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**MENANGLE PARK
TARGET MARKET AND DWELLING
RECOMMENDATIONS
SUMMARY OF HIGHLIGHTS**

**Prepared for the
Dahua Group**

By Colleen Coyne Property Research Pty Limited

As at February 2018

1.1 MIGRATION TRENDS

Historically, Campbelltown Local Government Area (LGA) has seen net population losses to Camden LGA. This largely reflects the location of newly developing estates. However the area focused on the Campbelltown-Macarthur Regional City Centre has experienced consistent population growth. The overall Greater Macarthur region continues to benefit from significant infrastructure spending.

Population projections from id.com.au indicate that newly developing areas in Camden and Campbelltown LGAs will attract high proportions of young families, while the Campbelltown-Macarthur Regional City Centre will have a high proportion of those aged 25-29 years.

Analysis of the 2016 Census data indicates that the Greater Macarthur region has attracted migration from the north and east. This included the Liverpool, Canterbury-Bankstown and Fairfield LGAs and, for Camden LGA, Blacktown, Penrith, Cumberland and Parramatta LGAs.

Despite high levels of migration from Campbelltown LGA to Camden and Wollondilly LGAs, from 2011 to 2016, Campbelltown LGA attracted 1,380 persons from Camden LGA and 662 persons from Wollondilly LGA.

Small net losses of the 18-24 year age group were recorded from the Greater Macarthur region to the City of Sydney, the Inner West and other employment destinations such as Parramatta, Penrith and Wollongong LGAs. Small net losses of those aged 65 years plus were recorded to mainly lifestyle destinations, such as Shoalhaven LGA, but also from Campbelltown LGA to Camden and Wollondilly LGAs.

The cross-tabulated analysis indicated that all of the selected areas attracted significant numbers of movers from outside of the region. This ranged from 20.4% of those who moved to Park Central-Macarthur Gardens and around 25% of those who moved to Spring Farm and Wollondilly LGA, as high as 57.3% of those who moved to Willowdale. Key source areas were the Liverpool and Fairfield areas and Inner South West areas, such as Bankstown, Canterbury, Hurstville and Kogarah-Rockdale.

The Park Central-Macarthur Park locality attracted 9.5% of movers from parts of the Macarthur region outside of Campbelltown LGA, as well as 12.8% from overseas. Macarthur Heights attracted 26.8% from overseas, probably reflecting international students living in the University residential accommodation.

Other dwellings accounted for 16% of total building approvals in 2016/17 across the two LGAs. Other dwellings are defined as attached dwellings (two storey duplexes, townhouses and terraces and single storey villas), plus apartments. They were mainly concentrated in the Campbelltown-Macarthur Regional City Centre, peaking at 378 and 421 approvals in 2012/13 and 2014/15.

Characteristics of movers data indicated that 17.4% of movers to Park Central-Macarthur Gardens chose apartments in four storey plus blocks. Both Park Central-Macarthur Gardens and Campbelltown LGA had over 60% of their mover households in apartments occupying rented dwellings.

1.1 MIGRATION TRENDS Continued

The majority of households who moved to the newly developing areas were either couple family with children or couple family without children households. The southern part of Park Central, with the highest proportion of apartments, was dominated by couple family without children (36.9%) and lone person households (24.0%). Mature aged and older households were most notable in the Macarthur Heights, Park Central-Macarthur Gardens and One Minto localities, and the Wollondilly and Camden LGAs.

1.2 VACANT LAND AND HOUSING MARKET

The cyclical nature of the Sydney property market is indicated by the fact that the analysis of recorded developer land sales in selected estates in Campbelltown and Camden LGAs from 2011/12 to 2016/17 showed three years of record sales activity of close to 2,500 sales per annum to 2015/16, more than double the level of the two previous years.

Now that the Sydney market has peaked, it seems likely the market correction for the new house and land market in the Greater Macarthur region will be characterised by lower take-up rates, but not a sharp fall in prices. This enhances the requirement for a flexible and dynamic approach to the product mix at Menangle Park, that provides a greater diversity of dwelling types and hence a wider range of prices.

In a market characterised by rising prices, developers have maintained sales activity <\$400,000 by increasing the proportions of lots <450 square metres. In the selected estates during 2015/17, there were 37% of courtyard lots of 450<550 square metres and 10% of standard lots of 550<650 square metres. Almost half of the sales were of lots <450 square metres, including 11% of lots <350 square metres.

Affordability is a key feature of many of the Greater Macarthur region estates, especially the urban renewal estates and those at Spring Farm.

There has been a wide range of source markets, including investors and buyers from the Subcontinent (including from the North West Sector). Landcom estimated only 20% of recent buyers at Oran Park Town were the traditional Anglo demographic.

First home buyers often choose more affordable lots <450 square metres, while upgrade buyers may choose somewhat larger 500 square metres lots. Buyers downsizing from acreage properties may chose 800 square metre lots.

