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THE DEMISE OF THE PROPERTY DEVELOPERS – A REVIEW OF THE SYSTEMIC INFLUENCES ON THE SUNSHINE COAST[1]

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Abstract
The development industry, in particular on the Sunshine Coast, appears to have experienced a disproportionate share of 'misfortune' in the wake of the Global Financial Crisis (GFC) with a considerably high level of insolvency in local development groups and a substantial fall in development activity.

The fall in development activity is evidenced by the lack of physical construction activity and development industry research. Recent reports pertaining to the quantity of endorsed residential allotments reflect the lowest quantum of approvals in eight (8) years which contrasts the regions high current and proposed population growth.

During the GFC property markets have been impacted, which may partially explain the fall of developers and the development activity, however, the leading market indicators (Gross Realisation and Construction Costs) for the Sunshine Coast have painted a mild adverse picture, not becoming the property development industry failures.

This paper examines a 'basket' of Sunshine Coast property developers and identifies the respective status of their business practices followed by quantitative research to determine a 'baseline' profitability trend for developments in the region. The trend sets the scene for a comparison of how property developer failures have occurred relative to the envisaged profit declines during a set historical time horizon.

In conclusion, there are broad ranging recommendations including a discussion on regulation of the development industry as well as suggestions regarding teaching and education. The appropriateness of endorsing the property developer as an 'entrepreneur' also arose presenting an avenue for further research.

Keywords
Property developers, construction cost, market influences, gross realisations, profitability.

[1] The expanded version of this paper was presented as a dissertation submitted to the Queensland University of Technology, Faculty of Built Environment & Engineering, in partial fulfillment of the requirement for a Master of Property Economics.

1. Introduction and Industry Background

Introduction

Property development is an ancient practice defined as the process by which improvements are made to land for occupation or resale. A property developer, one who regularly undertakes the process of development, can take many forms being an entity or person driven by a set of objectives to produce an enduring asset which contributes to our built environment.

The finished asset, or product of the development process, is subject to numerous restrictive controls and regulations through local codes and national standards. Even as a completed product the asset may be subject to occupation constraints or 'preferred' intended uses imposed by relevant certifiers or regulated by local authorities through planning instruments.

In contrast to the potentially erroneous regulatory controls imposed on built product the process of development, in particular the pre construction decision stages, is relatively free of controls. The relative lack of decision controls and potential for high returns have created a national property industry conducive to entrepreneurial and pioneering activities.

On Queensland's Sunshine Coast the local development market may be regarded as pioneering with few long term active developers and no businesses with Quality Assured management practices. The larger and more recognised development companies on the coast such as, Reed Property Group, Juniper Development Group and RGD (Ron Grabbe Developments), share a business structure with the key decision makers name forming the company's title. The reporting lines of the local business are relatively shallow and there no Australian or Bendigo Stock Exchange listed development businesses with headquarters on the Sunshine Coast.

There are extensive development controls, pertaining to product type, form and use, enforced through the Sunshine Coast Council (previously three (3) regions being Caloundra City, Maroochy Shire and Noosa Shire), the Queensland Government and Australian (Federal) planning authorities however the economic viability and decision to development are principally in the control of the respective developers with the financier, if applicable, providing a cursory level of control. With the exception of product control the practice of a developer on the Sunshine Coast is almost entirely unregulated and may be regarded as conducive to uncontrolled pioneering and entrepreneurial activities.

Harvey (2004) and Costello and Preller (2010) support the notion of the risk accepting entrepreneurial property developer with Costello and Preller extending the discussion to define the development industry as pioneering, concluding that academic institutions and the industry should ensure that content covering the science and important principles of entrepreneurship be included in appropriate training courses.

In light of the perceived poor performance of the international development industry, and the disproportionate share of 'misfortune' in the wake of the Global Financial Crisis (GFC) the question of whether the role of the property developer, as described by Harvey and endorsed by Costello and Preller, is appropriate. Given that the property development industry is regarded as synonymous with risk and uncertainty, the necessity for stringent risk management practices and applied experience would appear evident. Such a coordinated and experienced approach for risk management, however, may be regarded as contradictory to the practice of pioneering entrepreneurs.

The question is particularly relevant to the Sunshine Coast region given the dominance of industry with respect to Gross Regional Product and employment.

Paper Structure

This paper has been framed around the question of whether an entrepreneurial or pioneering approach should be endorsed by, or applied to, an inherently risky industry such as property development on Queensland's Sunshine Coast.

The research presents an opportunity to further analyse the relationship between 'baseline' development profitability for a region, against the performance of the respective developers. Should the specific developer's profit trend be disproportionate to the market trend, then other non-systemic practices may be highlighted as potential contributing factors and may create a pathway for further research.

The answer to the primary question and related research pertaining to whether a pioneering and entrepreneurial development industry, such as that on the Sunshine Coast, with little regulation can operate and remain solvent in an inherently risky market has initially been sought through a review of literature (Section 2 – Literature Review). From the gaps, and perceived conflicts in the current literature, additional research has been undertaken in four (4) stages being:

1. A review of the status of the developers on the Sunshine Coast ('Developers Status Review');
2. Establishment of the baseline profitability index ('Development Profitability');
3. Calculation of the correlation between systemic market movements and the status of the respective developers ('Developer Status v Profitability'); and
4. A qualitative review of three (3) selected developers to identify adverse systemic and non-systemic influences ('Developer Case Studies').

The research process and findings are detailed in Section 3 – Research Design and Section 4 - Research Application & Findings. Section 5 – Research Limitations discusses the limitations relating to the process whilst Section 7 concludes the current research with observations and suggestions presented for further research.

2. Literature Review

This literature review describes the theoretical perspectives and previous research findings related to the demise of property developers, with a specific focus on the Sunshine Coast region of Queensland, Australia. Its function is to look at what others have done in areas that are similar to the subject area of investigation.

The foundation literature relating to this research topic may be regarded as shallow with the current review of literature presenting a broad gap between generic texts and detailed theoretical works with limited practical application. There are a series of well researched valuation and project management texts which provide a cursory view of property development practices. Additionally there are international journal articles, primarily European and North American, detailing sophisticated financial models and theories specific to micro market development feasibility, but these articles provide little scope for application to property development within Queensland.

The practical research into the Australian property development arena is incomplete. A search of book stores or even on the internet, including YouTube[2], revealed a series of 'tips', or opinion, based literature often over generalising the industry and respective property markets. The 'tips' or opinion based literature mostly relates to smaller scale residential development and wealth creation but lacks substantive research.

Professional research, recorded in industry market publications and government authority reports, is relatively abundant in South East Queensland. As with all research of this nature it is important to consider bias in these publications and to delve deeper than the headings and opinions of the authors, however there are consistent supporting themes and quality raw statistical material available and some of the research is applicable to the research question at hand.

Property Development Origins and Knowledge

Property development is an ancient profession with evidence of successful built form delivery, such as the Egypt and Mayan pyramids, predating 'modern' history by some 3000 years. The 'Step Pyramid' that overlooked the ancient capital of Memphis in the Egypt broadly resembles its original form some 4,600 years later (Friedman 1995).

The property development profession witnessed limited academic evolution which may be partially attributable to the dominance of governments, churches and the monarchies in early property development and respective lack of necessity for public reporting. In particular, Dobie (2007) proposes that it took an atomic bomb project, the Manhattan Project, back in World War 2, to commence the modern project management movement and collate a body of knowledge applicable to project and development management practices.

From a traditional property development perspective it is widely regarded that James A. Graaskamp, in 1970, provided the first holistic framework for understanding the property development process. Through discussing successful development as a dynamic relationship between the specified real estate (property) and three (3) participant groups, being the investors/developers, consumers and government, Graaskamp created a grounding for subsequent authors to further the literature base.

[2] YouTube (http://www.youtube.com/) is a popular internet based video library.

From a project management perspective the industry has matured with a growing field of literature, both print and internet. As an example the Project Management Institute's Guide to the Project Management Body of Knowledge (PMBOK Guide), currently in its fourth edition, has been recognised as the standard for the project management industry. The Guide has been refined over 25 years and includes a section dedicated to practical risk management through identification, analysis, control and response techniques.

In contrast there has been a distinct lack of new practical property development literature. An online search of the phrase 'Real Estate Development' on Wikipedia revealed a brief 1,134 word summary whilst the equivalent search of 'Project Development' revealed a detailed 4,456 word report (Wikipedia 2010).

Property Developers

Harvey (2004) describes the property developer as an entrepreneur accepting the 'unsheddable' risks of producing for an uncertain demand. This definition may be further delineated with the developer as an entrepreneur implying a personality who is willing to take on a new venture or enterprise and accept full responsibility for the outcome. The term 'unsheddable risks', whilst not generically defined in literature may be regarded as risk of a nature which cannot be removed or substantially mitigated through appropriate risk management strategies. Uncertain demand is a broad term which appears to detail an additional risk consideration which may be expressed as a negative, being a lack or loss of demand.

Costello and Preller (2010) appear to support Harvey's notion concluding that academic institutions and the property development industry should ensure that content covering the science and important principles of entrepreneurship be included in appropriate training courses. As a further recommendation Costello and Preller, whilst defining the desire that the respective education institutions caution against excess conservatism, conclude:

"Consultants in the property development industry will only remain relevant if professionally independent and well balanced contributions are made to an entrepreneurial and pioneering industry." (Costello and Preller 2010 p.15).

The role of the property developer, as described by Harvey and endorsed by Costello and Preller, may, after considering the risky nature of the enterprise, raise the question of whether an entrepreneurial or pioneering approach should be endorsed by or applied to any of the property sectors. Given that the property development industry is regarded as synonymous with risk and uncertainty, the necessity for stringent risk management practices and applied experience would appear evident. Such a coordinated and experienced approach for risk management, however, may be regarded as contradictory to the practice of entrepreneurs, or pioneers.

The Australian standards for risk management, AS/NZS ISO 31000:2009, repeatedly note the requirement for the adoption of consistent processes within a comprehensive framework to ensure that risk is managed effectively, efficiently and coherently. Further through the wide use of Probability and Impact Matrices the project management industry is encouraged, through texts including PMBOK (2008), to implement a formal strategy to identify the greatest risks and formulate appropriate response strategies to reduce or remove, where possible, the potential for a negative impact from risk.

PMBOK (2008) evidences the role that experience, incumbent in succeeding and failing, in past projects plays in each project stage, especially risk management. In particular the desired actions of a good project manager, being an experienced manager operating within their specific area of expertise may be considered contrary to the implied personality of an entrepreneur.

Sunshine Coast Development Industry

Queensland's Sunshine Coast is characterised by pristine hinterland and an internationally recognised coastal environment. The region extends to 3,127 square kilometres, with an estimated population as at 30 June 2009 of 323,423 (7.3% of Queensland's population) and a growth rate of 3.1% since 2004 (ABS 2010). The population for the Sunshine Coast is projected to increase by an average annual growth rate of 2.3% over the 20 year period from 2006, ultimately reaching 460,862 persons in 2026 (ABS 2010).

