to rise, even more residents of New South Wales will relocate or invest in the Brisbane region. This is what occurred between 2002 and 2007 when the house price differential (as shown in chart 2) was the most pronounced⁵. During this period, a net average of 28,000 NSW residents moved interstate each year, compared to a net average of just 15,000 per annum between 2008 and 2011, when the house price differential was low.

Chart 2 also shows the much greater affordability and hence capital growth potential of Deception Bay.

⁵ Source: Australian Bureau of Statistics (2015) Cat. Nos. 3101.0 and 6416.0.

Section 2 – Top performance

Population growth

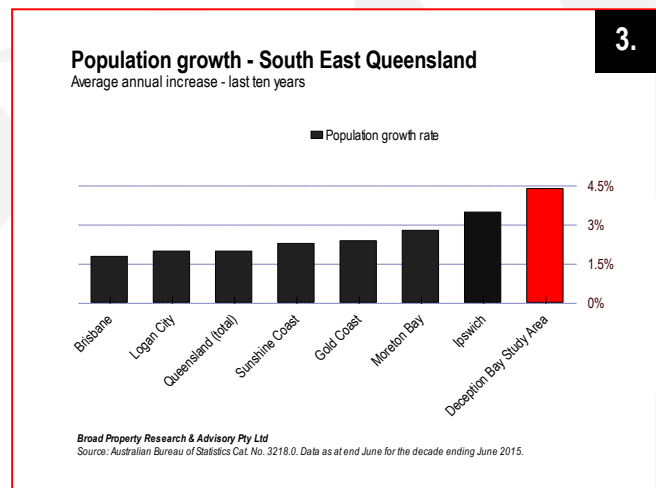
One of the main drivers of demand for residential property is population growth. Recently-released figures from the Australian Bureau of Statistics (ABS) show that Queensland’s population grew by more than 55,200 permanent residents in the year to end September, 2015. Queensland is only one of only two states (the other being Victoria) that attracts more interstate migrants each year than it loses.

Deception Bay has a population of 23,200 permanent residents (as at 30th June 2015, the latest figures available) and has grown by an average of almost 300 new permanent residents each year over the past decade⁶. The area covered by the Moreton Bay Regional Council (in which Deception Bay is located) is the third fastest-growing Local Government Area (LGA) in Queensland behind only Brisbane City and the Gold Coast, and the sixth fastest-growing LGA in all of Australia. See **appendix 1** for further details.

The Deception Bay Study Area (comprising Deception Bay and its adjoining suburbs of Burpengary, Mango Hill, Narangba, North Lakes, and Rothwell) has a total population of almost 102,000 permanent residents.

Over the past decade, the population of these suburbs has increased by an average of 3,600 new permanent residents each year. This equates to an average annual population growth rate of 4.4%, making it one of the fastest-growing regions in Queensland. See **chart 3** opposite.

Importantly, population growth in the Deception Bay Study Area is supply-led; that is, population growth has increased when new dwellings have been delivered. This provides a significant level of comfort to proponents of new apartment projects such as **BayLife Deception Bay**.



Looking ahead, official population projections prepared by the Queensland Government indicate that the population of the Deception Bay Study Area will increase by between 3,100 and 3,500 new permanent residents each year between now and the year 2026 before moderating to around 2,200 new permanent residents per annum over the following decade.

Based on an average household size of around 2.6 persons per household (as per the latest Census), these population projections mean that between 1,200 and 1,350 new dwellings will be required across the Deception Bay Study Area each and every year between now and 2026, with around 850 new dwellings being required each year thereafter.

As these figures indicate, there is likely to be exceptionally strong demand for new residential projects such as **BayLife Deception Bay**.

