

EMBARGOED UNTIL 2PM

Speech to the Sunshine Coast Business Council 7 May 2021 – Mark Steinert Managing Director and CEO, Stockland

Good afternoon everyone,

And thank you Ted for that very generous introduction. And for your terrific observations on the Sunshine Coast.

Ted is a passionate advocate for infrastructure investment in this region, championing particularly the benefits of faster rail and the economic opportunity it unlocks.

I'd like to begin by acknowledging the traditional custodians of the land, the Kabi Kabi people, and pay my respects to elders past, present and emerging.

Stockland has a deep connection to place, something we share with the world's longest living culture.

We've experienced first-hand the knowledge of the Kabi Kabi land management practices particularly at Aura.

We strongly believe that Stockland, and all of Australia, will be better by celebrating and preserving the enduring cultures, languages and identities of the First Australians.

I'd also like to thank Sandy and the Business Council for having me here to speak today, in my final month and last formal visit to the Sunshine Coast, after 8.5 years as Managing Director and CEO of Stockland.

While this is a bittersweet moment, I'm pleased to say that it won't be my last visit up to this great region. In fact quite the reverse. I'm in the middle of building our new home at Noosa.

This move, and the end of my term at Stockland, has given me plenty of pause for thought on what has attracted me, and Stockland, to this region.

I will discuss today the factors that for decades have made the Sunshine Coast an attractive investment destination. And why these factors are increasingly drawing people from all over the country.

In particular, I want to talk about growth and change - on what globalisation, technology and now COVID means for a region that has always been defined by a culture and a way of life.

And about some of the challenges and opportunities this change presents, particularly relating to infrastructure and the supply of housing.

If I reflect on the decades I've worked in real estate and finance, there are a number of different principles and attributes that define successful regions, both here in Australia and internationally.

These characteristics have shifted and changed with global trends and macroeconomic influences, but there are ultimately a number that are constant:

- All levels of government need to be aligned
- A clear vision for the region and placemaking
- A coordinated plan for infrastructure and land use planning
- A strong economy and employment options
- A desirable lifestyle
- A clear growth plan and affordable housing
- Investment certainty

The Sunshine Coast has traditionally performed well against many of these characteristics, which has driven significant private investment and inflows of interstate migrants – which has allowed the coast to balance growth, infrastructure, and lifestyle.

This is actually quite hard to achieve – history is littered with regions that have been unable to balance and retain these characteristics.

Stockland on the Sunshine Coast

As many of you will know Stockland, has a strong connection to the Sunshine Coast.

We've been one of the region's largest private investors for more than 20 years – in the last three years alone we've invested more than \$625m, generating 3,500 jobs per annum.

Our investment presence here represents our largest of any region outside of the capital cities.

There are several reasons for this, but three stand out for me:

First - investment certainty. For a long time, the Coast has had clear, reliable, and transparent policy settings.

As a publicly listed company with a moderate risk-profile we put great stock in the decision-making of Government.

Rules that stay the same, and that are implemented fairly and without political intervention are critical to our investor base.

Second – location and connectivity into South East Queensland.

The region's proximity to Brisbane and the airport has always presented a huge opportunity for businesses looking to retain an active connection to the city, and to leverage the tourism and other service benefits of a large urban population.

For reasons I'll come to, I think this is an opportunity we are yet to maximise.

The third is quality of life. Stockland has accumulated decades of research that shows that people don't buy into a house, they buy into a community.

Time and time again, quality of life is the most important factor in this decision making – and the Sunshine Coast has this in spades.

In a post COVID-world, this connection to outdoor living, the beauty of our beaches and our landscapes, and space, is increasingly important.

Change in regional living

But for good and for bad, these three fundamentals that have been points of difference for the Sunshine Coast – certainty, opportunity and demand – are under pressure.

Whether because of globalisation, technology, or now a pandemic-based cultural change - regions are not what they used to be.

This is particularly true for those in close proximity to major urban centres.

In the last ten years, the Sunshine Coast has stepped onto the national stage - integrating with South East Queensland and shifting from a region close to Brisbane, into the northern tip of a broad metropolitan region spanning almost 200km. And the Olympics will take this to another level.