Given the growing nature of the region, and necessity for new residential dwellings and supporting commercial properties and infrastructure, property development has become a significant financial contributor to the regions Gross Regional Product (GRP) as well as the labour market. A study prepared by Tourism Potential (2009) valued the total (direct and flow-on) Sunshine Coast development industry impact, for the 2007/08 financial year, at $3,715 million with a related employment base of 27.3 thousand (full time equivalent). As a cover note for a recent publication addressing the need for economic diversity on the Sunshine Coast region Councillors' Abbot and Brennan expressed concern regarding the dominance of the development market citing the three (3) primary industry sectors of tourism, construction and retail, as each representing between 13% and 17% of GRP (SCRC 2010).

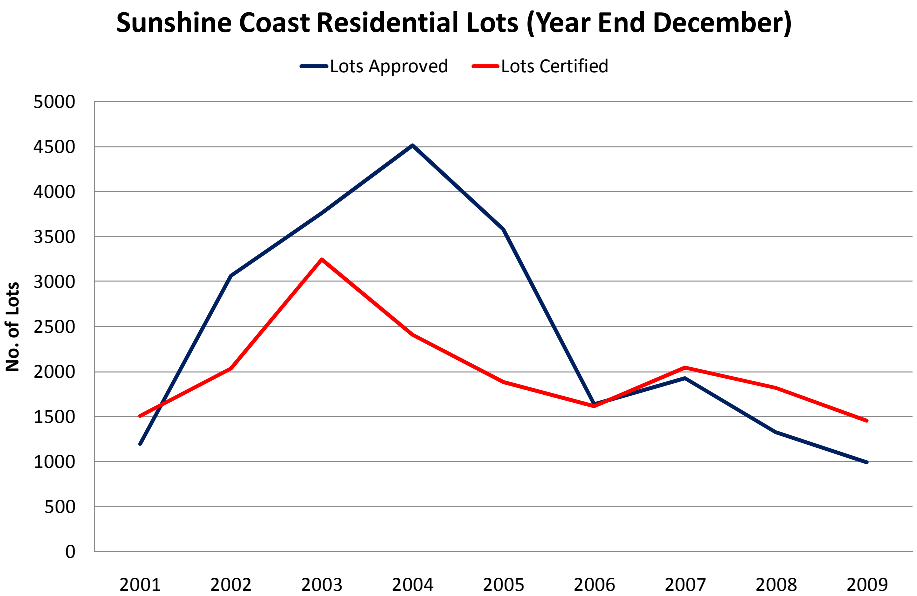
Even with population growth and an historically significant share of GRP the development industry on the Sunshine Coast appears to have experienced a disproportionate share of 'misfortune' in the wake of the GFC with a considerably high level of insolvency in local businesses and a substantial fall in development activity. The fall in development activity is evidenced by the lack of physical construction activity. From a visual perspective it appears unusual that there is only one crane operating within the Sunshine Coast's Principal Activity Centre, Maroochydore during the preparation of this research. The crane services a Queensland Government procured office building as depicted in illustration 2.1.

Illustration 2.1 - Maroochydore Principal Activity Centre

Maroochydore Principal Activity Centre, from Buderim (21 October 2010)

A recent report by the State Treasury notes that were 1,442 residential lots endorsed by Sunshine Coast Regional Council in the year to September quarter 2009 (QT 2010a), which is the lowest level in eight (8) years, and does not appear at parity with the ABS estimated population growth from July 2008 to June 2009 of 9,572 people as quoted in the Queensland Treasury's Regional Profile (QT 2010b). The pronounced decline in residential lot approvals and certifications, since 2004, is illustrated in chart 2.1.

Chart 2.1 - Sunshine Coast Residential Lots



Source: Queensland Treasury (2010)

Development Profitability

The fundamental profitability equation, being profit equals revenue less costs, of development feasibility appears supported by the current literature. In expanding the equation API (2007a) noted economic feasibility was indicated when the market value, or gross realisation, of a project upon achievement of a stabilised condition equals or exceeds all costs of production.

There have been detailed feasibility models developed and employed to improve forecasting and valuation accuracy since the findings of the Closer case[3] however it is widely noted that the profitability of a project is equal to the revenue less costs. The underlying message implied in the industry texts and standards, relates to the appraisers making sure adequate considerations and allowances have been made for all appropriate costs and risks (API 2007b).

Revenue

Residential

Residential development, comprising land subdivision and the construction of residential dwellings and units, has historically been the Sunshine Coast's primary development sector. During the twelve (12) month period ending 30 June 2010, total residential building approvals amounted to $858,766 million, representing 74% of the total building approvals for the Sunshine Coast (QT 2010a).

Research into historical sales trends, in the Sunshine Coast residential markets, is abundant with local real estate agents, market researchers, industry bodies, valuers and the various levels of government all contributing to the knowledge pool. Whilst there has been some volatility expressed in shorter periods and within particular suburbs, the annualised trend from residential median prices over the past year has been positive. The Queensland Treasury (2010a) report details effective annual growth of between 10% and 14%, depending upon the residential product type for the period from September 2001 to 2009. Only built residential product (house & land packages, detached houses and units/townhouses) experienced an annual period of decline from 2008 to 2009 being a nominal amount of up to 5% (QT 2010a). This trend has been broadly supported by HTW (2006) presenting positive median price growth for all classes of residential since 1993, with the exception of two (2) years of negative growth for vacant land sales whereby a market correction of approximately 9% was experienced over the two (2) year period commencing 2005.

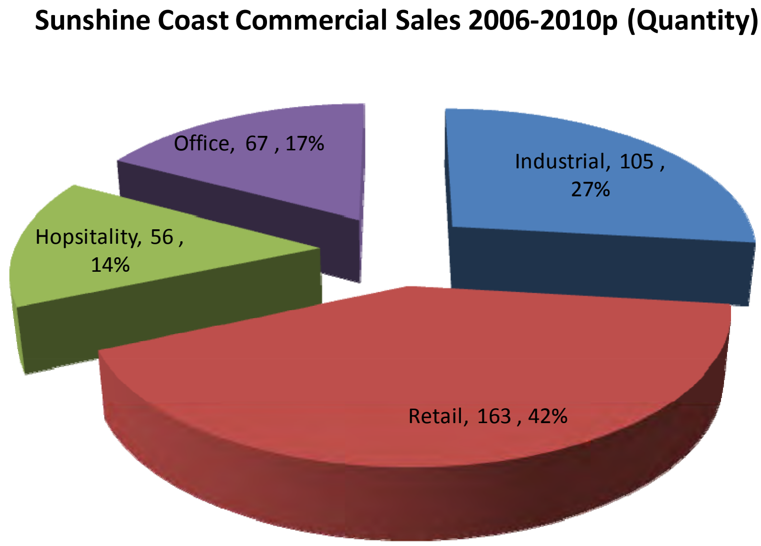
In a recent media release from the Real Estate Institute of Queensland, Wilson (2010) notes that while sellers would probably prefer bigger growth, figures show a 2.9% rise in prices for the twelve (12) months to March 2010 when referring to the median house price on the Sunshine Coast.

Non-Residential

Non-residential, or 'commercial', development may broadly be described as the process of creating built retail, industrial, office, tourism/hospitality and other community or service related structures. With regard to the Sunshine Coast, private developers have been most active in the retail, office and industrial sectors of the commercial markets. In particular retail development and sales activity have dominated the Sunshine Coast commercial markets, in past five (5) years, with 42% of the commercial sales (Boyd 2010). Industrial and office have also played an important role with 27% and 17% respectively whilst hospitality represented a less significant 14%, as illustrated in chart 2.2.

[3] Closer Settlement Ltd v. The Minister (1942) 17 L.G.R. 62, where the relationship between implicit speculation, or risk, and expectation of compensatory return were outlined.

Chart 2.2 - Sunshine Coast Commercial Sales



Source: Boyd (2010)

From an investment perspective CB Richard Ellis (2009 and 2010) and Boyd (2010) broadly note that rental rates for commercial properties have generally trended upwards at a rate in excess of inflation with the exception of the 2008 to 2010 period where there has been stagnation, or, in the case of bulky goods retail (a smaller subset of retail), rents have corrected by up to 20% during the two (2) year period.

Yields, reflecting the relationship between annual income and market values or sale prices, have broadly compressed over the past ten (10) years with the exception of post GFC period from 2008 to 2010 whereby yields have softened, or expanded, by up to 1.50% for most classes of commercial property. The yield expansion is reflected in the trend from neighbourhood shopping centre transactions where the benchmark yield went from an all time low of 7.00% in March 2008 to 8.00% in March 2010 (CB Richard Ellis 2010). Given the relationship between yield and rental the yield expansion would relate to a capital value drop of 12.5%. Whilst this capital value reduction appears substantial it is important to note that the capital value of neighbourhood centres increased substantially over the eight (8) years prior due to strong rental growth and a 2.25% yield compression (CB Richard Ellis 2009 and 2010).

From a commercial perspective it is conceivable that a hypothetical investor, or developer, may witness a capital value drop of in excess of 10% during the period from 2008 to 2010. If they were to invest or acquire the property earlier, then the capital value drop would have likely been offset by prior capital gain.

Costs

From a development feasibility perspective it is widely noted and anecdotally proven that, in a standard development project, the most significant cost relates to construction or the tendered contract price. Rawlinsons (2009) implicitly infers this, detailing various benchmarked fees or costs as a percentage of the construction cost, such as professional fees at 6.5% to 16%. Whilst there are other costs associated with a proposed development on the Sunshine Coast, including land purchase, acquisition expenses, professional fees, statutory contributions, land holding charges and potentially interest, the most sensitive component generally relates to the physical construction price.

Construction cost or price trends on the Sunshine Coast have been relatively stable since 2006 (commencement of tender index) with Davis and Langdon (2010) statistics revealing an average annual Tender Price growth rate of between 1.9% and 2.4% per annum depending on the type of product. During the four (4) year period the greatest period of growth was between the third and fourth quarters of 2007 where a notional 2.3% was experienced for commercial tender prices.

From a longer term perspective Sunshine Coast construction costs have broadly tracked with Brisbane given the geographic proximity and shared construction businesses. Since 1982 (commencement of building price index) Brisbane has witnessed an effective annual building price growth of 4.9% (Rawlinsons 2009). During the period the greatest annual growth was experienced in the year commencing July 2003 where the Rawlinsons (2009) index increased 27%, albeit the increases were relatively stagnant during the eight (8) year lead in period.