The Menangle Park estate will be entering a competitive market. It is however considered that Menangle Park will benefit from the Spring Farm Parkway, with Stage Two proposed to provide a direct link with the Camden Bypass and The Northern Road, so that it becomes associated with the Camden LGA. Compared with the proposed Mount Gilead estate on Appin Road, it has the capacity to align with the higher socio-economic status of the Menangle Park corridor, associated with the Campbelltown-Macarthur Regional City Centre, as well as the upmarket Glen Alpine and Macarthur Heights localities.

1.3 MEDIUM-HIGH DENSITY MARKET

Typically the mix of buyer types for terrace style products has been investors, with more emphasis over recent months on first home buyers. Terraces with rear-lane studios are suited to intergenerational families, or those with older children at home, as well as investors seeking a dual-rental property.

The majority of apartment projects reviewed in the Campbelltown-Macarthur Regional City Centre were dominated by two bedroom units. One bedroom units rent for less and have a reduced demand, so they have a lower appeal for investors. There is a small market from older downsizers for three bedroom apartments, with a preference for ground floor apartments.

1.4 RECOMMENDATIONS

1.4.1 Market Positioning

It is anticipated that the majority of buyers at Menangle Park will be couple families with children or couple families about to commence the child-bearing part of their lifecycle. In the southern part of Campbelltown LGA, over recent years, the main estates available to such buyers have been the urban renewal estates at One Minto, Newbrook and Hillcroft (attractive because of their affordability) or the more upmarket Macarthur Heights. It is considered that Menangle Park should seek to position itself in the market between these extremes.

In order to attract Campbelltown LGA buyers who might otherwise have relocated to Camden LGA estates, and to draw buyers from Camden and Wollondilly LGAs and from elsewhere in the Greater Sydney region, it is considered that in its marketing, Menangle Park needs to emphasise the following attributes:

- its proximity, within a five-kilometre radius, to the Campbelltown-Macarthur Regional City Centre, with its retail, hospital, University, public transport and employment facilities;
- the accessibility benefits of the future Spring Farm Parkway; and
- the status conferred by Menangle Park's heritage and equestrian associations (notably Glenlee House and the Club Menangle Harness Racing facility).

There is widespread evidence that the smaller lot types <450 square metres and <350 square metres have been accepted by the market, especially where there are existing or proposed high levels of amenity nearby. Such amenities include riparian corridors, sporting fields, schools and town centre facilities.

It is considered that the Dahua Group needs to prioritise making a success of the Town Centre precinct, specifically the proposed Stage One retail component. This is expected to be completed at the same time as access is provided to the Spring Farm Parkway and Hume Highway ramps. The amenity of the Town Centre will provide the catalyst for the associated higher density dwellings in the form of the proposed terraces and apartments.

1.4 RECOMMENDATIONS Continued

1.4.1 Market Positioning Continued

There is an opportunity in the lower density precincts to offer a majority of relatively affordable 420-500 square metre lots, at similar prices to Riverside at Spring Farm, but at prices below most of the Camden Valley Way estates. There is expected to be an ongoing opportunity to exploit the frustration of those undertaking east-west commutes to work from Camden LGA to Campbelltown LGA.

While the majority of buyers at Menangle Park are likely to be young couples and families, the more diverse product mix in the current Masterplan on the Dahua Group's land holdings means that there will be greater housing choice. This is expected to result in a more diverse range of buyer types. This wider appeal will also assist in providing a range of price points and in maximising absorption levels.

1.4.2 Target Markets

It is considered that the wide range of lot sizes and product types should enable Menangle Park to attract a range of buyer profiles. These might include:

- couple families with children and young couples starting a family – say 60%, including say 25% of first home buyers, with others upgrading from older established houses;
- older buyers aged 45 years plus, downsizing, including from acreage properties – say 15%;
- older buyers downsizing from detached houses to terraces or apartments – say 5%;
- investors from across the Greater Sydney region, including buyers of terraces and apartments – say 20%.

It has been demonstrated that first home buyers will relocate over long distances to achieve affordability. At Menangle Park, the availability of public transport will enable such buyers to continue to commute to higher paid work outside of Campbelltown LGA, including in the Sydney Central Business District.

The proximity of the Campbelltown-Macarthur Regional City Centre suggests there may be an opportunity to attract people moving from overseas, either returning to Australia or new migrants. It is anticipated that around 40% of buyers at Menangle Park may have a non-English speaking background, although it is possible it could be higher. The proportion of older buyers across the Menangle Park project may be relatively low, except perhaps for those downsizing from acreage properties.

The terrace products are expected to attract a wide range of purchasers, including couple families with children, professional couples without children, one parent families and empty nester couples and singles. Some 40% of terrace products might be purchased by investors.