If I reflect on my time as CEO of Stockland working across regional locations around the country, as well as my time overseas covering property over three decades, it's clear to me that this trend is accelerating.

This integration brings great opportunity, as well as great challenge.

It pulls the Sunshine Coast into national competition for capital with major urban centres like Geelong, the Illawarra, Newcastle and Canberra.

This will create opportunities for the nation's largest companies to increase their footprint here, bringing jobs and stimulating economic activity.

But it further emphasises the need for those three fundamentals to remain strong to ensure the Sunshine Coast retains its competitive advantage.

Certainty in policy making, once a defining feature of this region, has in recent years slowly succumbed to political forces – an unfortunate characteristic of many other local government areas across the country.

More importantly though, this transition demonstrates the need to address the impacts of population growth.

If the Sunshine Coast's competitive advantages are also its connectivity and its culture, how do we ensure they are preserved in a way that also allows us to maximise the opportunity of growth?

Make no mistake, population growth is not a phenomenon you can choose to reject. It is upon us, and history shows that ignoring it serves only to amplify its challenges and leads to community frustration.

Former NSW Premier, Bob Carr, famously announced in the early 2000s that "Sydney is full", as the impacts of population growth were starting to be felt

across the city's roads, transport infrastructure, beaches and in the demand for housing.

This announcement, and the policy decisions that followed, heralded a decade of underinvestment in infrastructure and marked the beginning of a housing affordability crisis that has forced a generation of young adults out of the communities they grew up in.

These impacts have been amplified, rather than reversed, through the pandemic.

It seems hard to believe that just 12 months ago, the nation's economists and political pundits were forecasting a long-dated economic recession, the highest levels of unemployment in a generation and a cataclysmic decline in property prices.

Instead, off the back of a 20 year high in interstate migration, limited new supply, ultra low interest rates, and Federal Government stimulus, Queensland house prices have grown at near-record levels, squeezing affordability and driving rental vacancy towards crisis.

This has played-out on the Sunshine Coast, where demand for regional living has surged. Rental vacancy has plummeted from well above 2% this time last year to below 0.5% - the lowest levels since 2005. While house prices are up around 17%.

As a result, questions around the impact of growth have returned - infrastructure jams and housing affordability and what they mean for our way of life.

Having spent more time at home through the pandemic, the values and priorities of many home buyers have also shifted quite startlingly towards low and medium density, community living, with access to open space, social infrastructure, education and extra room in the home.

This is reflected in demand, with April's CoreLogic figures revealing South East Queensland house prices have grown at almost twice that of units over 12 months.

And this is just the beginning of this trend. The pandemic has facilitated the acceleration of flexible working, with technology now supporting a work-from-home norm.

This has created a huge opportunity for those living in the regions to virtually connect to central business district jobs but retain a regional lifestyle.

Just last week Australian-based global technology giant Atlassian announced their intention to shift permanently to a work-from-home arrangement, with employees now only required to attend their CBD based offices if required.

This has the potential to create a whole new category of Fly-in Fly-out worker, in reverse, commuting from regional locations to urban centres as needed.

And while I don't believe this will be the norm for most businesses, many will decide to shift to a hybrid of this model, which has the potential to put enormous stress on housing supply, affordability and infrastructure in highly appealing areas like the Sunshine Coast.

Supply crisis

For decades, best practice city-planning has told us that the way to cater for population growth is through densification – with inner city apartment blocks leveraging off infrastructure, giving way to great, albeit different, public spaces at the ground plane.

Policy makers in South East Queensland have spent the last five years preparing and implementing housing supply plans that target 60% of new dwellings as infill, predominately as apartments and other types of attached housing.

For a region like South East Queensland, and even more so the Sunshine Coast with a culture set around the beauty of its natural landscape and orientated to outdoor and water-based living, densification is always going to present challenges for affordability and housing diversity.

As demand for regional living rises, this challenge will increase, with those moving from urban locations bringing with them capital and demand for space. Just this week, the ABS released migration data for 2020 showing that net

migration to the regions from capital cities is the highest on record – a net increase of 43,000 people across the country.

This demand-shift does not mean we need to completely rewrite these housing strategies.