Limitations

From the search of literature there are a series of gaps that would require consideration or further research. In particular, primary research will be required to further analyse gross realisation trends. From a national perspective it would be prudent to look into the role financiers have played with respect to limiting funding for development projects. More specifically the Sunshine Coast Regional Council, primary authority for providing development approvals, has been widely criticised for its adversity to new development (Boyd 2009) since amalgamation in March 2008 and, therefore, consideration of the potential impacts would require further deliberation.

Literature Summary

Harvey's (2004) description of the property developer as an entrepreneur accepting the 'unsheddable' risks of producing for an uncertain demand raises the question of whether an entrepreneurial or pioneering approach should be endorsed by or applied to any of the property sectors, let alone the inherently risky development industry. The question is particularly relevant to the Sunshine Coast region given the dominance of industry with respect to Gross Regional Product and employment.

From a professional, as opposed to academic, research perspective there appears to be general support for the historical longer term profitability of the development industry on the Sunshine Coast, albeit, additional structured research is required. Systemically there are specific time periods and property markets whereby gross revenues declined, and a period back in 2003 to 2004, where construction cost escalations would have had a dramatic adverse affect on project profitability.

The review of this literature presents an opportunity to further analyse the relationship between 'baseline' development profitability for a region, against the performance of the respective developers. Should the specific developer's profit trend be disproportionate to the market trend, then other non-systemic practices may be highlighted as potential contributing factors and may create a pathway for further research.

In summary, the appropriateness of endorsing the property developer as an entrepreneur or pioneer requires further consideration and will be addressed in Sections 3 to 8.

3. Research Design

The literature review presented an anomaly, or rather a conflicting view with regard to the role and practice of the property developer. On one side there is the view of Harvey (2004) describing the developer as an entrepreneur which is supported and expanded upon by Costello and Preller (2010) through discussion pertaining to a pioneering approach to an inherently risky and uncertain industry. The application of a pioneering approach, and respective role of the developer as an entrepreneur, appear to contradict the conservative and carefully controlled risk reduction systems identified in PMBOK (2008) and risk management standards, such as AS/NZS ISO 31000:2009.

The research will focus on the performance of the development industry on the Sunshine Coast during the past eight (8) years.

Sunshine Coast as a Case Study

Queensland's Sunshine Coast, with its traditional dependence on the development sector for employment and economic prosperity and the forecast of continued population growth, presents an interesting case study for the analysis of the practice and roles of the developer. In particular the local development market may be regarded as pioneering with few long term active developers and no businesses with Quality Assured management practices. The larger and more recognised development companies on the coast such as, Reed Property Group, Juniper Development Group and RGD (Ron Grabbe Developments), share a business structure with the key decision makers name forming the company's title. The reporting lines of the local business are relatively shallow and there no Australian or Bendigo Stock Exchange listed development businesses with headquarters on the Sunshine Coast.

There are development controls, pertaining to product type, form and use, enforced through the local, state and national planning authorities however the economic viability and decision to development are principally in the control of the respective Sunshine Coast developers with the financier, if applicable, providing a cursory level of control. With the exception of product control the practice of a developer on the Sunshine Coast is almost entirely unregulated and may be regarded as conducive to uncontrolled pioneering or entrepreneurial activities.

Research Focus

The primary question pertaining to this paper is whether a pioneering and entrepreneurial development industry with little regulation can operate and remain solvent in an inherently risky market. Having selected an appropriate region for the case study the answer to the question is sought through four (4) stages being:

1. A review of the status of the developers on the Sunshine Coast ('Developers Status Review');
2. Establishment of the baseline profitability index ('Development Profitability');
3. Calculation of the correlation between systemic market movements and the status of the respective developers ('Developer Status v Profitability'); and
4. A qualitative review of three (3) selected developers to identify adverse systemic and non-systemic influences ('Developer Case Studies').

Developers' Status Review

A review of the status of Sunshine Coast local developers is likely to provide insight into the functionality of the marketplace as well as to provide a sample list of developers for a subsequent correlation exercise. Due to the relatively large number of businesses and private enterprises undertaking development activity in the past decade a carefully selected sample may be required for practical analysis purposes.

Development Profitability

Through examining the relationship between revenue and cost growth indices for the Sunshine Coast development industry, a 'baseline' profitability trend may be inferred. Periods whereby revenue has declined and/or costs have substantially increased for particular property sectors may be identified. These systemic project impact periods may be considered in benchmarking the non-systemic performance of the affected developers.

Developer Status v Profitability

After establishing the status of the sample developers' and reviewing their respective proportion of impacted projects the correlation may be evaluated. If the correlation is found to be strong then it may imply that the status of the local Sunshine Coast developers is influenced by the systemic market events. Should the correlation be weak then the research may show a link to non-systemic influences.

If a specific developer's profit trend is disproportionately lower than the market trend, then other non-systemic practices may be highlighted as potential contributing factors and may create a pathway for further research.

Developer Case Studies

As additional support for first three (3) research stages, a specific detailed review of three (3) prominent Sunshine Coast developers will be undertaken. Through the qualitative review the local developers will be examined with particular regard given to their status relative to historical project impacts. The findings of the review may identify adverse systemic and non-systemic influences for subsequent review or later research.

4. Research Application & Findings

Developers' Status Review

Define a Developer

For the purpose of this paper a developer is regarded as a person or entity that undertakes the physical activity of developing land. In refining the broad developer definition particular categories have been excluded in this research to provide a focus on private Sunshine Coast based developers.

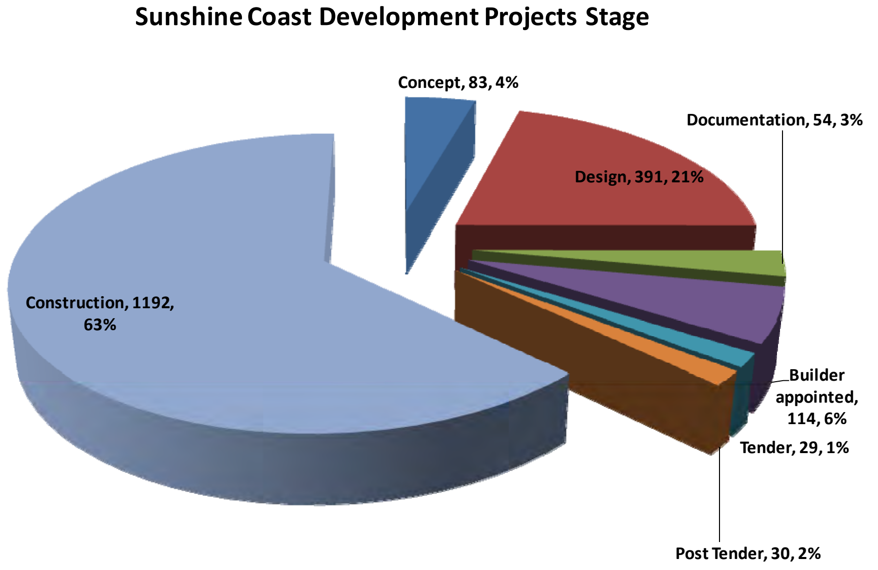
A detailed review of development activity over the past eight (8) years on the Sunshine Coast has been undertaken to determine an appropriate sample or 'basket' of local private developers. The approximate eight (8) year horizon was primarily selected due to information availably and accuracy of construction data recording through providers such as Reed Construction and Building Construction Information Australia (BCI Australia). The BCI Australia[4] project database has been utilised to obtain a register of developers and projects undertaken on the Sunshine Coast. The data has subsequently been presented in a spreadsheet to enable sorting and grouping to define the sample.

[4] A private Australian construction research database with data gathered from a variety of sources including primary contact, newspapers from all major city and regional areas, magazines, and news websites. Local, State and Federal government websites are also used as they contain planning and development information as well as details on tenders and forward procurement.

Sunshine Coast Developer Sample

Since January 2003 there have been 1,893 projects contained within the BCI Australia database pertaining to development activity on the Sunshine Coast. Approximately 63%, or 1,192, of the projects reached physical construction with the remaining 37% at various stages prior to construction.

Chart 4.1 - Sunshine Coast Development Projects Stage



Source: Adapted from BCI Australia (2010)

The construction projects were subsequently refined to include only private persons and entities (excludes government entities or joint venture partnerships whereby the government entity has a predominant interest) which reduced the sample, by 32% to 806 projects. Approximately 46%, or 369, of the private construction projects were undertaken as local persons or entities having a registered office within the Sunshine Coast region. Of the local private controlled projects approximately 58%, or 215, were undertaken as businesses or persons acting as a developer as opposed to constructing a property for occupation or as an ancillary business activity.

The sample was then refined by selecting the projects, and respective developers who undertook two (2) or more construction projects during the selected term. The residual 89 projects were undertaken by 24 private local developers. The 24 private local developers have been identified as the sample or basket for the research.
The sample selection refinement is noted in table 4.1.

Table 4.1 - Project Type / Refinement Category

Project Type / Refinement Category	No.	
Sunshine Coast Projects	1,893	
Reached Construction	1,192	63%
Private Person / Entity Procured	806	68%
Local Based Person / Entity Procured	369	46%
Developer Procured	215	58%
Local Developer Sample	**89**	**42%**

Source: Adapted from BCI Australia (2010)

The names and salient details of the selected local private developers utilised in this research are listed in table 4.2.

Table 4.2 - Developer Status

Developer Status	ASIC Status (as at 21 Sep 10)
Austrho Holdings	Registered 4/11/04 Mooloolah Valley
Beesceems Pty Ltd	Registered 14/3/03 Maroochydore
Caralan Pty Ltd	Registered 3/2/97 Birtinya
David & Christine Walsh	Private
Direct Property Group Pty Ltd	Registered 8/4/02 Deregistered 29/8/10
Ford & Rockliff Pty Ltd	Registered 31/5/10 Caloundra
Hagen Investments Pty Ltd	Registered 16/11/72 Kings Beach
Jim Tatton Developments	Not Available
Jordan Developments	Registered 1/5/03 Deregistered 20/9/10
Juniper Development Group	Registered 14/11/07 Mooloolaba
Lorikeet Developments	Registered 25/8/93 Deregistered 9/11/08
Mark Bain Constructions Pty Ltd	Registered 25/8/88 Nambour
MC Property Investments Pty Ltd	Registered 29/11/96 Birtinya
McCullagh Developments	Not Available
MCH Corporation Pty Ltd	Registered 14/11/97 Sydney (Address Change)
Monkira Developments Pty Ltd	Registered 30/6/99 Noosa Heads
Pelican Waters / Pumistone Passage Developments	Registered 5/10/06 Pelican Waters
Playwich Pty Ltd	Registered 30/1/02 Mooloolaba
Reed Property Group	Registered 22/6/99 Mooloolaba
RGD Property	Registered 13/3/02 Buderim
RPC (Real Property Constructions Pty Ltd)	Qld Business Name Removed
SLS Property Group Pty Ltd	Registered 31/8/06 Birtinya
Squire Development Group	Registered 6/8/99 Alexandra Headland
Walter Iezzi Building Group Pty Ltd	Registered 20/5/96 Nambour

Source: Adapted from BCI Australia and Australian Securities and Investments Commission (ASIC).