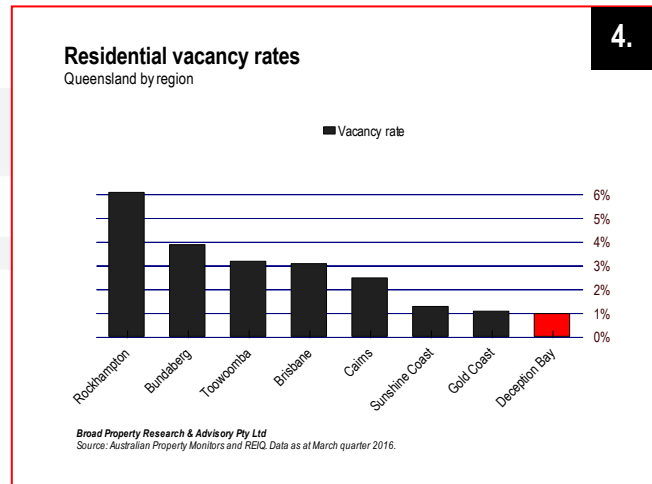
⁶ Source: Australian Bureau of Statistics Cat. No. 3218.0.

Strong rental market

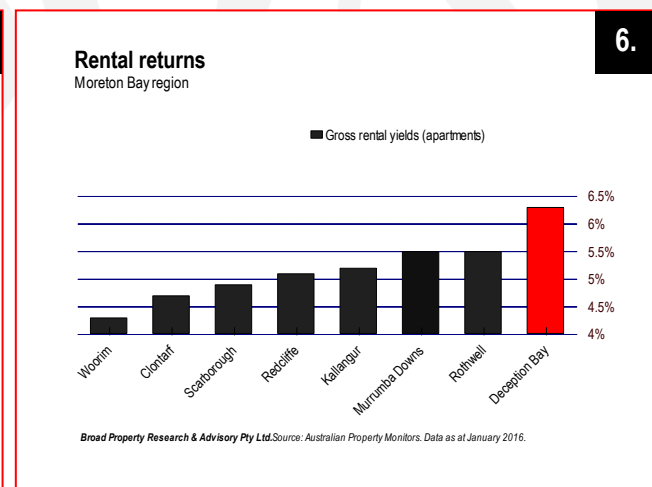
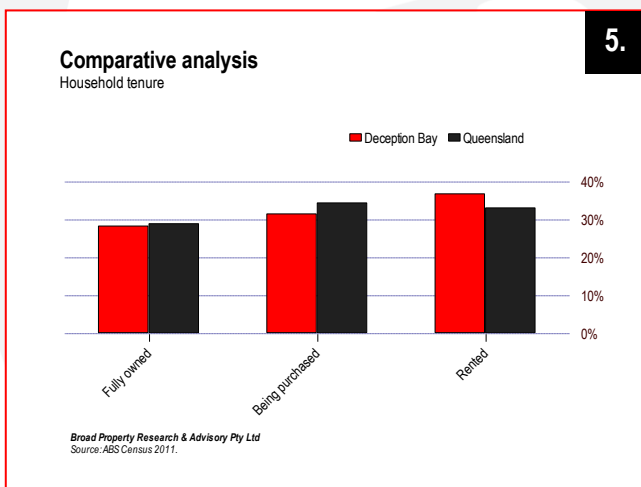
The vacancy rate for permanent rental accommodation in Deception Bay is currently just 1.0%⁷. A vacancy rate under 3% suggests a significant shortfall of suitable rental product.

As shown in **chart 4** opposite, **Deception Bay has one of the lowest residential vacancy rates of all areas in Queensland.**

Such a tight rental market has already created significant upward pressure on rents. Weekly permanent rents across Deception Bay have increased by an average of \$11 per week per annum over the past year, an annual growth rate of around 4%⁸. According to the Residential Tenancies Authority, more than 76 new rental bonds are lodged each month in Deception Bay.



Such strong demand for rental accommodation in Deception Bay is not surprising given that 37% of households in Deception Bay are renting. This is higher than the Queensland average (see **chart 5** below) and suggests there will be strong demand for new apartment product such as **BayLife Deception Bay**.



Some of this demand will arise from existing renters looking to move from the predominantly older dwelling stock in the suburbs into a new, modern complex such as **BayLife Deception Bay** which has well-designed apartments and a range of attractive, resort-style communal facilities.

Apartments in Deception Bay are currently achieving gross rental yields of 6.3% per annum⁹.