1.4 RECOMMENDATIONS Continued

1.4.2 Target Markets Continued

It is expected that the majority of apartment residents at Menangle Park will be one and two person households, and only around 20% families with children. While the three bedroom apartments may attract older couples downsizing and one parent families, these household types may also prefer some of the detached or terrace houses. It is likely some 60% of apartments would be sold to investors, as the amenity is expected to support the investment.

1.4.3 Product Mix

The mix of product types in the Menangle Park Masterplan (within the Dahua Group's land holdings) is generally considered to be appropriate. The Dahua Group will need to work closely with builders to ensure suitable end products are delivered to buyers.

In order to enhance affordability, some detached houses should have three bedrooms, rather than the traditional four bedroom houses found in most new estates. These products may also appeal to one parent families, who may include divorcees with children still at home. This aspect can to some extent be encouraged by varying lot sizes for the detached dwellings.

In the proposed Menangle Park Masterplan, the Town Centre is envisaged as a mixed-use precinct around a destination retail/entertainment area, adjoining the riparian corridor just south of the Spring Farm Parkway. This is considered to be a superior location for the Town Centre than its previous location on Cummins Road, just north of Menangle Road.

The Town Centre's currently proposed location is in keeping with a trend over recent years of developers recognising the importance of attracting trade from passing motorists and visitors to supplement expenditure by local residents. The mix of services and retail outlets is expected to provide greater amenity than would otherwise occur, supporting demand for the higher density products proposed.

Current demographics suggest that terraces are expected to be more suited to a range of buyers and to achieve higher prices than apartments. It is however noted that apartments provide greater affordability and housing choice.

It is considered that terraces should represent approximately 15% to 20% of the Dahua Group's proposed products and apartments approximately 10%. This mix should also maximise the net population density of the Town Centre and neighbourhood centre, given the likely higher occupancy rates of terraces, compared with apartments.

While this mix is currently recommended, it is noted that as the area develops and demographics change, future market demand may change.

1.4 RECOMMENDATIONS Continued

1.4.3 Product Mix Continued

Acceptance of apartments will be enhanced by the establishment of the retail/commercial core amenity in the Town Centre, so that it is advisable for the Stage One retail component to be completed concurrently with the initial apartments.

While terraces with attached studios achieve higher densities, it is not considered that studios will be well accepted at Menangle Park (because of its distance from higher order facilities in the Campbelltown-Macarthur Regional City Centre).

However it is recommended that around 20% of terraces should be offered with fully self-contained one bedroom, one bedroom plus study and even two bedroom units, usually in end condition positions. These rear-lane dwellings could be strata-titled, so they could be sold on separate titles, with each dwelling at a lower price than the combined dwelling.

It is considered that most terraces should be three to four bedroom dwellings. It is however suggested that inclusion of approximately 25% of two bedroom terraces would introduce a more affordable option.

A typical three bedroom terrace might have an internal area of 130 square metres, while a four bedroom terrace might have an area of 145 square metres (excluding garages). A one to two bedroom rear-lane dwelling might range from 45 square metres to 70 square metres internally.

The terraces should all have a minimum of a single car garage (as should the rear-lane dwellings), with double car garages for at least some of the four bedroom terraces. Two bedroom terraces might be 110 square metres internally, plus balconies, small courtyard and single car garage.

It is considered that development of the apartment component should be undertaken once the first stage of the Town Centre retail component is completed, to ensure the presence of supporting amenity. An appropriate mix of apartment types at Menangle Park might be 10% one bedroom units, 75% two bedroom units and 15% three bedroom units.

Currently, it is considered appropriate minimum apartment sizes should be 60 square metres for one bedroom units, plus eight square metre balconies; 70 square metres for two bedroom units, plus 10-15 square metre balconies; and 90 square metres for three bedroom units, plus 20 square metre balconies.

Such units should all have a study nook, with some having a separate study. They should all have one car space, with three bedroom units having two car spaces. The two and three bedroom units should have ensuites to the main bedroom.

1.4 RECOMMENDATIONS Continued

1.4.4 Conclusion

In summary, the market dynamics and demographics of the southern part of Campbelltown LGA and the wider region indicate that the Dahua Group's land holdings at Menangle Park will support demand for a diverse range of dwelling types and price points. The introduction of medium and higher density products is expected to enhance affordability, as well as cater for various household types.

Smaller lot sizes and dwelling types are supported by the proposed amenity in the Menangle Park Masterplan, particularly in the Town Centre, as well as the regional infrastructure (notably the extension of the Spring Farm Parkway) and proximity to the Campbelltown-Macarthur Regional City Centre.

Over the lifetime of the Menangle Park development, market conditions can be expected to change. It will be important to adopt a flexible approach to implementation of the Masterplan in order to be responsive to changing market dynamics and demographics.



Colleen Coyne
Director

This Summary of Highlights should be read in conjunction with my full report dated 10 January 2018 and my three preliminary letter reports dated 18 October 2017, 15 November 2017 and 21 November 2017.

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