Developer Activity

From the refined developer sample it was found that 24 private Sunshine Coast developers undertook two (2) or more construction projects during the 2003 to 2010 horizon, being active during the respective development periods.

In determining whether the selected developers are still active, inactive or have ceased operating, a variety of tools and sources have been utilised including company searching through the Australian Securities and Investments Commission (ASIC)[5] registers, reviewing property ownership details through RP Data[6], reviewing articles in the Sunshine Coast Daily[7] (searched and sourced through Factiva), and checking the respective company websites for announcements.

[5] An Australian Government maintained National Names Index of business and other names across the nation, states and territories. www.asic.gov.au/gns
[6] A property sales and ownership database with information sourced primarily from the Queensland Valuation and Sales (QVAS) in addition to other industry sources. www.rpdata.com
[7] The Sunshine Coast Daily is the regions primary local newspaper. www.sunshinecoastdaily.com.au

After compiling a status list for the developer sample it was forwarded to the Managing Director of Colliers Sunshine Coast for review. The status of four (4) developers was questioned through the reply email from Nick Dowling, dated 23 September 2010, and a further search was undertaken. The questioned list and subsequently assigned status are detailed in table 4.3.

Table 4.3 - Developer Status Review

Developer Status Review	Initially Prescribed Status	Colliers Prescribed Status	Adopted Status
Caralan Pty Ltd	Active	'Almost Dead'	Inactive
Direct Property Group Pty Ltd	Ceased	'Bli Bli Land'	Ceased
Ford & Rockliff Pty Ltd	Inactive	'Rumba'	Inactive
Jim Tatton Developments	Inactive	Active	Active

Source: Adapted from BCI Australia (2010), Australian Securities and Investments Commission (ASIC 2010), RP Data (2010), Sunshine Coast Daily (2000-2010), company websites, and Colliers International Sunshine Coast.

Of the 24 developers selected six (6) (25%) were assessed as Active (being activity involved in development projects not just holding land or improved product), 12 (50%) as Inactive (not actively involved in development) and six (6) (25%) as Ceased (business has been deregistered or has related entities in various stages of receivership). The selected developer sample, prescribed status and number of applicable projects (excludes product type not included within the analysis) during the sample period are detailed in table 4.4.

Table 4.4 - Developer Status Adopted

Developer Status Adopted	No. Applicable Projects	Adopted Status
Austrho Holdings	2	Inactive
Beesceems Pty Ltd	2	Inactive
Caralan Pty Ltd	4	Inactive
David & Christine Walsh	2	Inactive
Direct Property Group Pty Ltd	1	Ceased
Ford & Rockliff Pty Ltd	3	Inactive
Hagen Investments Pty Ltd	2	Inactive
Jim Tatton Developments	2	Active
Jordan Developments	2	Ceased
Juniper Development Group	4	Inactive
Lorikeet Developments	2	Ceased
Mark Bain Constructions Pty Ltd	3	Inactive
MC Property Investments Pty Ltd	2	Inactive
McCullagh Developments	2	Ceased
MCH Corporation Pty Ltd	3	Active
Monkira Developments Pty Ltd	2	Inactive
Pelican Waters / Pumistone Passage Developments	7	Active
Playwich Pty Ltd	2	Inactive
Reed Property Group	13	Active
RGD Property	12	Active
RPC (Real Property Constructions Pty Ltd)	3	Ceased
SLS Property Group Pty Ltd	4	Ceased
Squire Development Group	3	Active
Walter Iezzi Building Group Pty Ltd	3	Inactive

Source: Adapted from BCI Australia (2010), Australian Securities and Investments Commission (ASIC 2010), RP Data (2010), Sunshine Coast Daily (2000-2010), company websites, and Colliers International Sunshine Coast (2010)

Development Profitability

The fundamental profitability equation, being profit equals revenue less costs, of development feasibility appears supported by the current literature. In expanding the equation API (2007a) noted economic feasibility was indicated when the market value, or gross realisation, of a project upon achievement of a stabilised condition equals or exceeds all costs of production.

In assessing the 'baseline' profitability of development activities on the Sunshine Coast I have principally evaluated the price indices trends for **revenue** and **costs** as they relate to the specific product type sectors.

Revenue

Residential Overview

Residential development, comprising land subdivision and the construction of residential dwellings and units, has historically been the Sunshine Coast's primary development market sector. During the twelve (12) month period ending 30 June 2010, total residential building approvals amounted to $858,766 million, representing 74% of the total building approvals for the Sunshine Coast (Queensland Treasury 2010a).

Research into historical sales trends, in the Sunshine Coast residential markets, is abundant with local real estate agents, market researchers, industry bodies, valuers and the various levels of government all contributing to the knowledge pool. Whilst there has been some volatility expressed in shorter periods and within particular suburbs, the annualised trend from residential median prices over the past year has been positive.

Residential Land Revenue Trend

In assessing the trend in land sales I have principally focused on statistics prepared by the Queensland Government's Office of Economic and Statistical Research (OESR) and the Real Estate Institute of Queensland (REIQ). As a check approach sales records obtained through RP Data have been grouped and analysed to provide annual median trends. Table 4.5 below presents the refined statics and the adopted Residential Land Price Index.

Table 4.5 - Residential Land Price Trend

Residential Land Price Trend	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Median (RP Data)	92,000	88,000	95,000	193,500	225,000	219,733	220,000	255,000	283,000	277,500	297,500
Vacant Land Median Yr to Dec (OESR)		80,000	97,500	155,000	225,000	220,000	202,000	219,500	237,633	240,000	
Vacant Urban Land SC Jun Q Median (REIQ)										233,580	252,500
Residential Land Index	**1.00**	**0.96**	**1.10**	**1.99**	**2.61**	**2.55**	**2.44**	**2.74**	**3.01**	**2.99**	**3.22**
% Increase		**-4.3%**	**14.9%**	**81.3%**	**30.7%**	**-2.3%**	**-4.0%**	**12.3%**	**9.6%**	**-0.5%**	**7.7%**

Sources: RP Data Sales Land, 1/1/2000 - 29/9/2010, Numerous, SC North, SC South, Noosa, Maroochy and Caloundra
OESR December 2010
REIQ 2010

The price increase in residential land on the Sunshine Coast has been strong over the past ten (10) years with an effective annual increase of 10% per annum. During the period there were however two (2) years of consecutive negative growth, 2005 and 2006, whereby the market decreased by a relatively nominal 6.3%.

Residential land development project on the Sunshine Coast, completed in the two (2) year period commencing in 2005, may have been subject to a negative financial feasibility impact. With the exception of the two (2) year impact period the market for residential land has performed strongly and should have supported high gross realisations from the respective development projects.

Residential Built Form Revenue Trend

In assessing the trend in built form residential sales I have principally focused on residential units, townhouses, and house and land statistics as prepared by the Queensland Government's Office of Economic and Statistical Research (OESR) and the Real Estate Institute of Queensland (REIQ). As a check approach sales records for residential units have been obtained through RP Data and appropriately grouped and analysed to provide annual median trends. Table 4.6 below presents the refined statics and the adopted Residential Built Price Index.

Table 4.6 - Residential Built Price Trend

Residential Built Price Trend	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Median (RP Data)	115,000	94,500	111,000	180,000	225,000	239,500	205,000	231,000	260,000	254,000	289,000
Units & Townhouses Median Yr to Dec		160,000	183,000	265,000	313,250	340,000	345,000	350,000	350,000	357,000	
House & Land Packages Median Yr to Dec		192,500	227,000	322,500	385,000	385,000	412,000	445,000	475,000	467,500	
Houses SC Jun Q Median (REIQ)										445,076	470,000
Units & Townhouses SC Jun Q Median (REIQ)										345,051	373,000
Residential Built Index	1.00	0.82	0.96	1.43	1.73	1.82	1.78	1.92	2.04	2.03	2.22
% Increase		-17.8%	16.6%	49.7%	20.9%	5.0%	-2.0%	7.4%	6.4%	-0.6%	9.7%

Sources: RP Data Sales Building Units, 1/1/2000 - 29/9/2010, Numerous, SC North, SC South, Noosa, Maroochy and Caloundra
OESR December 2010
REIQ 2010

The median price increases for the various residential built products have been relatively consistent, albeit House & Land Packages and dwellings with a substantial land component have witnessed a greater price escalation. The trend is supported by the high growth reflected from the Residential Land Index.

The Residential Built price increase on the Sunshine Coast has been relatively strong over the past ten (10) years with an effective annual increase of 8.3% per annum. During the 2001 calendar year however the index reflected a systemic decrease of just under 18%.

It is conceivable that a built residential development project on the Sunshine Coast, completed in 2001, may have been subject to a significant financial feasibility impact. The market rebounded strongly in the successive three (3) years and should have supported high gross realisations from the respective development projects.

Non-Residential Overview

Non-residential, or 'commercial', development may broadly be described as the process of creating built retail, industrial, office, tourism/hospitality and other community or service related structures. With regard to the Sunshine Coast, private developers have been most active in the retail, office and industrial sectors of the commercial markets.

From an investment perspective CB Richard Ellis (2009 and 2010) and Boyd (2010) broadly note that rental rates for commercial properties have generally trended upwards at a rate in excess of inflation with the exception of the 2008 to 2010 period where there has been stagnation, or, in the case of bulky goods retail (a smaller subset of retail), rents have corrected by up to 20% during the two (2) year period.

Yields, reflecting the relationship between annual income and market values or sale prices, have broadly compressed over the past ten (10) years, with the exception of post GFC period from 2008 to 2010 whereby yields have expanded, by up to 1.50% for most classes of commercial property.

Office Revenue Trend

Due to factors such as limited transactions and smaller markets, the pool of statistics regarding trends in office investment prices is somewhat limited. On the Sunshine Coast there are three (3) primary agency and valuation practices which provide detailed market commentaries pertaining to investment activity and pricing movements for office properties. The market commentaries report information including benchmarked yields, rentals and improved rates ($ per square metre of net lettable area) for set periods. In assessing the pricing trend in office sales I have principally focused on statistics prepared by CB Richard Ellis, Colliers International, and Savills. As a check approach sales records obtained through RP Data have been grouped and analysed to provide annual median trends. Table 4.7 below presents the refined statics and the adopted Office Price Index.