This is not only an excellent return in the current investment climate but places Deception Bay as one of the better-performing suburb across the region. See **chart 6** above.

⁷ Source: SQM Research as at end January 2016.

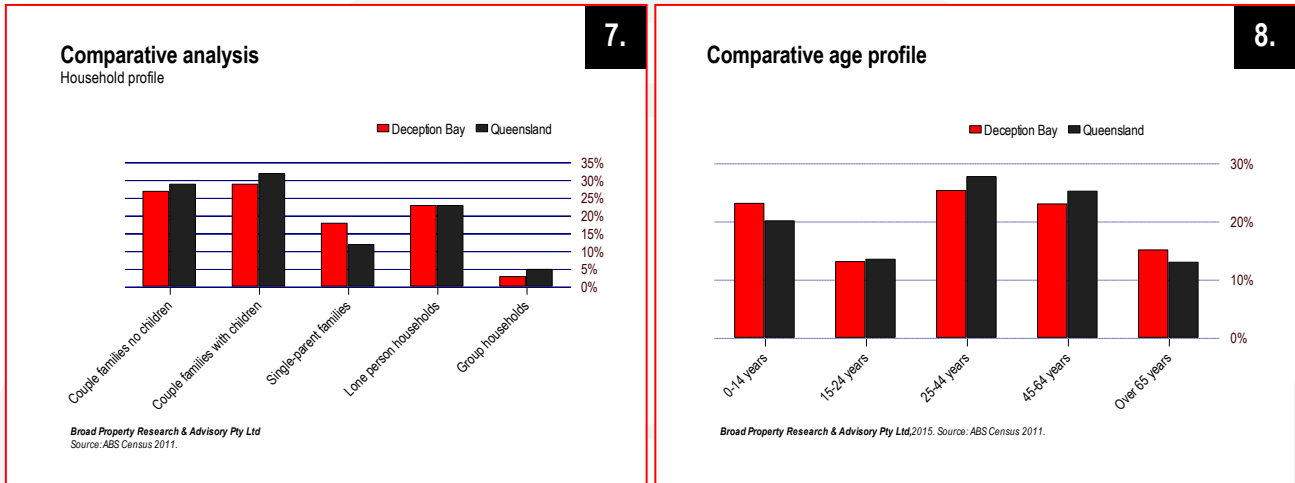
⁸ Source: Residential Tenancies Authority as at end March quarter 2016.

⁹ Source: Australian Property Monitors as at end January 2016.

Household demographics

As shown in **chart 7** (below), the dominant household types in Deception Bay are couple families with children (29% of all households), couple families without children (27%) and lone person households (23%).

The one-bedroom plus study and two-bedroom apartments proposed for **BayLife Deception Bay** will therefore be very appealing to many household types including couple families without children, lone person households, and single-parent families.



Census data confirms that Deception Bay has an age profile reflecting an established residential suburb, with strong appeal for families as well as older people looking to retire to a beachside location. See **chart 8** above.

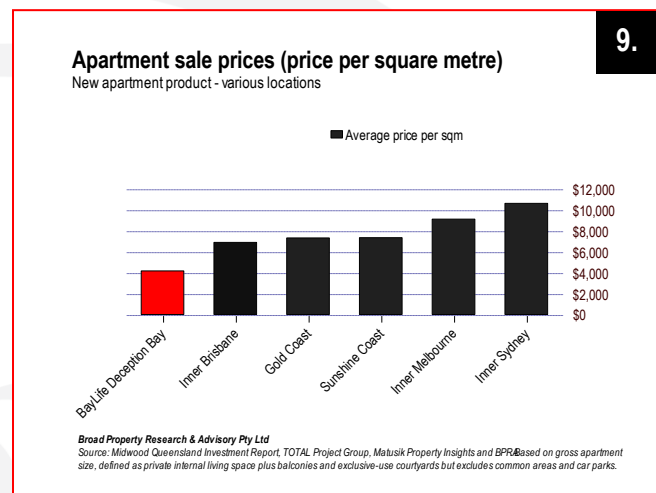
Section 3 – BayLife Deception Bay

Competitive advantage #1 - Price

Not only are the apartments in **BayLife Deception Bay** much larger than those in many competing projects, the pricing of **BayLife Deception Bay** is exceptionally competitive as well, with the one-bedroom plus study apartments priced between \$299,000 and \$309,000 and the two-bedroom apartments in stage 2 priced between \$319,000 and \$347,000. Stage 1 is fully sold and/or allocated and about to commence construction.

