News Release

Townhouses most popular residential development sites

The trend towards medium density (townhouses) in Australia is evident in the types of development sites being purchased. By value, the portion of medium-density development sites sold was 13.8% in 2016/17; up from 6.3% a year earlier.

31 October 2017, Australia – Townhouses have become the most popular residential development sites in Australia, trumping apartments and houses as the most purchased. By value, the portion of medium-density development sites (townhouses) sold in Australia in 2016/17 was 13.8%; up from 6.3% a year earlier.

The findings are according to Knight Frank's latest research report, the ***Australian Residential Development Review – H2 2017.***

NATIONAL

Knight Frank's Head of Residential Research, Australia Michelle Ciesielski said, "Much of the capital growth being gained in Greater Sydney and Greater Melbourne is where many first-time buyers are now priced out of the single-dwelling, low-density market, with a clear trend emerging towards medium-density housing.

"From a development perspective, this product offers developers less stringent financing practices by the major lending institutions. The less risk involved in not going vertical in construction allows the staged development to be more controlled. It allows the developer to kick off construction earlier, rather than waiting to achieve a high portion of sales within the residential tower project. As more downsizers are also drawn to this product, it's likely we'll see more of this type of development in this space over the coming years.

"Whilst affordability remains an issue in major Australian capital cities, many purchasers are now opting to buy into the townhouse market, or upgrading to a townhouse as the next best option when priced out of the low density, single dwelling market.

"Owning a piece of land, although potentially under an owner's corporation and a traditionally smaller allotment of land than an averaged landed dwelling, is becoming the standard compromise for many Australian families," said **Ms Ciesielski.**

Knight Frank's Head of Commercial Sales, Australia Paul Henley said, "The medium-density market is being driven by suburban downsizers – those who don't necessarily seek a full-time tree-change, or sea-change – rather, they are looking at a lower-maintenance home in a similar location, close to a familiar community and amenities, or to the CBD.

"This concept of freehold land ownership has also become more attractive for offshore buyers, unattainable in their home country and at a time of taking advantage of the better purchasing power of the Australian Dollar (AUD). Also taking advantage of the lower AUD, expats are returning temporarily to purchase a property – with great views, close to the water, recreation and cultural precincts. This can be in preparation for when they return from their fast-pace, global postings, so a low-maintenance property is ideal whilst still working offshore," said **Mr Henley.**

The report highlights that the trend towards medium density has been evident in the types of development sites being purchased. In 2014/15 the portion of medium density development sites was

3.0%, by value. Two years later, this increased to a 13.8% share of total disclosed sales in 2016/17.

Low density sites have also taken a greater share at 13.6% of sales in 2016/17. As a result, higher density sites have fallen from 87.5% in 2014/15, to stand with a share of 72.5% two years later.

SYDNEY

Tim Holtsbaum, Director, Site Sales, New South Wales said, “The total volume of Greater Sydney major site sales suitable for residential development lagged annual sales recorded over the past three years.

“In 2016/17, residential sites tallied $3.3 billion – notably lower than the significant volume recorded in 2014/15 of $6.4 billion (of sales $5M+). It was at this time that the government began to ramp up the encouragement of higher-density residential projects being built along transport corridors and amenity hubs. Since this time, the demand for Greater Sydney higher-density sites has eased back towards that recorded in 2012/13.

“The more recent trend has emerged over the past year, with developers and investors opting to purchase sites suitable for medium-density development. This is a result of access to debt financing and constrained supply of medium-density land.

“Monitoring site sales transactions, in 2014/15 medium density site sales represented 1.3% of total sales. This increased to a 3.5% share in 2015/16, whilst most recently recording the greatest share of 13.8% in 2016/17.

“Over the same time, low-density sites recorded a 2.3% portion of total sales – down from a year earlier when these sales represented 7.8% off the back of some large sales selling along the periphery of the metropolitan area.

“The Department of Planning and Environment has further prepared a draft Medium Density Design Guide, identifying the “missing middle” to encourage more low-rise, medium-density housing to be built in NSW. It is proposed the Design Guide will be used for both complying developments and development applications to promote greater housing choice and more housing affordability outcomes for medium-density housing types across NSW,” said **Mr Holtsbaum**.