Table 4.7 - Office Price Trend

Office Price Trend	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Median (R)	255,000	375,000	450,000	495,000	545,000	782,779	660,000	655,000	790,000	860,000	700,000
Median ($psm)(R)	361	448	639	794	937	1,024	889	935	1,155	904	620
Prime Rentals ($psm net face) (S)									330	345	360
Prime Yields (%) (S)									8.00%	8.75%	8.85%
Office Investment Mid $psm (Col)										3,675	3,838
SC Office Rent $psm Net Face (Col)	261	260	265	268	270	279	290	295	300	320	
Office Investment Mid $psm (CBRE)									4,514	4,175	
Net Face Rents Mid $psm (CBRE)						238	265	300	313	305	318
Prime Yield (%) (CBRE)						7.75%	7.25%	7.50%	7.75%	7.75%	
Office Index	1.00	1.18	1.37	1.50	1.61	1.85	1.91	1.96	2.13	2.04	1.92
% Increase		17.6%	16.7%	9.1%	7.4%	14.9%	3.2%	3.0%	8.6%	-4.3%	-6.1%

Sources: RP Data Sales Professional Offices, 1/1/2000 - 1/10/2010, Numerous, SC North, SC South, Noosa, Maroochy and Caloundra
Savills SoM
Colliers 2009/10
CBRE 2009/10

In determining the Office Price Index, consideration was given the implied price movements from the yield expansion and compressions and rental movements, in addition to the improved rate. Due to the significant variation in office sizes the use of rates per square metre were incorporated to present a better benchmark for comparison. The establishment of an Office Index was a relatively subjective exercise given the limited reported data and quantum of sales. The trends do however reflect a generally positive trend leading into the 2009 calendar year and a ten (10) year effective growth rate of 6.7% per annum. From 2009 the market diminished and median prices reflected a fall of approximately 10%.

It is conceivable that a hypothetical developer of offices on the Sunshine Coast may have witnessed a capital value drop of 10% or more during the period from 2009 to 2010.

Retail Revenue Trend

Due to limited transactions the pool of statistics regarding trends in retail investment prices on the Sunshine Coast is somewhat limited. The asset class has a higher degree of specialisation, when compared with office and industrial property, due to the strong relationship between retail spending and rental and the respective asset value. Retail spending is depended upon specific attributes of the catchments, rather than suburbs or council areas, and therefore purchasers and appraisers of shopping centres generally quote market trends from a region or state perspective.

Within South East Queensland, and the Sunshine Coast, there are three (3) primary agency and valuation practices which provide detailed market commentaries pertaining to investment activity and pricing movements for shopping centres. The market commentaries report information including benchmarked yields, rentals and improved rates ($ per square metre of gross lettable building area) for set periods. In assessing the pricing trend in retail sales I have principally focused on statistics prepared by CB Richard Ellis, Colliers International, and LandMark White. As a check approach sales records obtained through RP Data have been grouped and analysed to provide annual median trends. Table 4.8 presents the refined statics and the adopted Retail Price Index.

Table 4.8 - Retail Price Trend

Retail Price Trend	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Median (R)	214,500	317,500	457,500	520,500	650,000	760,000	820,000	820,000	1,025,000	1,200,000	675,000
Median ($psm)(R)	371	536	665	730	873	1,285	983	1,206	1,474	1,554	855
Qld Av Net Face Rent Neighbourhood (L)	395	395	410	445	475	495	515	580			
Qld Yields Neighbourhood (%) (L)		9.25%	9.00%	8.75%	8.45%	7.70%	7.00%				
SC Neighbourhood Yield Mid (%) (Col)										8.38%	8.31%
SC Neighbourhood Net Rental Mid ($) (Col)										538	538
Retail Yields Mid SEQ Neighbourhood (%) (CBRE)			10.00%	9.25%	8.60%	7.75%	7.25%	7.10%	7.10%	8.00%	8.00%
Retail Rents Mid SEQ Neighbourhood ($psm) (CBRE)										575	575
Retail Index	1.00	1.09	1.23	1.40	1.60	1.90	2.06	2.35	2.47	2.30	2.10
% Increase		9.3%	12.2%	14.0%	14.6%	18.4%	8.7%	14.3%	4.7%	-6.7%	-8.6%

Sources: RP Data Sales retail classifications, 1/1/2000 - 1/10/2010, Numerous, SC North, SC South, Noosa, Maroochy and Caloundra
Colliers 2009/10
CBRE 2009/10
LandMark White 2007

In addition to implied price movements from the yield expansion and compressions and rental movements the improved rate has been incorporated to present a better benchmark for comparison.

The establishment of a Retail Index was a relatively subjective exercise due to the limited reported data and quantum of sales. The trends do however reflect a generally positive trend leading into the 2009 calendar year and a ten (10) year effective growth rate of 7.7% per annum. From 2009 the market diminished and median prices reflected a fall of approximately 15%.

It is conceivable that a hypothetical developer of retail accommodation on the Sunshine Coast may have witnessed a capital value drop of 15% or more during the 2009 to 2010.

Industrial Revenue Trend

Due to limited transactions, the sales data regarding trends in industrial investment prices on the Sunshine Coast is somewhat limited. On the Sunshine Coast, there are two (2) primary agency and valuation practices which provide detailed market commentaries pertaining to investment activity and pricing movements for industrial property. The market commentaries report information including benchmarked yields, rentals and improved rates ($ per square metre of gross lettable area) for set periods. In assessing the pricing trend in office sales I have principally focused on statistics prepared by CB Richard Ellis and Colliers International. As a check approach sales records obtained through RP Data have been grouped and analysed to provide annual median trends. Table 4.9 below presents the refined statics and the adopted Industrial Price Index.

Table 4.9 - Industrial Price Trend

Industrial Price Trend	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Median (R)	320,000	220,000	305,000	417,553	520,000	665,000	670,000	850,000	840,000	667,500	650,000
Median ($psm)(R)	181	161	210	269	315	379	514	542	626	626	648
Industrial Investment Mid $psm (C)										1,225	1,225
Net Face Rents Mid $psm (CBRE)									130	113	113
Prime Yield (%) (CBRE)						7.60%	7.40%	7.75%	8.15%	8.25%	8.25%
Industrial Index	1.00	0.82	1.06	1.41	1.70	2.11	2.23	2.22	2.17	1.89	1.89
% Increase		-18.4%	30.3%	32.4%	20.8%	24.1%	5.8%	-0.4%	-2.5%	-12.9%	0.1%

Sources: RP Data Sales industrial categories, 1/1/2000 - 1/10/2010, Numerous, SC North, SC South, Noosa, Maroochy and Caloundra
Colliers 2009/10
CBRE 2009/10

In determining the Industrial Index consideration was given the implied price movements from the yield expansion and compressions, rental movements in addition to the improved rate. Due to the significant variation in the size of industrial facilities the use of rates per square metre were incorporated to present another benchmark for comparison.

The establishment of an Industrial Index was a relatively subjective exercise given the limited reported data and quantum of sales. The trends do however reflect a volatile, albeit generally positive, trend with a ten (10) year effective annual growth rate of 6.6% per annum. During the 2001 calendar year and the three (3) year period from 2007 the industrial market witnessed negative pricing with falls of 18% and 16% respectively.

A hypothetical developer of industrial property on the Sunshine Coast may have witnessed a capital value drop of 15% or more during 2001 and the three (3) year period commencing 2007.

Costs

From a development feasibility perspective it is widely noted and tested that, in a standard development project, the most significant cost relates to construction or the tendered contract price. Rawlinsons (2009) implicitly infers this, detailing various benchmarked fees or costs as a percentage of the construction cost, such as professional fees at 6.5% to 16%. Whilst there are other costs associated with a proposed development on the Sunshine Coast, including land purchase, acquisition expenses, professional fees, statutory contributions, land holding charges and potentially interest, the most sensitive component generally relates to the physical construction or building price.

Building / Construction Costs

Construction cost trends on the Sunshine Coast have been relatively stable since 2006 (commencement of tender index) with Davis and Langdon (2010) statistics revealing an average annual Tender Price growth rate of between 1.9% and 2.4% per annum depending on the type of product. During the four (4) year period the greatest period of growth was between the third and fourth quarters of 2007, where a notional 2.3% was experienced for commercial tender prices. Table 4.10 below presents the refined statics and the adopted Building Price Index.

Table 4.10 - Building Price Trend

Building Price Trend	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Tender Price Index Industrial (D)							126	133	139	136	138
Tender Price Index Residential Apartments (D)							110	115	118	117	119
Tender Price Index Commercial (D)							163	170	180	177	180
Building Price Index (R)	129.56	126.42	131.51	149.97	190.4	207.23	219.49	234.86	251.3	246.13	
Building Index	1.00	0.98	1.02	1.16	1.47	1.60	1.69	1.78	1.87	1.84	1.87
% Increase		-2.4%	4.0%	14.0%	27.0%	8.8%	5.9%	5.3%	5.0%	-1.7%	1.6%

Sources: Davis Landon (2010)
Rawlinsons (2009)

From a longer term perspective Sunshine Coast construction costs have broadly tracked with Brisbane given the geographic proximity and shared construction businesses. Since 1982 (commencement of building price index) Brisbane has witnessed an effective annual building price growth of 4.9% (Rawlinsons 2009). During the period the greatest annual growth was experienced in the year commencing July 2003 where the Rawlinsons (2009) index increased 27%, albeit the increases were relatively stagnant during the eight (8) year lead in period.

A developer undertaking construction work during the two (2) year period commencing in 2003 may have been impacted by a systemic increase in construction costs.

Development Profitability Summary

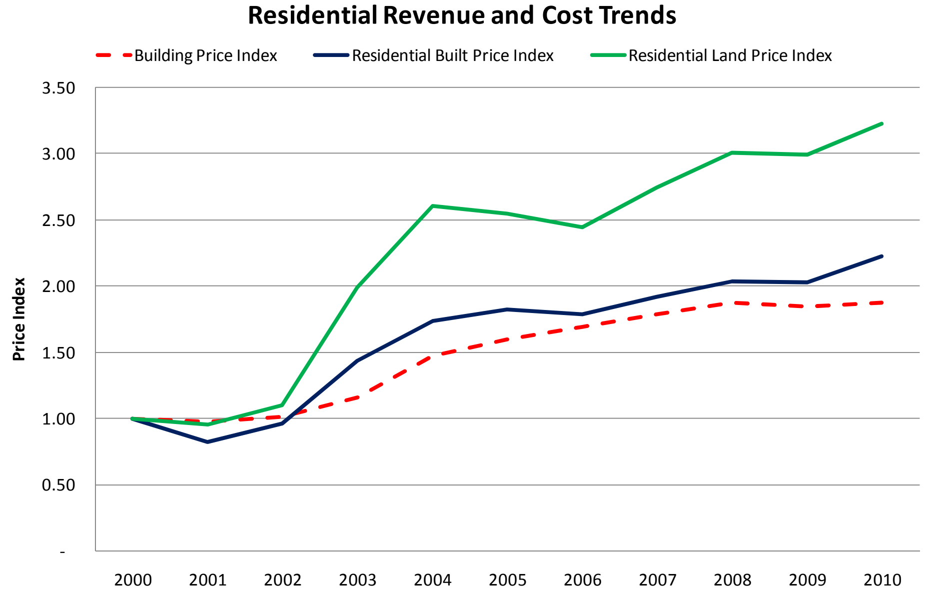
From the defined price indices it is clear that, on the Sunshine Coast, the individual property markets have not moved in unison since 2000. Whilst the non-residential property sectors were systemically impacted by price drops during the global financial crisis the residential markets presented moderate median price increases. The median price movement from the residential and non-residential property sectors is summarised in table 4.11.