This equates to an average of only \$4,256 per square metre (gross). As illustrated in **chart 9** opposite, the average selling price of new apartments across Inner Brisbane equate to around \$7,000 per square metre (gross), and prices are approaching \$7,500 per square metre (gross) in the major markets of the Gold Coast and the Sunshine Coast.

And compared to asking prices of around \$9,000 per square metre (gross) across Inner Melbourne and nearly \$11,000 per square metre (gross) across Inner Sydney, **BayLife Deception Bay** offers exceptional value-for-money.



Competitive advantage #2 – Managed development costs

The delivery of a new residential project is generally made up of three components:

1. Land cost - the cost of purchasing the land upon which the dwellings are to be constructed'
2. Development and construction costs - includes architects, engineers, sewerage and water, council costs, and the actual cost of construction; and
3. Development margin - the developer's profit from developing the property, taking into account minimum criteria generally required by construction financiers.

While a property valuation will provide a comparison between similar properties, Broad Property Research & Advisory Pty Ltd also investigates what is the 'raw component cost of a development' as this assists in determining what is the actual cost of goods and services that have been utilised to produce the final apartment, townhouse or house. In this manner a property buyer is better informed as to value based on component cost than solely comparative value which is the case with many valuations.

Our analysis of key factors regarding **BayLife Deception Bay** with reference to the three components referred to above is as follows:

- Land cost – the adopted land cost of the development is \$2.2 million which equates to just under \$30,000 per apartment site with 74 apartments. This represents real value compared to other areas which can be up to \$70,000 per apartment site;
- Development and construction cost – BayLife Capital Limited have advised that they have locked in Council's infrastructure costs such as sewerage and water at a very favourable rate. Furthermore, due to the characteristics of the size and form of construction to be utilised, economical building can be adopted; and

- Development margin – property developments nearly always require a level of construction finance and financiers generally require a margin of at least 20% of costs to mitigate their risk. Sale prices in **BayLife Deception Bay** have been set to achieve a project surplus of 20.7% of total costs and just 16.5% after interest. Apartment sales in projects with a development margin exceeding 20% need to be closely studied to see if the buyer of the apartment is getting real value.

A simple development margin example is as follows. The cost of land and development/construction cost of a development is \$300,000 per apartment. A development of 20% of cost is \$60,000, being a total \$360,000. Add 10% GST and selling costs of 5% and the sale price is \$414,000. If the development margin was 30% then the sale price would increase to \$483,000. From the buyer's perspective, a price of \$414,000 is much better value-for-money than at \$483,000.

Importantly, if another developer in the same area builds with a 20% development margin and a buyer has purchased in a development with a 40% development margin, then that buyer risks a possible price reduction and/or trouble with valuations and bank finance.

Summary:

- An apartment (or any new dwelling) comprises three primary cost components: land cost, development and construction costs, and developer's margin;
- If the developer has managed to secure a favourable cost regime coupled with an acceptable development margin which is required for construction finance purposes, a purchaser generally receives better value-for-money;
- The higher the development margin, the higher is the valuation risk to the purchaser; and
- An important part of the due diligence process of a property buyer is to know if the development margin on cost is in an acceptable range.

Conclusions:

- A development with a land value component of \$30,000 per apartment such as **BayLife Deception Bay** is seen as "good value";
- The developer has managed to secure very favourable headwork's charges and a build price;
- The developer has passed the benefit on to the apartment purchaser with the required finance development margin being 20.7% before interest; and
- On this basis, **BayLife Deception Bay** is seen as an excellent purchase in respect of the developer margin analysis.

