

Enrich Real Group 致富集團

The property development opportunities in the Growing Sydney.

Q1/March 2017



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Enrich Real Group

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Website : www.enrichrealgroup.com.au

Executive Summary

Enrich Real Group is a diversified professional service group consists of 3 Divisions:

- **Real Estate Agency**
- **Business Brokerage Agency**
- **Buyer Agency & Property Investment Advisory**

We are a group of Professionals of Qualified Accountant, Auctioneer, Licensed Real Estate Agent, Licensed Stock and Station Agent, Licensed Business Broker.

Whether you are buying or selling a property, a business and/or require Mortgage and funding, we are able to provide these specific services to cover your needs under 1 roof.

We have extended our services to include Overseas Property Buyer Agency service to meet the demand of foreign investors who interested in investing in Australia properties, businesses, Rural lands, Vineyards and Farms and Property Development Projects.

In addition, we are helping and acting on behalf of overseas Developers in land acquisitions for property development in Sydney areas.

Sam Lau

Our Founder CEO/Licensee-In-Charge

Mobile: 0416-080201 Email: sam.lau@enrichrealgroup.com.au



CA, Fellow CPA(FCPA), Bachelor of Business, Diploma of Finance (Auctioneer, Licensed Real Estate Agent, Licensed Stock and Station Agent, Licensed Business Broker)

Former CFO of ASX-Listed Companies with acquisitions of more than 10 Companies in 3 years.

Former Asia Pacific Financial Controller overseeing a region consists of 17 Companies located in 8 different countries. Former Chief Accountant of Hong Kong L'Oreal Group.

Sam is the handful Practising Chinese Licensed Stock & Station Agents in NSW. As at December 2016, Sam is the "**Only Chinese**" Licensed Stock & Station Agent with **Auctioneer** Accreditation to perform Buy and Sell Agency services for both Livestock and Rural Properties as well as conducting Auction Sale.

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Strategic Context

The purpose of this report is to highlight and explore the property development opportunities in the Growing Sydney.

Australia has a developed modern market economy and has had one of the most outstanding economics of the world in recent years with high-growth, low-inflation and low interest rates. Over the past decade, inflation has typically been 2-3% and the base interest rate 5-6%. There is an efficient government sector, a flexible labour market and a very competitive business sector.

The Australian economy is dominated by its service sector, representing 68% of Australian GDP. The agricultural and mining sectors account for 57% of the nation's exports.

With its abundant physical resources, Australia has enjoyed a high standard of living since the nineteenth century. Australia is a major exporter of agricultural products, particularly wheat and wool, minerals such as iron-ore and gold, and energy in the forms of liquefied natural gas and coal. It has made a comparatively large investment in social infrastructure, including education, training, health and transport.

According to the Reserve Bank of Australia, Australian per capita GDP growth is higher than that of New Zealand, US, Canada and The Netherlands. The past performance of the Australian economy has been heavily influenced by US, Japanese and Chinese economic growth.

Sydney is Australia's financial and economic capital. Forty-five per cent of the top 500 Australian companies are based in NSW, and a major proportion of these are based in Sydney. This puts Sydney in the same league as other international cities - including cities in Asia - that complete as a destination for global capital.

Sydney drives around 70 per cent of New South Wales' total economic output and over one-fifth of the nation's GDP. It ranks above Singapore and Hong Kong in terms of output.

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Australia Property Trends

Due to the recent tightening credit lending and government imposed taxes for foreign investors, there are cooling signs of the residential markets in Australia especially in Melbourne(Vic) and Brisbane(Qld) where reflected by the number of over-supplied of apartment units. However Sydney remains strong in terms of demand and price growth in the last 5 years where majority of the buyers are local Investors and approx 20% make up of Foreign Investors.

Recent Australia Property Forecasting Reports

According to the latest report in March 2017 issued by Credit Suisse Research Analysts Hasan Tevfik and Peter Liu, foreigners are buying property at an annualised rate of \$8 billion per annum, equating to 25% of new supply in New South Wales in the past 12 months. The bombshell figures suggest that, along with local investors, the level of foreign investor activity in the housing markets has been a significant driver of the price growth of recent years, and the overwhelming majority — a staggering 80% in NSW — is coming from China.

Sydney has led the charge, with prices there jumping 5.3 per cent since 1st January 2017, according to the latest data from CoreLogic.