Table 4.11 - Summary Price Trend

Summary Price Trend	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Residential Land Index	1.00	0.96	1.10	1.99	2.61	2.55	2.44	2.74	3.01	2.99	3.22
Residential Built Index	1.00	0.82	0.96	1.43	1.73	1.82	1.78	1.92	2.04	2.03	2.22
Office Index	1.00	1.18	1.37	1.50	1.61	1.85	1.91	1.96	2.13	2.04	1.92
Retail Index	1.00	1.09	1.23	1.40	1.60	1.90	2.06	2.35	2.47	2.30	2.10
Industrial Index	1.00	0.82	1.06	1.41	1.70	2.11	2.23	2.22	2.17	1.89	1.89
Building Index	1.00	0.98	1.02	1.16	1.47	1.60	1.69	1.78	1.87	1.84	1.87

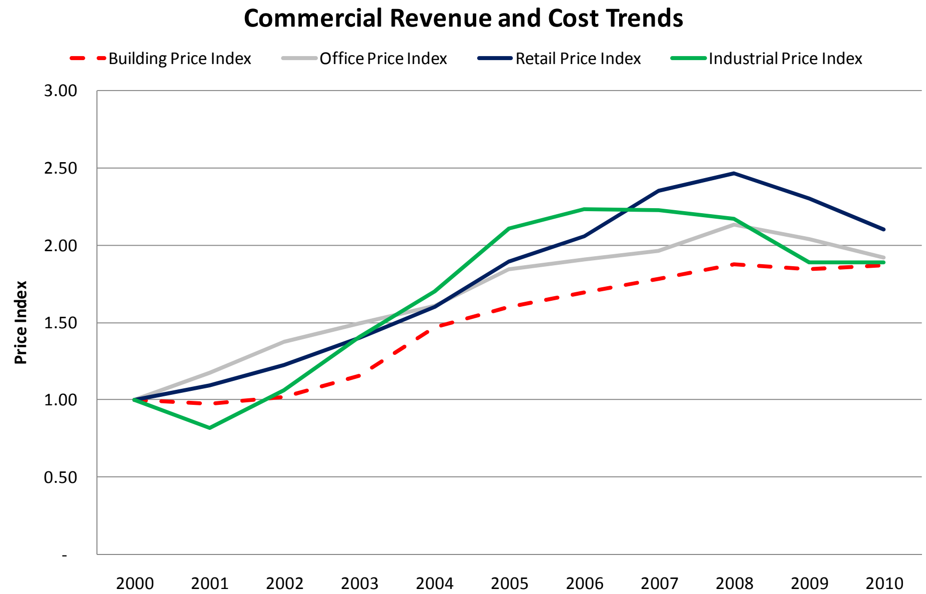
Building and construction costs on the Sunshine Coast experienced a significant period of escalation through 2003 and 2004. Interestingly the rapid escalation in costs coincided with gross realisation growth for the residential and industrial property sectors. It may be concluded that, during the high building costs escalation period from 2003 to 2004 only development projects of an office or retail nature would have been impacted. The building price index and trend with the residential and non-residential median price indices are illustrated in charts 4.2 and 4.3 respectively.

Chart 4.2 - Residential Revenue Costs and Trends



Adapted from RP Data (2010), OESR (2009) and REIQ (2010)

Chart 4.3 - Commercial Revenue Costs and Trends



Adapted from RP Data (2010), Savills (2010), Colliers (2009/10), CBRE (2009/10) and LandMark White (2007)

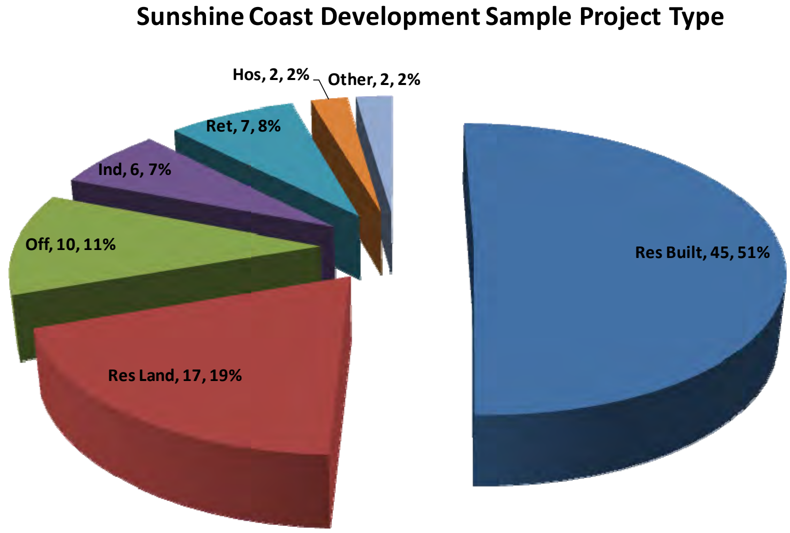
Developer Status v Profitability

Developer Status

From the previously refined developer sample it was found that 24 private Sunshine Coast developers undertook two (2) or more construction projects during the 2003 to 2010 period. Of the 24 developers the majority, 12, were Inactive whilst six (6) were Active and six (6) had Ceased operations.

The selected developers provided 89 projects during the eight (8) year period, of which 85 were providing property which would be classified primarily as residential, retail, office or industrial. The majority of the development activity was within the residential sector (Residential Built 45% and Residential Land 19%) with the non-residential sectors of Office, Industrial and Retail representing 11%, 7%, and 8% of the sample respectively.

Chart 4.4 - Sunshine Coast Development Sample Project Type



Source: Adapted from BCI Australia (2010)

Profitability Impact

As previously defined there were specific intervals in the past eight (8) years whereby the development industry on the Sunshine Coast has been impacted by either a significant fall in median prices or substantial increase high cost escalations. The specific impact periods and related property sectors, as determined from this research, are identified in table 4.12.

Table 4.12 - Project Impact Periods

Project Impact Periods	2003	2004	2005	2006	2007	2008	2009	2010
Residential Land	-	-	Impact	Impact	-	-	-	-
Residential Built	-	-	-	-	-	-	-	-
Office	-	-	-	-	-	-	Impact	Impact
Retail	-	-	-	-	-	-	Impact	Impact
Industrial	-	-	-	-	Impact	Impact	Impact	-
Building (Office & Retail)	Impact	Impact	-	-	-	-	-	-

Of the 85 sample projects 16 have been developed during the specified impact periods. These impacted projects have been assigned a ‘1’ with table 4.13 reflecting the number of impacted projects undertaken by the respective developers.

Table 4.13 - Impacted Projects

Impacted Projects	No. App. Proj.	Cost	Res Land	Res Built	Office	Retail	Industrial
Austrho Holdings	2	-	1	-	-	-	-
Beesceems Pty Ltd	2	-	-	-	-	-	-
Caralan Pty Ltd	4	-	1	-	-	-	-
David & Christine Walsh	2	-	-	-	-	-	-
Direct Property Group Pty Ltd	1	-	-	-	-	-	-
Ford & Rockliff Pty Ltd	3	-	-	-	-	-	-
Hagen Investments Pty Ltd	2	-	1	-	-	-	-
Jim Tatton Developments	2	-	-	-	-	-	-
Jordan Developments	2	-	-	-	-	-	-
Juniper Development Group	4	-	-	-	-	-	-
Lorikeet Developments	2	-	-	-	-	-	-
Mark Bain Constructions Pty Ltd	3	-	1	-	-	-	-
MC Property Investments Pty Ltd	2	-	-	-	-	-	1
McCullagh Developments	2	-	-	-	-	-	-
MCH Corporation Pty Ltd	3	-	-	-	-	-	-
Monkira Developments Pty Ltd	2	-	-	-	-	-	-
Pelican Waters / Pumistone Passage Developments	7	-	3	-	-	-	-
Playwich Pty Ltd	2	-	-	-	-	-	-
Reed Property Group	13	3	-	-	-	-	-
RGD Property	12	2	-	-	1	-	-
RPC (Real Property Constructions Pty Ltd)	3	-	-	-	-	-	-
SLS Property Group Pty Ltd	4	-	1	-	1	1	-
Squire Development Group	3	-	-	-	-	-	-
Walter Iezzi Building Group Pty Ltd	3	-	-	-	-	-	-

The relativity of project impacts, number of impacts per project, against the respective status of the development entity is detailed in table 4.14.

Table 4.14 - Impacted Projects Summary

Impacted Projects Summary	Status	Code	Total Impacts	No. App. Proj.	Impacts / Project
Austrho Holdings	Inactive	0	1	2	0.50
Beesceems Pty Ltd	Inactive	0	-	2	-
Caralan Pty Ltd	Inactive	0	1	4	0.25
David & Christine Walsh	Inactive	0	-	2	-
Direct Property Group Pty Ltd	Ceased	-1	-	1	-
Ford & Rockliff Pty Ltd	Inactive	0	-	3	-
Hagen Investments Pty Ltd	Inactive	0	1	2	0.50
Jim Tatton Developments	Active	1	-	2	-
Jordan Developments	Ceased	-1	-	2	-
Juniper Development Group	Inactive	0	-	4	-
Lorikeet Developments	Ceased	-1	-	2	-
Mark Bain Constructions Pty Ltd	Inactive	0	1	3	0.33
MC Property Investments Pty Ltd	Inactive	0	1	2	0.50
McCullagh Developments	Ceased	-1	-	2	-
MCH Corporation Pty Ltd	Active	1	-	3	-
Monkira Developments Pty Ltd	Inactive	0	-	2	-
Pelican Waters / Pumistone Passage Developments	Active	1	3	7	0.43
Playwich Pty Ltd	Inactive	0	-	2	-
Reed Property Group	Active	1	3	13	0.23
RGD Property	Active	1	3	12	0.25
RPC (Real Property Constructions Pty Ltd)	Ceased	-1	-	3	-
SLS Property Group Pty Ltd	Ceased	-1	3	4	0.75
Squire Development Group	Active	1	-	3	-
Walter Iezzi Building Group Pty Ltd	Inactive	0	-	3	-
Total/Average			16	85	0.15
Correlation					-0.12

The correlation between impacted projects and the status of the respective developer at -0.12 is weak. In particular Active and Inactive developers have a higher proportion of impacts (0.15 impacts per project each) when compared to Ceased developers at 0.08 impacts per project.