Competitive advantage #3 – Apartment size

Research suggests that good dwellings have some separation between the living space and sleeping quarters, and in our experience, most residents gauge the more successful designs as embodying a mix of expansive, open and flexible spaces (e.g. living, dining and courtyard/balcony) with detached, dedicated and purposeful private zones (e.g. bedroom, study and bathroom areas). Over recent times, this concept may have expanded to include a third distinct area, that being a guest or multi-purpose area.

To this end, the inclusion of a study/multi-purpose room in the one-bedroom apartments at **BayLife Deception Bay** is a welcome feature, as such space has great utility in being able to be utilised for a range of purposes including as a guest bedroom.

Another excellent design feature is having two bathrooms in all two-bedroom apartments. This is not only very appealing to owner-occupiers but means tenants are able to more comfortably share such an apartment, leading to higher rents. Furthermore, all bedrooms have generous robe space and good access to natural light.

A common starting point for good design is how apartments look upon entry, and at **BayLife Deception Bay** all one- and two-bedroom apartments have good views upon entering the apartment, with the well-appointed kitchens leading into the dining area and living room. In all apartments, the bedrooms, multi-purpose rooms and living areas are all carpeted.

Furthermore, all one-bedroom plus study apartments and two-bedroom apartments have rectangular balconies of at least 9m² that provide good, usable space large enough for an outdoor dining table or sitting area. The ground-level apartments also have large courtyards ranging in size from 23m² to a staggering 66m². All one- and two-bedroom apartments also have one car park.

The ability for tenants to share comfortably makes a property more attractive, and is a way to appeal to a wider audience of prospective renters and/or future buyers. To this end, it should be noted that the average size of the one-bedroom apartments in **BayLife Deception Bay** (70m² gross¹⁰) are a full 10m² (17%) larger than the average size of new one-bedroom apartments currently for sale across Inner Brisbane (60m² gross). Such generous living space is also very appealing to owner-occupiers.

Buying into **BayLife Deception Bay** will – for many older buyers - be the middle stage of the transition from a large, detached house into a retirement village or nursing home. The apartments provided are spacious enough to accommodate the significant amount of furniture that many older buyers will have, and which they will be reluctant to part from (at least in the short-term).

BayLife Deception Bay also offers beautifully-landscaped resident recreation facilities including BBQs and a swimming pool. This is a significant point of difference compared to most existing apartment and townhouse projects in Deception Bay, which are generally dated and lacking in such resident amenity. Attractive ocean views will be achieved from most apartments on the higher levels in **BayLife Deception Bay**, and again this is a significant competitive advantage compared to the predominance of old, low-rise dwellings in the suburb.

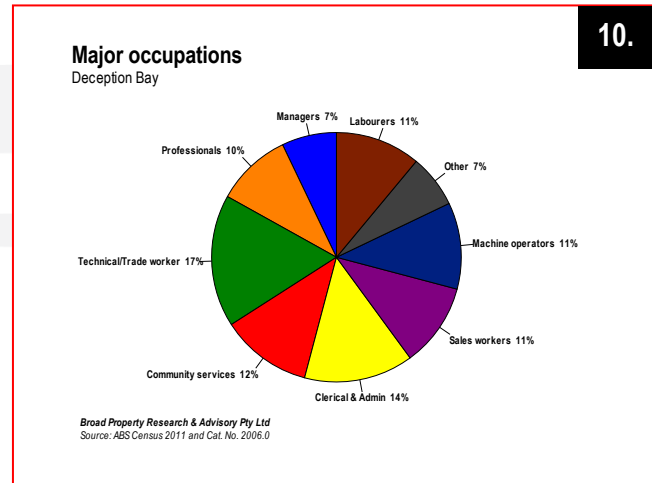
¹⁰ Gross apartment size refers to private internal living space plus balconies and exclusive-use courtyards, but excludes car parks and common areas.

Competitive advantage #4 – “Rentability”

Given the strong rental market that exists in Deception Bay and the area’s household profile, the intention to deliver only one-bedroom plus study apartments and two-bedroom apartments in **BayLife Deception Bay** is eminently sensible.

