

ASX Announcement and Media Release

19 October 2017

The logo for Cedar Woods Properties Limited, featuring the company name in a sans-serif font with a stylized diamond icon containing three curved lines between the words.

Cedar Woods Properties Limited

ASX Code: CWP

Highlights:

- Pre-sales (including lots settled in the first quarter) increased to \$310 million from \$260 million as reported at FY17 results
- Victorian projects continue to benefit from buoyant market conditions, although the industry is experiencing capacity constraints
- Improving demand being experienced at WA projects
- Earnings to be skewed to the second half and profit guidance to be provided later in the year

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First Quarter FY18 Operational Update

Cedar Woods Properties Limited (ASX: CWP) ('Cedar Woods' or 'the Company') has made a positive start to the 2018 financial year with solid sales across the portfolio and progress at a number of developments in the first quarter.

Pre-sales (including lots settled in the three months to 30 September 2017) were at \$310 million, up 35% on the \$230 million recorded at the same time last year and up 19% on the \$260 million recorded at the time of reporting the FY17 full year financial results. The majority of these pre-sales are expected to settle in the current financial year with the increase underpinned by strong sales activity in Victoria and improving activity in Western Australia.

During the quarter Mr Nathan Blackburne assumed the position of Managing Director, after the retirement of Mr Paul Sadleir in September 2017, and Jane Muirsmith commenced as an independent Non-Executive Director on 2 October 2017.

Victoria Project Highlights

The Melbourne housing market continued to perform well during the quarter on the back of strong population growth, and stamp duty concessions for first home buyers that took effect from 1 July 2017.

Sales at the Victorian projects remained strong with continuing price growth across most projects. Noteworthy projects include *Oxford Apartments*, which is now 98% sold, and strata offices at *111 Overton Road*, which is now over 65% sold or leased.



Following the completion of sales at *Oxford Apartments*, the next apartment building for *Williams Landing*, *Lancaster Apartments*, has just been released offering 42 one and two bedroom apartments over seven levels. Apartments at *Williams Landing* have experienced strong demand with prices of new stock increasing by 14% in two years.

The Victorian construction industry is experiencing high levels of activity, partly due to several major government infrastructure projects, resulting in resource constraints and program delays. Whilst most Cedar Woods projects are currently on program, as foreshadowed in the full year results announcement, there are several stages which are scheduled to complete in the last quarter of FY18 and there remains the risk of some settlements completing in early FY19.

Western Australia Project Highlights

Market conditions in Western Australia improved progressively over Q1 FY18 with population growth and employment activity having a positive impact. The State recorded population growth of 0.7%+ over the year ending March 2017 and 0.3% over the quarter ending March 2017+, the highest quarterly increase since March 2014. The unemployment rate in Western Australia has also improved throughout 2017, with the trend estimate reducing to 5.5% in August.

Encouraging sales results have been recorded at *Ariella* in Brabham and *Emerald Park* in Wellard, attracting predominantly first home buyers. The *Bushmead* estate continued to record strong sales activity, predominantly from upgraders. The launch of *Karmara* in late September, located within the inner south east suburb of Piara, has met strong demand, surpassing expectations.

Home building and civil construction costs have remained stable over the quarter and are not expected to increase over FY18. Construction is running to program across the range of projects in the WA portfolio.

The 10-15 year *Millars Landing* development will be officially introduced to the market by November via a selected release to builders. This 1500 lot estate, located in Baldivis, will benefit from its close proximity to road and rail transport, and the employment centres of Kwinana and Rockingham.

The rezoning of the *Mangles Bay Marina* project was considered by the Western Australian Planning Commission in September. Its recommendation is now before the Minister for Planning, with release of the outcome expected in mid FY18. Subject to this outcome, construction of this iconic project is anticipated from FY19.

† Source: Australian Bureau of Statistics



Queensland Project Highlights

The Brisbane housing market sustained another period of modest growth supported by moderate population growth and relative affordability compared to the Sydney and Melbourne markets. The civil construction industry is busy, but construction prices remain stable.

Sales at the Company's *Ellendale* project have continued, with strong price growth achieved due to the projects' proximity to Brisbane's CBD, scarcity of local competing estates and sustained interest from a range of buyers.

Planning for the balance of the *Ellendale* project, beyond the 480 lots initially approved in 2015, has progressed with Brisbane City Council resolving to adopt the plan which has been sent to the State Government for final endorsement.

Preparation for the launch of the *Wooloowin* project remains on track, with planning approval anticipated in Q2 FY18 and construction on the first stage expected to commence in H2 FY18.

South Australia Project Highlights

The Adelaide eastern suburbs market continues to be strong, recording on average 5% capital growth over the past 12 months. Stock is also very tightly held in this location, with listings down approximately 15% on 2016 levels.

Cedar Woods' flagship *Glenside* project, in Adelaide's inner east, is continuing to take shape with the first stage subdivision approved during the quarter, paving the way for further approvals and a project launch in H2 FY18. The first stage of *Glenside* includes 61 premium townhouses and 136 apartments over two buildings. In total the project will yield around 1,000 dwellings.

Site preparation works for the initial stages are largely complete and around 1,500 registrations of interest have been recorded in advance of the marketing campaign.

Planning and design work has also commenced on the *Port Adelaide* project. *Port Adelaide* is expected to yield around 500 dwellings with the majority being two and three storey townhouses.

Company Outlook

The housing sector across Australia continues to be supported by historically low interest rates, increasing inbound migration and improving employment. The Housing Industry Association (HIA) Economics Group expects a moderation of demand for dwellings in FY18, with the markets in Victoria and NSW, in particular, easing from the high levels of the last two years. HIA expects improving demand in Western Australia, with housing starts at the bottom



of the cycle in FY17 and a recovery forecast in FY18.

Cedar Woods has commenced FY18 with a record level of pre-sales, low debt and a diverse portfolio of projects across four states.

The development program for FY18 includes construction activity at several projects that will deliver revenues for the first time including *Millars Landing* (WA), *Karmara* (WA), *St.A* (Vic), *Jackson Green* (Vic) and at new projects within *Williams Landing* (Vic).

As a consequence of the development program, earnings will be skewed significantly to the second half of FY18. A number of stages are expected to commence settlements in the final quarter of FY18.

Given the difficulty of forecasting the exact timing of settlements of pre-sales at a number of projects this early in FY18, earnings guidance will be provided later in the financial year.

A number of other new projects, including the *Target* office at *Williams Landing* (Vic), *Glenside*, *Port Adelaide* (both in South Australia), and *Mangles Bay* (in Western Australia), provide a positive growth outlook for future financial years.

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