The low correlation would generally imply that there is only a weak relationship between the Sunshine Coast's systemic market trends and the activity status of the respective development entities.

When the impacts are weighted for their respective increases, for example a 41% increase in construction costs reflects an impact weighting of 0.44 per project, the negative correlation increases modestly to 0.27. A negative correlation of 0.27 is relatively inconclusive and still presents only a weak relationship.

Developer Case Studies

From the refined developer sample, three (3) prominent Sunshine Coast developers have been selected representing each of the three (3) categories of Active, Inactive and Ceased operations. A review of these selected developers is as follows.

Reed Property Group

Company Details

Name: Reed Property Group Pty. Ltd.
ACN: 088 183 500
ABN: 59 088 183 500
Type: Australian Proprietary Company limited by shares
Registered: 22 June 1999
Status: Registered

Company History/Summary

Reed Property Group ('Reed') is a Sunshine Coast based diversified development and construction company privately owned and headed by Director, Ken Reed, the son of the founder Harry Reed (Reed Property Group 2010). The company was established in 1987 by former bricklayer Harry Reed and his wife Margaret, and subsequently expanded significantly through to 2007.

The bankruptcy of US investment bank Lehmann Brothers in December 2008 had implications for the Reed Property Group as Lehmann Brothers held a 40% stake in the company (Company 360 2010). In June 2009 Reed divested itself of its property and funds management subsidiary, Reed Funds Management Limited, based on the reported desire to concentrate on property development and construction activities.

Management and Key Personnel

Ken Reed (Managing Director)

Primary Financier

National Australia Bank Limited

Sunshine Coast Development Projects

Completed Reed projects are detailed in table 4.15.

Table 4.15 - Reed Projects

Reed Projects	Type	Completed	Est. Proj Value	Classification	Impact
Aurora, Maroochydore	10 story residential unit complex.	2003	$15M	Res Built	Nil
UniCentral, Sippy Downs	91 student accommodation complex	2003	$8M	Res Built	Nil
The Brooks, Sippy Downs	25 residential unit/townhouse complex	2003	$8M	Res Built	Nil
Chancellors Tavern, Sippy Downs	Fully licensed Tavern erected upon a 5,168 sqm site	2005	$7.5M	Hos	N/A
Platinum, Maroochydore	12 storey residential unit complex. Includes small retail component	2005	$25M	Res Built	Nil
17 Duporth Ave, Maroochydore	4 storey commercial building	2005	$7M	Off	Impact
Crowne Plaza, Pelican Waters	12 story residential resort unit complex. 400 sqm commercial	2005	$55M	Res Built	Nil
Chancellor Homemaker Centre, Sippy Downs	10,000 sqm retail homemaker centre	2005	$19.8M	Ret	Impact
Observatory, Caloundra	11 story residential unit complex	2005	$17M	Res Built	Nil
Noosa Gateway, Noosaville	4,500 sqm retail complex	2005	$10.8M	Ret	Impact
m1, Maroochydore	11 storey residential unit complex. 1,200 sqm retail	2005	$33M	Res Built	Nil
Chancellor Village Shopping Centre, Sippy Downs	Retail centre situated upon a 4,801 sqm site	2007	$7.0M	Ret	Nil
Chancellor Village Business Centre, Sippy Downs	Commercial and retail centre situated upon a 2,247 sqm site	2008	$4.5M	Off	Nil
Riva, Duporth Ave, Maroochydore	Prestige residential unit development. Comprises 22 apartments	2008	$43.5M	Res Built	Nil
Impact Proportion	(Impacts / Applicable Project)			3/13	0.23

Adapted from: Reed Property Group 2010 and RP Data 2010

Since constructing a shopping centre at Dalby, in regional Queensland, back in 1999 the development business has focussed on local development between Caloundra and Noosaville.

With eight (8) projects, residential built form has been the primary development product comprising approximately 78% of the total estimated project value. Retail, including bulky goods, was also a prominent built product, accounting for approximately 14% of the total estimated project value.

Two (2) of the retail projects (Chancellor Homemaker and Noosa Gateway) and the Reed headquarters at Maroochydore (17 Duporth Avenue) were undertaken during a period whereby industry building costs escalations significantly exceeded market gross realisation growth and therefore may be regarded as systemically impacted. The three (3) impacted projects account for 23% of the applicable projects (excluding the tavern).

Reed has dramatically scaled back their development program since 2005. Currently they have a 36 unit residential development (The Parks, Sippy Downs) under construction and are actively marketing Emporio, a larger scale development within the fringe of the Maroochydore town centre. The Big Top Redevelopment project comprising a run-down shopping centre on a 3.1 hectare town centre landholding has been abandoned and the property is currently being marketed for sale.

Developer Status

Reed is currently developing a small residential unit complex at Sippy Downs and has an active development application for the proposed mixed uses development known as Emporio. Otherwise the property group has been subject to a major reconciliation including the loss of business divisions and major asset sell offs since the Lehman Brothers collapse during the Global Financial Crisis. Since the collapse there has been a relative media blackout and substantial staff redundancies have been made.

Due to the development related work currently being undertaken a status of '**Active'** has been applied however due consideration should be given to substantial consolidation and impact from the Lehman Brothers collapse.

Relative to other developers within the sample Reed experienced a marginally high proportion of impacted projects, albeit, none since 2005. After considering the systemic and specific (non-systemic issue relating to the Lehman Brother collapse) influences it may be concluded that Reed performed well, having an Active status, in comparison to the other 23 developers.

Juniper Property Group

Company Details

Name: Juniper Properties Pty. Ltd.
ACN: 075 170 188
ABN: 85 075 170 188
Type: Australian Proprietary Company limited by shares
Registered: 8 August 1996
Status: Registered

Company History/Summary

Juniper Properties Limited (related to Juniper Development Corporation Pty Ltd ('Juniper')) is a property development company based solely in Queensland, with head quarters in Mooloolaba, Sunshine Coast. The company was established in 1992 and run as a father and son team with Graeme and Shaun Juniper being the joint managing directors. Since commencing development operations on the Sunshine Coast the business has expanded along the eastern seaboard, with a diverse range of projects including multi unit residential, tourism resorts and commercial developments.

In March 2009, Juniper retrenched seven (7) staff members from its head office. The management insisted it was not a result of the slowing Queensland construction industry, but rather part of a normal repositioning.

Management and Key Personnel

Graeme Juniper Joint Managing Director
Shaun Juniper Joint Managing Director

Primary Financier

Suncorp Metway Limited

Sunshine Coast Development Projects

Juniper has been one of the preeminent property developers on the Sunshine Coast. From 1992 to 1999 the group completed twelve (12) predominantly residential apartment projects, eleven (11) of which were located on the Sunshine Coast. Projects completed from 2000 on the Sunshine Coast are detailed in table 4.16.

Table 4.16 - Juniper Projects

Juniper Projects	Type	Completed	Classification	Impact
Zanzibar, Mooloolaba Esplanade, Mooloolaba	60 residential apartments. Includes ancillary retail	2000	Res Built	Nil
Sirocco, Mooloolaba Esplanade, Mooloolaba	67 residential apartments. Includes ancillary retail	2001	Res Built	Impact
Bluewater Point, Nicklin Way, Minyama	63 residential apartments.	2002	Res Built	Nil
Waves, Duporth Ave, Maroochydore	59 residential apartments. Includes ancillary retail	2003	Res Built	Nil
Deepwater Point, Nicklin Way, Minyama	43 residential apartments.	2003	Res Built	Nil
The Sebel, Aerodrome Road, Maroochydore	120 residential apartments. Includes ancillary retail	2004	Res Built	Nil
Oceans, Mooloolaba Esplanade, Mooloolaba	53 residential apartments Includes ancillary retail	2005	Res Built	Nil
Impact Proportion	(Impacts / Applicable Project)		1/7 0/4 (2003+)	0.14 0 (03+)

Source: Juniper 2010 and RP Data 2010
Note: Zanzibar, Sirocco and Bluewater Point were undertaken prior to the development sample period.

Juniper has predominantly built multistorey residential product with ground floor retail incorporated where situated in town centres and tourism precincts. Exceptions to this formula were a golf course subdivision, Sea Temple, in Port Douglas (North Queensland) and the commercial retail complex known as Cairns Square also in North Queensland.

Juniper originally focussed on local Sunshine Coast projects, with the exception of a 120 apartments at Robertson in 1998. In 2002 the developer completed Saltwater Apartments (17) in Port Douglas (North Queensland) then completed Waterline Broadbeach (28 apartments) on the Gold Coast in 2004.

Since the completion of Oceans Mooloolaba Juniper has progressively phased out of Sunshine Coast developments and concentrated on projects in Port Douglas (Sea Temple and Coconut Grove providing 225 apartments completed from 2005 to 2009) and the 77 level Soul project on the Gold Coast (288 apartments in addition to retail). In particular Juniper has recently marketed for sale and sold existing retail and development holdings in Mooloolaba including the company's head quarters and last prime Esplanade landholding.

Developer Status

Due to the company consolidation, potential office relocation and lack of any current or marketed projects on the Sunshine Coast a status of '**Inactive**' has been applied to Juniper Property Group. It is important to note that Juniper do own a speculative landholding south of Mountain Creek.

The size and respective financial commitment required for the Soul project on the Gold Coast is likely to have a significant impact on the operation of the business. From a systemic perspective, looking at the proportion of impacted projects on the Sunshine Coast, Juniper has experience a relatively positive run implying an Active status may have been more appropriate than Inactive.

S & L Developments

Company Details

Name:	S & L Developments Pty. Ltd.
ACN:	089 625 347
ABN:	54 089 625 347
Type:	Australian Proprietary Company limited by shares.
Registered:	20 September 1999
Status:	Under External Administration and/or Controller Appointed (29 October 2010) Due to insolvency or other problems the company is being administered by an outside agency.

Company History/Summary

S & L Developments ('S & L') is the privately owned development company of Scott Juniper and Lee Meiklejohn. Scott Juniper is the son of Juniper Property Group's founder and Managing Director, Graeme Juniper. The company was established in 1999 with the first acquisition taking place in 2000. Since commencing development operations on the Sunshine Coast the business has expanded its operators south to Brisbane and north to Townsville.

The principle development focus of the company is on residential, retail, commercial and industrial development projects.