BayLife Deception Bay will predominantly appeal to the investment-buyer market as the apartments will be readily rented by a large pool of potential tenants. These include people working in the many local businesses such as schools and shops, Westfield North Lakes, the Redcliffe Hospital, and further afield.

Deception Bay has a strong workforce participation rate, with 85% of adults in the labour force either working full-time or part-time (almost identical to the Queensland average of 88%), and a relatively even spread of occupations, as outlined in **chart 10** above.



Independent rental appraisals indicate expected weekly rents for the one-bedroom plus study apartments range from \$315 per week to \$330 per week and expected weekly rents for the two-bedroom apartments range from \$340 per week to \$370 per week. Refer to **appendix 2** for details of expected weekly rents for each apartment in **BayLife Deception Bay**.

Of course, with the upcoming completion of the Moreton Bay Rail Link and the close proximity of **BayLife Deception Bay** to the new Rothwell railway station, rents are likely to increase considerably between now and settlement. Astute buyers can therefore lock in today’s affordable prices whilst receiving tomorrow’s rental returns upon settlement.

However, the very affordable prices proposed for the one-bedroom plus study apartments and two-bedroom apartments and their livable designs means the project will be very appealing to intending owner-occupiers, including from first home buyers looking to enter the market.

Great start grant

The Queensland Government is offering a grant of \$15,000 for first home buyers purchasing new dwellings valued under \$750,000. The “Great Start Grant” is available for people buying or building a brand-new house, apartment and townhouse; off-the-plan homes; and owner-builder constructions. For eligible buyers, the “Great Start Grant” can therefore be used to purchase an apartment in **BayLife Deception Bay**. Further details regarding eligibility criteria can be found at <https://greatstartgrant.osr.qld.gov.au>

Section 4 – Conclusion

BayLife Capital Limited intends to build 74 apartments across four buildings in a resort-style development at 27-31 Webster Road in Deception Bay. Located 32 kilometres north of Brisbane's central business district (CBD), Deception Bay is in the south-eastern corner of the bay of the same name which separates the Redcliffe Peninsula and Bribie Island. The area covered by the Moreton Bay Regional Council (in which Deception Bay is located) is the third fastest-growing Local Government Area (LGA) in Queensland behind only Brisbane City and the Gold Coast, and the sixth fastest-growing LGA in all of Australia.

BayLife Deception Bay will comprise 18 one-bedroom plus study apartments and 54 two-bedroom/two-bathroom apartments across four low-rise buildings and beautifully-landscaped resident recreation facilities including BBQs and a swimming pool. All apartments have one car park. Stage 1 is fully sold and/or allocated and construction is soon to commence.

The ability for tenants to share comfortably makes a property more attractive, and is a way to appeal to a wider audience of prospective renters and/or future buyers. To this end, it should be noted that the average size of the one-bedroom plus study apartments in **BayLife Deception Bay** (70m² gross) are a full 10m² (17%) larger than the average size of new one-bedroom apartments currently for sale across Brisbane (60m² gross). Such generous living space is also very appealing to owner-occupiers.

Not only are the apartments in **BayLife Deception Bay** much larger than those in many competing projects, its pricing is exceptionally competitive as well, with the one-bedroom plus study apartments priced from \$299,000 and the two-bedroom apartments in stage 2 priced from \$319,000.

Independent rental appraisals indicate expected weekly rents for the one-bedroom plus study apartments range from \$315 per week to \$330 per week and expected weekly rents for the two-bedroom apartments range from \$340 per week to \$370 per week.

Commencement of the new Moreton Bay Rail Link in mid-2016 will be a catalyst for rental demand and rental price escalation. In addition, there are other major road upgrades planned and other infrastructure. The importance of such major transport infrastructure improvements should not be underestimated, as research has shown that such activity can translate into higher population growth; greater "rentability" and hence higher rental demand; increased property values; and a wider geographic area from which buyers and renters come.

This report has included a detailed assessment of the project and its many locational advantages. In order to effectively summarise the investment potential of **BayLife Deception Bay**, please refer to the "scorecard" at the beginning of this report that succinctly outlines the project's investment potential. As shown in the scorecard:

- Of the five "growth accelerator" attributes, **BayLife Deception Bay** scores 72 out of a possible 75; and
- In relation to the project's features and locational attributes, **BayLife Deception Bay** scores 71 out of a possible 75.