The median house price in Sydney is \$950,000, while the median unit price hit \$740,000.

Melbourne residential property prices have risen 4.4 per cent since the start of this year, with the median house price at \$710,000 and the unit price at \$525,000.

Perth was the only capital where prices have fallen, edging down 1.1 per cent.

Meanwhile, Hobart remains the cheapest market with median house prices at \$365,000 and unit prices at \$306,500.

CoreLogic also reported that the national auction clearance rate jumped to 77.1 per cent in the week to March 26, from 74.1 per cent the previous week.

The auction clearance rate was 70.9 per cent in the same week in 2016.

Sydney had the highest rate last week, at 81.1 per cent, while in Melbourne 79.9 per cent of properties up for auction sold.

Canberra had a clearance rate of 78.4 per cent, in Tasmania 71.4 per cent of auctioned properties sold, and in Adelaide it was 68.2 per cent.

However, less than half the auctions held in Brisbane and Perth settled in the week, with clearance rates of 44 per cent and 30.8 per cent, respectively.

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According to a research note released by the ANZ in March 2016, the bank estimates that Australia currently faces a shortage of 250,000 dwellings, equating to deficit of 2.6% based off Australia's current housing stock (9.6 million).

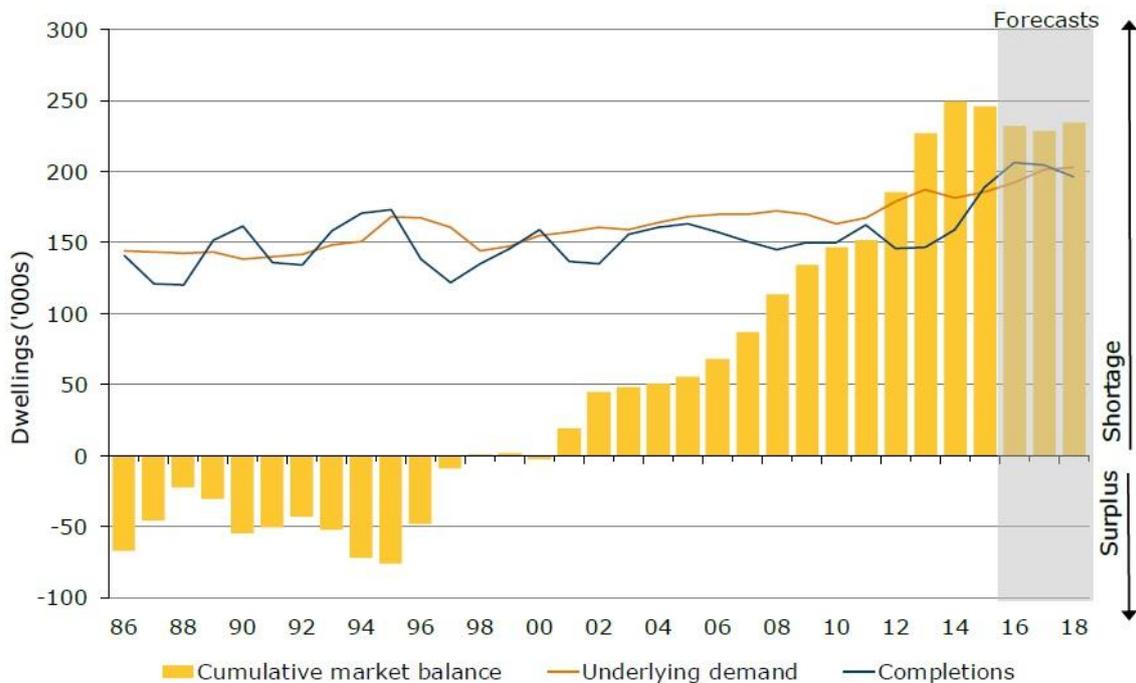
Even with the recent residential construction boom, something that has seen the skylines of Sydney, Melbourne and Brisbane scattered with cranes for the best part of three years, Australia housing shortage remains significant.

“Following a review of ANZ Research’s estimates of Australia’s underlying housing market balance, we conclude that the national shortage of housing remains significant at approximately 250,000 dwellings, albeit lower than previously estimated,” said David Cannington and Justin Fabo, economist at the bank.