Management and Key Personnel

Lee Meiklejohn Joint Director
Scott Juniper Joint Director

Primary Financier

HBOS Australia

Sunshine Coast Development Projects

Table 4.17 - S & L Projects

S & L Projects	Type	Completed	Est. Proj Value	Classification	Impact
29 Yakola Pde, Alexandra Headland	Residential dwelling reconfiguration into 2 lots 1,821 and 787 sqm	2001 (Land) & 2010	$1M	Res Built	Nil
52 Ferguson Ave, Buderim	Residential reconfiguration and construction of a residential dwelling on a 1,232 sqm site	2006 & 2009	$1.5M	Res Built	Nil
2-4 Bennet St, Moffat Beach	12 residential apartments	2003	$8M	Res Built	Nil
Eenie Creek Road, Noosaville	Retail and commercial land subdivision of 21.62 ha	2009	$29M	Retail	Impact
Eenie Creek Road, Noosaville	Retail and commercial land subdivision of 21.62 ha	2009	$29M	Retail	Impact
Impact Proportion	(Impacts / Applicable Project)			2/5 2/4 (2003+)	0.4 0.5 (03+)

Source: RP Data 2010, Note: 29 Yakola Pde was undertaken prior to the development sample period.

Rather than physically undertaking construction activities S & L Developments was principally focussed on purchasing properties and then on-selling them with or without approvals. Table 4.18 details a selection of projects undertaken in this manner.

Table 4.18 - S & L Projects (No Development)

S & L Projects (No Development)	Type	Completed	Est. Proj Value	Classification	Impact
Suncoast Bvd, Marcoola	1,412 sqm parcel of land with an older style service station. Not developed	Purchased & Sold 2000	$0.35M	Other	N / A
26 Aldinga Pl, Mooloolaba	Residential dwelling. Not further developed	Purchased 2001 & Sold 2002	$0.9M	Res Land	Nil
Pierce Ave, Bells Creek	Proposed residential subdivision of 4.02 ha. Not developed	Purchased & Sold 2004	$1.5M	Res Land	Nil
Kello Rd, Beerwah	Proposed residential subdivision of 1.74 ha. Not developed	Purchased & Sold 2005	$2.9M	Res Land	Impact
15 & 16 Burgess St, Kings Beach	1,106 sqm metre residential land holding. Not developed	Purchased 2003 & Sold 2006	$2.3M	Res Land	Impact
16-18 Muraban St, Mooloolaba	Proposed residential apartments. Not developed	Purchased 2002 & Sold 2007	$4M	Res Built	Nil
111 Sippy Downs Drive, Sippy Downs	Proposed mixed use town centre landholding of 7.65 ha. Not developed	Purchased 2003 & 2005	$13.4M	Off	Nil
25 Wappa Falls Rd, Yandina	Proposed 59 lot residential subdivision. Not developed	Purchased 2003	$1.7M	Res Land	Nil

Source: RP Data 2010, Note: These projects did qualify as development activities for the purpose f this exercise and have been included for reference purposes only.

In addition to the abovementioned project S & L Developments undertook a residential land reconfiguration and on-sell of two (2) projects in Brisbane from 2002 to 2007 with a total realisation of $4.95 million.

From 2006 to 2009 S & L Developments ambitiously undertook preconstruction development activities proposing a $350 million "Health Hub" and a neighbourhood shopping centre in Townsville.

Developer Status

S & L Developments principally conducted buy and sell activities to realise profit rather than pursuing a traditional development process. This activity was undertaken to support ambitious pioneering expansion plans.

The S & L Developments model failed and the entity was placed under external administration. Due to the administration of the business S & L Developments have been assigned the status of '**Ceased**'.

From a market, or systemic, perspective S & L Developments experienced a relatively high proportion of project impacts however it is unlikely that the systemic impacts would have caused the business failure. Rather the speculative purchase and sale of development ready property for profit, as opposed to the traditional development process proved excessively risky.

5. Research Limitations

The determination of the price trends for non-residential developments on the Sunshine Coast is a somewhat subjective exercise given the limited number of transactions and unique nature of the assets. Due to a lack of reported transaction data for tourism, hospitality and public sector assets I have been unable to prepare a full suite of median price indices.

As identified in the literature review a further study into the quantum of sales, as opposed to median prices, would be advantageous especially in reviewing the impact on the Sunshine Coast property sectors during the Global Financial Crisis period post 2007.

Due to the lack of information transparency, in particular, private development company profit and loss statements, it has not been possible to assess the true financial performance of the relevant development operations. I have however been able to source company details to determine the status, being **active**, **inactive**, or having **ceased** operations. The performance of the respective development organizations has been assessed against the three (3) status classification in lieu of any further company information.

From a national perspective it would be prudent to look into the role financiers have played with respect to limiting funding for development projects. More specifically the Sunshine Coast Council, primary authority for providing development approvals, has been widely criticised for its adversity to new development (Boyd 2009) since amalgamation in March 2008 and, therefore, consideration of the potential impacts may require further deliberation.

6. Research Findings

Developers' Status Review

The development industry on the Sunshine Coast does appear to have experienced a disproportionate share of 'misfortune' during the past eight (8) years with a considerably high level of insolvent, ceased or inactive local development businesses and a substantial fall in development activity.

Development Profitability

The revenue trends from the various development activities have not moved in unison and it is clear that there were specific periods whereby projects may have been influenced by negative systemic market movements. Whilst the non-residential property sectors were systemically impacted by price drops during the Global Financial Crisis the residential markets presented moderate median price increases. More particularly, it may be noted that during the past eight (8) years the salient Sunshine Coast property markets presented a sound position for gross realisation growth with exception to impact periods for Residential Land in 2005 to 2006, Office and Retail in 2009 to 2010, and Industrial from 2007 to 2009.

Building and construction costs on the Sunshine Coast experienced a significant period of escalation through 2003 and 2004. Interestingly the rapid escalation in costs coincided with gross realisation growth for the residential and industrial property sectors. It may be concluded that, during the high building costs escalation period from 2003 to 2004 only development projects of an office or retail nature would have been impacted.

From a longer term perspective though, the revenue growth from development projects on the Sunshine Coast has exceeded construction cost escalations over the past ten (10) years, providing for a relatively healthy profitability trend.

Developer Status v Profitability

The correlation between impacted projects and the status of the respective developer at -0.12 is weak. In particular Active and Inactive developers have a higher proportion of impacts (0.15 impacts per project each) when compared to Ceased developers at 0.08 impacts per project. The low correlation would generally imply that there is only a weak relationship between the Sunshine Coast's systemic market trends and the activity status of the respective development entities.

The research concludes that, from the sample of 89 projects, undertaken by 24 private Sunshine Coast developers, the demise of development activity does not directly correlate with the market movements in construction costs and revenue values, or systemic pricing influences. Rather other non-systemic factors and business practices may be responsible for the relatively weak performance.

Developer Case Studies

The detailed review of three (3) prominent Sunshine Coast developers presented a better relationship between impacted projects and the status of the development entity, albeit, the non-systemic or specific influences were paramount.

Relative to other developers within the sample Reed Property Group experienced a marginally high proportion of impacted projects, albeit, none since 2005. After considering the systemic and specific (non-systemic issue relating to the Lehman Brother collapse) influences it may be concluded that Reed Property Group performed well, having an Active status, in comparison to the other 23 developers.

The size and respective financial commitment required for the Soul project on the Gold Coast is likely to have a significant impact on the operation of the Juniper Property Group business. From a systemic perspective, looking at the proportion of impacted projects on the Sunshine Coast, Juniper has experience a relatively positive run implying an Active status may have been more appropriate than Inactive.

From a market, or systemic, perspective S & L Developments experienced a relatively high proportion of project impacts however it is unlikely that the systemic impacts would have caused the business failure. Rather the speculative purchase and sale of development ready property for profit, as opposed to the traditional development process proved excessively risky.

7. Conclusion & Recommendations

The development industry on the Sunshine Coast does appear to have experienced a disproportionate share of 'misfortune' since the global financial crisis with a considerably high level of insolvent, ceased or inactive local development businesses and a substantial fall in development activity.

The relative weak performance of the development industry should be of significant concern to, not only the business directors and their employees, but also the residents of the region who rely so heavily on the industry for Gross Regional Product growth. In practice it may be argued that the private local developers have a duty of care to provide regional employment and economic growth for the local community, which has not been up held.

Harvey's (2004) description of the property developer as an entrepreneur accepting the 'unsheddable' risks of producing for an uncertain demand may technically be correct, though somewhat antiquated, in context of promoting a sustainable development industry on the Sunshine Coast.

The role of entrepreneurs and pioneers and their respective contribution in performing regional economies is not being contested in this paper, however the educated endorsement of such an approach must be risk weighted. For a dominant and inherently risky market like property development on the Sunshine Coast, pioneering activities must be balanced against the necessity for systematic risk management. Systematic risk management is intrinsically linked to established practices and business operations within established fields of expertise.

Both S & L Developments and Juniper Property Group were adversely affected by undertaking projects outside their core fields of expertise. S & L Development's demise was at least in part attributable to an expansion plan beyond their financial capabilities as they purchased speculative development projects without the experience or financial capacity to deliver the built product. Juniper Property Group on the other had had followed modest expansion plans from 1992 resulting in a series of successful projects through to 2005. From 2005 Juniper diversified undertaking substantial projects in Northern Queensland and the 77 level Soul project on the Gold Coast. Whilst Juniper has not ceased operating the future of the developer will be contingent upon the successful realisation of sale proceeds from the Gold Coast.

Whilst it is broadly acknowledged that being a property developer is an inherently risky profession it is important to note that there are 'sheddable' or transferable risks which may, usually at the cost of return, be eliminated to reduce exposure to adverse influences. Through effective risk management strategies the risk of a project and business failure may be reduced, generally at the cost of return. For example if the risk of reduced sales prices was considered too high then the proposed development may be presold prior to construction. Conversely if the risk of rising construction costs was too significant for the proposed development entity, then it may be deemed appropriate to mitigate the risk through an agreed price contract to an appropriately assured builder. Joint venture arrangements may also be another tool to share risk, financial capital or even intellectual capital.

Perhaps the most effective way to avoid adverse non-systemic influences is to practice further regulation or, more practically through endorsing quality assurance practices throughout the respective project lifecycles, in particular the initial planning stages. The effective assurances or regulation would need to be undertaken by an experienced and unbiased person or group. To rely upon an external product provider, such as a financier, to undertake the appropriate quality assurance measures, is likely to fail as demonstrated by the affects of relaxing lending practices prior to the Global Financial Crisis.

A second approach to reduce the likelihood of project and local developer failures may include a conceptual shift in the focus of educating and re-educating current and future developers to understand process risk management. This re-education would seek to provide smaller, local developers with the skill set and body of knowledge shared by the larger process based developers, such as reporting and listed private entities and government departments.

In closing property development does not necessarily need to be portrayed as an 'unsheddably' risky enterprise but rather as an industry related to property investment whereby appropriate risk mitigation strategies may be employed to fine tune the risk and return relationship.

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