With a total score of 143 out of a possible 150, **BayLife Deception Bay** is a tremendous buying opportunity.

Disclaimer

Whilst the information contained in this report has been carefully compiled, no warranty or promise as to its correctness is made or intended. Interested parties should undertake independent inquiries and investigations to satisfy themselves that any details herein are true and correct. No forecasts are being made about potential capital gains or rental returns. Past information about capital gains or rental growth does not imply such gains or growth will be made in the future. We do not accept any responsibility or liability for any loss or damage arising out of reliance on the information in this document. This document is copyright and no part may be reproduced without prior written permission from us.

Appendix 1

Population growth - top 15 municipalities - Australia

Ranking	Local Government Area	2014	2015	Change 2014-2015	
				no.	%
1	Brisbane	1,146,320	1,162,186	15,866	1.4
2	Wyndham (Vic)	199,645	209,847	10,202	5.1
3	Gold Coast	545,851	555,608	9,757	1.8
4	Casey (Vic)	283,215	292,211	8,996	3.2
5	Whittlesea (Vic)	186,843	195,397	8,554	4.6
6	Moreton Bay	416,970	425,482	8,512	2.0
7	Sydney (NSW)	198,213	205,339	7,126	3.6
8	Blacktown (NSW)	332,221	339,328	7,107	2.1
9	Melbourne (Vic)	122,167	128,980	6,813	5.6
10	Hume (Vic)	188,669	194,006	5,337	2.8
11	Melton (Vic)	127,638	132,752	5,114	4.0
12	Camden (NSW)	67,144	72,256	5,112	7.6
13	Ipswich	187,973	193,015	5,042	2.7
14	Liverpool (NSW)	199,706	204,594	4,888	2.4
15	Sunshine Coast	282,702	287,539	4,837	1.7

Broad Property Research & Advisory Pty Ltd, April 2016.

Source: Australian Bureau of Statistics Cat. No. 3218.0. Estimated resident population as at 30th June each year.

APPENDIX 2 - RENTAL APPRAISAL

BayLife Deception Bay

Table 2 - stage 2 apartments

Stage 2 - Building 4

Level	Unit No.	Type	Car park	Features	Size (internal)	Balcony	Courtyard	Size (gross m ²)	Rent (UNF)
G	401	2-bed/2-bath	1	View to water - large courtyard	69	9	50	128	\$365
G	402	2-bed/2-bath	1	View to water - large courtyard	69	9	46	124	\$365
G	403	2-bed/2-bath	1	View to water - large courtyard	69	9	46	124	\$365
G	404	2-bed/2-bath	1	View to water - large courtyard	69	9	67	145	\$365
1	411	2-bed/2-bath	1	Lift to level 1 - road view to water	69	9		78	\$345
1	412	2-bed/2-bath	1	Lift to level 1 - road view to water	69	9		78	\$345
1	413	2-bed/2-bath	1	Lift to level 1 - road view to water	69	9		78	\$345
1	414	2-bed/2-bath	1	Lift to level 1 - road view to water	69	9		78	\$345
2	421	2-bed/2-bath	1	Lift to level 2 - good view to water	69	9		78	\$355
2	422	2-bed/2-bath	1	Lift to level 2 - good view to water	69	9		78	\$355
2	423	2-bed/2-bath	1	Lift to level 2 - good view to water	69	9		78	\$355
2	424	2-bed/2-bath	1	Lift to level 2 - good view to water	69	9		78	\$355
3	431	2-bed/2-bath	1	Lift to top floor - panoramic view to water	69	9		78	\$370
3	432	2-bed/2-bath	1	Lift to top floor - panoramic view to water	69	9		78	\$370
3	433	2-bed/2-bath	1	Lift to top floor - panoramic view to water	69	9		78	\$370
3	434	2-bed/2-bath	1	Lift to top floor - panoramic view to water	69	9		78	\$370