“Our estimates indicate the Australian housing market is a long way from being in structural surplus. Our forecasts for housing construction and underlying housing demand point to a modest unwinding of the current housing shortage in coming years.”

The chart below, supplied by ANZ, suggests that Australia’s housing market is far from surplus at present.

FIGURE 3. AUSTRALIA’S HOUSING SHORTAGE TO EASE IN COMING YEARS



Source: ABS, ANZ Research

Even with the record-breaking building boom currently underway — something that has seen completions overtake underlying demand for the first time in a decade last year — the nation’s housing shortage is expected to moderate only slightly in the years ahead, in the bank’s opinion.

Fitting with the national assessment, Cannington and Fabo suggest that most states and territories face a housing shortage at present, led by an chronic undersupply of dwellings in the most populous state, New South Wales.

FIGURE 4. EASTERN STATES MAINTAINING STRONGEST MARKET BALANCE OUTLOOK



Source: ABS, ANZ Research

Though the housing shortage is forecast to moderate slightly in the years ahead, something that may help to alleviate price pressures as a consequence, Cannington and Fabo suggest that those markets that remain in shortage are likely to remain well supported over the long term in the absence of a deterioration in household incomes.

“An underlying housing market shortage (or existence of pent-up unsatisfied housing demand) does provide significant support to the long-term level of house prices, offsetting the downside risk to prices from short-term/cyclical factors,” say the pair. “Looking ahead, markets with significant unsatisfied housing demand, particularly Sydney, have limited downside risks to prices absent unexpected shocks to household incomes.”

Over the short term, they suggest that markets currently experiencing strong growth in new housing completions, or with weak population growth, are likely to be more exposed to cyclical price falls than other markets.

In addition, markets that are balanced such as Adelaide, Hobart and Canberra will be more exposed to regional economic conditions, in their opinion.

Australian Property Development Market

Australia and similar to other countries has never short of smaller property developers who concentrated on smaller projects from 5-50 apartment units, while the mid range developers focused on 50-150 apartment unit projects. The larger developers dominated the large scale development sites including Westfield Group(Shopping Centres focus), Meriton Group(Residential and serviced apartments), Mirvac Group(Residential), Australand(Diversified property group) and Austcorp(Property development & Investment Group).

Chinese Developers have been part of the property development club in the past 5 years especially in Sydney:

Top 10 Chinese Developers by Deals and Total Invested, 2010-May 2015

Developer	No. of Deals	Total Investment (Billion in USD)	Average Deal Size (Billion in USD)
Greenland	11	13.3	1.2
Dalian Wanda	6	4.0	0.7
Wan Feng	1	1.5	1.5
Guangzhou R&F	1	1.4	1.4
Fosun	3	1.3	0.4
Soho China	2	1.3	0.6
Dreal	1	1.2	1.2
Bright Ruby	1	0.9	0.9
Vanke	3	0.9	0.3
Country Garden	2	0.8	0.4

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Recent developments by Chinese Developers in Sydney:

- **Sunshine Insurance** – Sheraton on the Park Hotel for US\$375 million
- **Dalian Wanda** – Gold Fields House, Circular Quay, Sydney for US\$344 million
- **Shimao Property Holdings** – Downtown Sydney office tower for over US\$324 million
- **Vision Investment Group** – 233 Castlereagh Street office block for US\$102 million
- **Poly Real Estate Group** – Cambridge Office Park for US\$89 million

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A Plan for Growing Sydney

The NSW Government of Planning & Environment has issued a development plan for Growing the Sydney areas to become a strong global city, a great place to live. Major highlights as below:

- Sydney is a global city, the premier city in Australia and the economic capital of the country. What happens in Sydney is important to the rest of the nation because of its impact on jobs, the economy and our capacity to produce goods and services that are in demand around the world.

- A sign of Sydney's prosperity is that it's growing – its economic output and its population. By 2031, Sydney's economic output will almost double to \$565 billion¹ a year and there will be 689,000 new jobs.² In the next 20 years, Sydney's population will grow by 1.6 million people, with 900,000 of this population growth occurring in Western Sydney.

- It's clear that Sydney's population is growing much faster than it did over the last 20 years (see Figure 1). To meet the needs of a bigger population, we need a plan to manage growth – how to accommodate the 664,000⁴ new homes that we will need, how to provide the conditions for growth in jobs, how to create places that people will enjoy living in and to protect our unique natural environment.