The densification of our inner-city areas comes with huge benefit to the way we use infrastructure.

High levels of density in areas like South Bank, Surfers Paradise and Maroochydore in combination with middle-ring townhomes and low-rise apartment product around village centres will be an essential part of ensuring we can cater for growth.

But it should give pause to decision makers in local government areas like the Sunshine Coast, who are currently pursuing an infill densification target of 65%, higher than Melbourne and Perth.

If two-thirds of new housing supply is a variation of unit living, then there are very real scenarios in the decades to come where houses make up just a small minority of new homes available.

What does this mean for the retention of culture and lifestyle? The pursuit and delivery of this level of urbanised growth will radically change existing communities and the ways in which our children and their children enjoy the outdoor and seaside lifestyle.

With consumer demand disconnected from infill-based policies, the pressures on housing affordability will not relent, creating a society where only those with intergenerational equity can enjoy the benefits of home ownership.

In most markets, demand for a product dictates the supply provided to them. This equation is reversed as it relates to housing, with policy makers dictating what and where housing can be built.

If the supply of housing is a fundamental human right, then surely the choice of home buyers needs to be part of the equation.

This problem is ultimately about balance, where tilting the density equation too far in one direction will come with consequences and reduce the choice available for home buyers. The questions for the Sunshine Coast are ‘what

level of density allows us to keep our way of life, and grow sustainably'? and more importantly, 'do we think we currently have the right balance'?

The pandemic has demonstrated the opportunity in rebalancing our housing supply mix and leveraging the size and space of the region.

Technology has shown us that it is now possible to work in Caboolture, Caloundra or Coomera and still work 'in the city'.

We need to match this technology with transport infrastructure and leverage our sub-regions. Connecting Moreton bay, Sunshine Coast, Gold Coast and Ipswich to Brisbane with a faster rail network which will create huge opportunities for lifestyle-based living and economic growth.

Just 15% of Sunshine Coast residents commute to the Brisbane area for work, 2% by public transport.

In the Illawarra region in NSW, a similar distance from the city, almost 30% commute to Sydney and 8% by public transport network.

Heavy rail on the Coast is arguably the missing link in addressing the road-capacity problems of the broader region and unlocking its economic potential.

This infrastructure will also enable us to make the most of our space.

To open more growth fronts, rebalance our housing supply (even if just a little) towards more freestanding homes and town homes mixed with green open space and social infrastructure, including education, health and wellbeing, to create a society where everyone can enjoy the benefits of walkable/rideable home ownership.

The outcomes we have achieved in partnership with state and local government at Aura at Caloundra South demonstrates the possibility of rebalancing towards more greenfield land supply.

Aura has been the highest selling master planned community in the country for the last five years. I put this down to four factors:

First – the right balance of affordable and high-quality homes, as well as a diverse mix of densities, from freestanding, to terrace, seniors living and some low-rise apartments, giving people choice to meet their lifestyle and budget.

Second – fast-tracking infrastructure. Schools, roads, parks, and vibrant town centres, all delivered in advance of requirement and providing the social and physical fabric that connects a community. Ultimately Aura will contain 20 schools and education facilities, 20 sporting ground and 25 community facilities.

Third – through a partnership approach with all levels of government that are aligned on the vision for the region providing certainty on investment decisions to bring on infrastructure early, and by providing consistent and timely assessment periods for new approvals to allow Stockland to bring forward significant investment.

And finally – because of a focus on sustainability that resonates through the design of the community. Aura is one of Australia's only six-star green star communities. With 700ha of wetlands and open space and more walking and riding paths than Copenhagen.

Our liveability survey data shows year-on-year that it is one of the highest performing communities in the country, and yet it is growing at 20% per annum and will ultimately green and sustainable community of more than 50,000 people – showing liveability and happiness can co-exist with growth and opportunity.

This is a truly unique region, and we need to do whatever we can to hold on to the characteristics that make it great.

But we also need to acknowledge that change and the challenges of growth are here to stay.

But with housing diversity and careful planning of infrastructure and land use it can be a great opportunity to provide jobs, quality of life and affordability. Creating a bright future for generations to come.

Thank you for having me today.