Stage 2 - Building 3

Level	Unit No.	Type	Car park	Features	Size (internal)	Balcony	Courtyard	Size (gross m ²)	Rent (UNF)
G	301	2-bed/2-bath	1	Direct pool access - large courtyard	69	9	43	121	\$365
G	302	2-bed/2-bath	1	Direct pool access - large courtyard	69	9	37	115	\$365
G	303	1-bed + study	1	Direct pool access - large courtyard	61	9	23	93	\$330
G	304	1-bed + study	1	Direct pool access - large courtyard	61	9	23	93	\$330
G	305	1-bed + study	1	Direct pool access - large courtyard	61	9	23	93	\$330
G	306	2-bed/2-bath	1	Direct pool access - large courtyard	69	9	36	114	\$365
G	307	2-bed/2-bath	1	Direct pool access - large courtyard	69	9	41	119	\$365
1	311	2-bed/2-bath	1	Overlooking pool and recreation area	69	9		78	\$340
1	312	2-bed/2-bath	1	Overlooking pool and recreation area	69	9		78	\$340
1	313	1-bed + study	1	Overlooking pool and recreation area	61	9		70	\$315
1	314	1-bed + study	1	Overlooking pool and recreation area	61	9		70	\$315
1	315	1-bed + study	1	Overlooking pool and recreation area	61	9		70	\$315
1	316	2-bed/2-bath	1	Overlooking pool and recreation area	69	9		78	\$340
1	317	2-bed/2-bath	1	Overlooking pool and recreation area	69	9		78	\$340
2	321	2-bed/2-bath	1	Overlooking pool and recreation area	69	9		78	\$340
2	322	2-bed/2-bath	1	Overlooking pool and recreation area	69	9		78	\$340
2	323	1-bed + study	1	Overlooking pool and recreation area	61	9		70	\$320
2	324	1-bed + study	1	Overlooking pool and recreation area	61	9		70	\$320
2	325	1-bed + study	1	Overlooking pool and recreation area	61	9		70	\$320
2	326	2-bed/2-bath	1	Overlooking pool and recreation area	69	9		78	\$340
2	327	2-bed/2-bath	1	Overlooking pool and recreation area	69	9		78	\$340

Broad Property Research & Advisory Pty Ltd, April 2016.

Source: Brisbane North Properties and Crown Properties Redcliffe (stage 1 rents); Brisbane North Properties (stage 2 rents).

Weekly rental estimates are in 2016 dollars for unfurnished dwellings and are based on floor plans and apartment sizes as provided by BayLife Capital Pty Ltd.

Subsequent variations in apartment configurations or car parking allocations may affect achievable rents.

These rents should be achievable with an experienced manager and once the project has been operational for 3-6 months.

BAYLIFE APARTMENTS DECEPTION BAY – INVESTMENT ANALYSIS

GROWTH ACCELERATOR FACTORS			
Attributes	Maximum score	Project score	Commentary
Population growth	15	15	Population growth rate of 4.4% pa; top 3 in Qld and top 6 across all of Australia
Infrastructure investment	15	15	More than \$1 billion in local infrastructure investment currently underway
Employment access	15	12	Over 25,000 businesses in the region, employing 112,000 local residents
Rental demand	15	15	Current vacancy rate of 1.0% suggests a significant shortfall of rental product
Rental returns	15	15	Apartments in Deception Bay are currently achieving gross rental yields of 6.3% pa
	75	72	
AREA / DEVELOPMENT FACTORS			
General development amenity	10	8	Architect-designed project with extensive resident-only recreation facilities
Development margin factor	10	10	Development margin of just 20.7%
Shopping access	5	5	Local shops within walking distance; Westfield within 7km
Transport access	5	3	Major arterial routes and buses nearby; rail <3km (when completed in late 2016)
Education access	5	5	Local within walking distance; major within 5km-10km
Value-for-money pricing	15	15	Under \$5,000 per square metre gross
Apartment liveability	10	10	Large internally with well-sized balconies; some with large private courtyards
Low body corporate fees	10	10	Yes
On-site management	5	5	Yes
	75	71	
TOTAL SCORE: 143/150			