- make it easier for Sydney's residents to move between their homes, their jobs, the centres where they shop and use local services, and their open spaces;
- make a wider variety of housing available to suit the changing make-up of the population - more than one million people will be over the age of 65 years and almost the same number under the age of 15 years by 2031;
- deliver new infrastructure which supports our community as it grows, and strategic infrastructure that also strengthens the economy; and

The Plan's focus is on providing more housing, with a greater choice of dwelling types in well-serviced locations. This will help meet changing household needs, lifestyle choices, population growth and different household budgets.

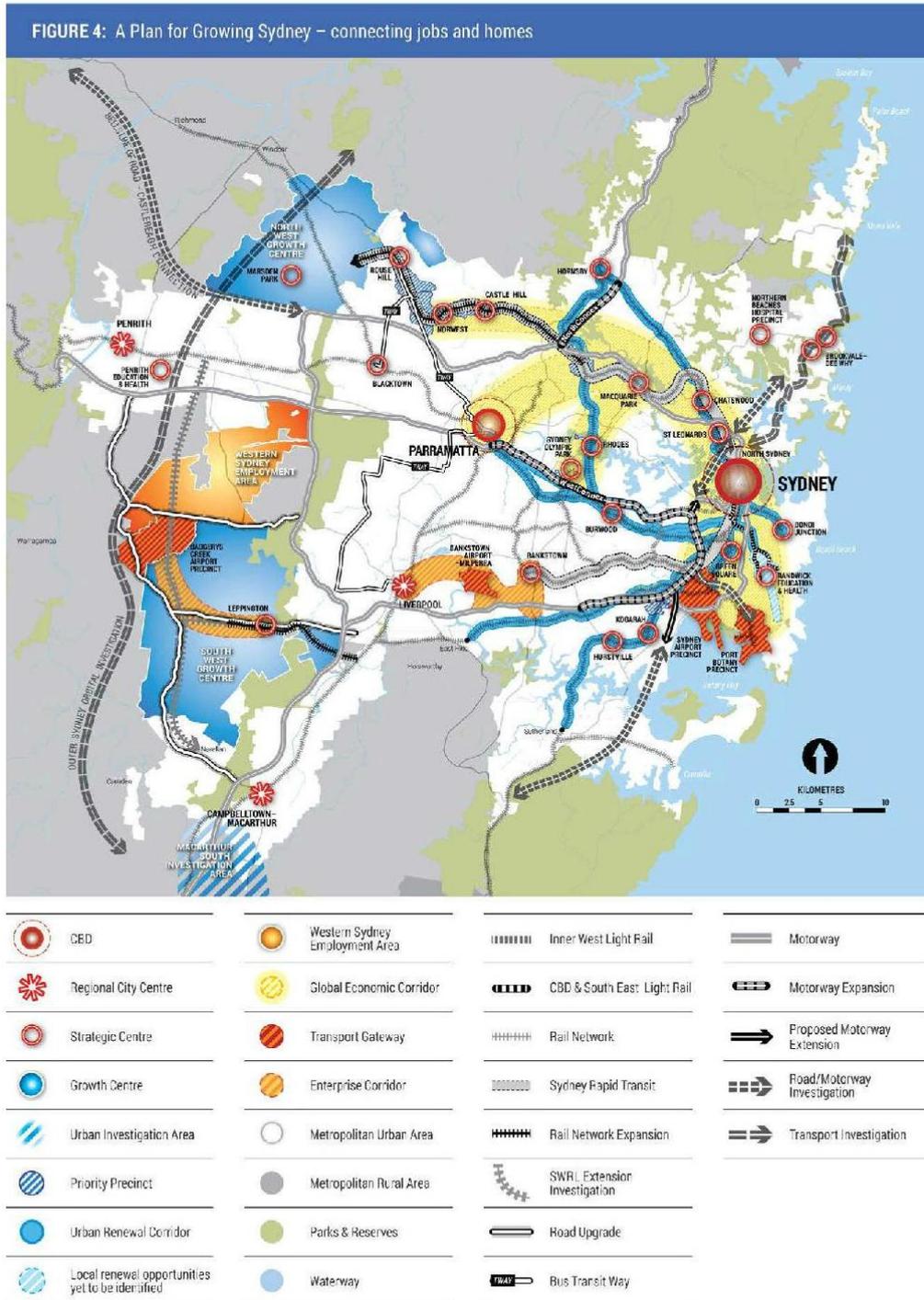
- Accelerate housing supply across Sydney.
- Accelerate Urban renewal across Sydney - Providing homes closer to jobs.
- Improve housing choice to suit different needs and lifestyles.
- Deliver timely and well planned greenfield precincts housing

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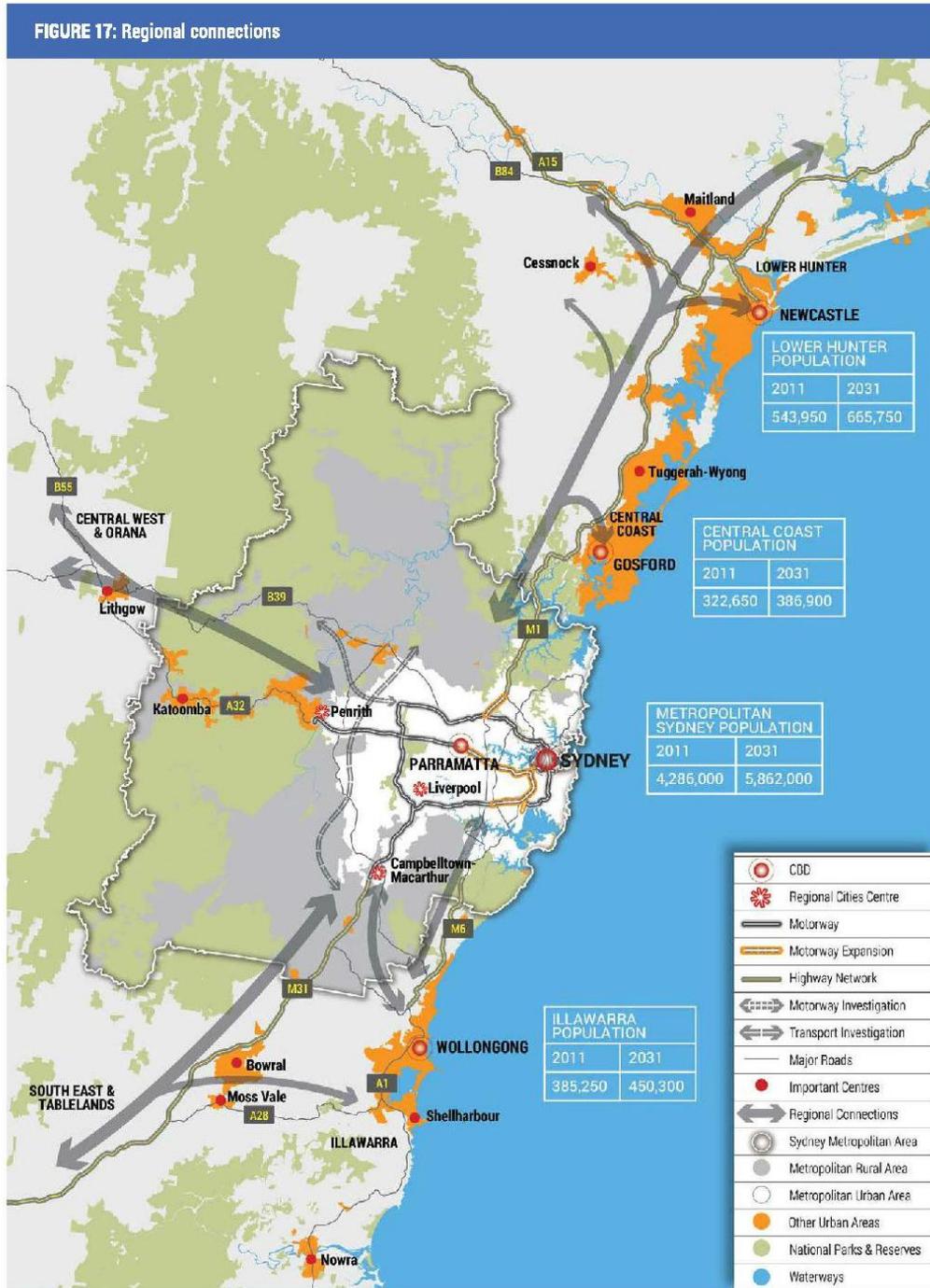
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