MELBOURNE

Danny Clark, Head of Commercial Sales, Victoria said, “The total volume of Greater Melbourne major site sales suitable for residential development outperformed the previous four years to record $3.1 billion in 2016/17 (of sales $5M+). This was up 57.4%, by value, on 2015/16 and was dominated by several low density sales.

“Overall low-density sites recorded a 26.2% portion of total sales in 2016/17 (or $818 million), growing from a year earlier when these sales represented only 6.1%.

“Medium-density site sales represented 3.5% of total sales in 2014/15. This increased to a 13.2% share in 2015/16, whilst most recently recording the greatest share of 15.5% in 2016/17.

“The trend toward purchasing low and medium-density residential sites has continued to emerge in Greater Melbourne, with the sale of sites suitable for higher density representing 58.3% in 2016/17 when this was closer to 84.8% in 2014/15.

“Many purchasers of occupied sites are taking advantage of this income stream – especially in suburban markets with tight office vacancy along the fringe – with a steady pipeline of new apartments earmarked for the suburb,” said **Mr Clark.**

BRISBANE

Christian Sandstrom, Head of Commercial Sales, Queensland said, “Greater Brisbane has recorded two consecutive years of lower total sales of major development sites than achieved at the peak of the market in 2014/15—a similar trend experienced in Greater Sydney and the Gold Coast LGA. In 2016/17, Greater Brisbane residential site sales tallied $409.2 million, down 46.4% from the year earlier—for those sites valued at higher, or equal to $2 million.

“Over the past three years, the portion of higher-density sites purchased throughout Greater Brisbane has averaged annually 73% when calculated against all sites suitable for residential development.

“The more interesting thread to follow is the share of those sites suitable for medium density growing from 2.3% in 2014/15 to 9.8% in 2015/16; to record 11.0% or $45.0 million in 2016/17.

“As the ongoing downsizer trend continued and the median value for houses in Greater Brisbane grew on average 5.1% per annum between 2014/15 and 2016/17, townhouses became a favourable option. Over this time, the share of low density sites sold dropped from 25.1% to 17.4%. In 2016/17 this portion was 15.8% or $64.5 million,” said **Mr Sandstrom.**

PERTH

Todd Schaffer, Head of Commercial Sales, Western Australia said, “The total volume of major site sales in Greater Perth suitable for residential development lagged annual sales recorded over the past four years, for those valued at or above $2 million. In 2016/17, residential sites tallied $129.7 million – almost a quarter of the volume recorded in 2014/15 when Greater Perth site sales totalled $520.6 million. At this time, the total volume of development site sales peaked across the Australian market.

“Dividing development site sales by potential density in Greater Perth, in 2014/15 and 2015/16, higher density sites represented 67.1% and 66.0% respectively. Although coming off a lower base, by 2016/17 the portion of higher density sites sold had increased to 91.8%.

“Greater Perth has not experienced the recent high level of demand towards medium density sites by developers and end-buyers as witnessed in Greater Sydney and Greater Melbourne. Many buyers in these cities are using this medium density platform as an entry-level option into home ownership. Instead low density houses are becoming more affordable for first home buyers in Greater Perth. As a consequence, the residual of total development site sales have been for low density housing, with an8.2% share in 2016/17,” concluded **Mr Schaffer.**

END

For further information, please contact:

Rebecca Sands, Director, PR & Communications, Australia
Rebecca.Sands@au.knightfrank.com +61 416 119 858

Michelle Ciesielski, Head of Residential Research, Australia
Michelle.Ciesielski@au.knightfrank.com +61 414 694 220

Paul Henley, Head of Commercial Sales, Australia
Paul.Henley@au.knightfrank.com +61 421 059 720

Tim Holtsbaum, Director, Site Sales, New South Wales
Tim.Holtsbaum@au.knightfrank.com +61 498 999 059

Danny Clark, Head of Commercial Sales, Victoria
Danny.Clark@au.knightfrank.com +61 448 066 889

Christian Sandstrom, Head of Commercial Sales, Queensland
Christian.Sandstrom@au.knightfrank.com +61 419 784 317

Todd Schaffer, Head of Commercial Sales, Western Australia
Todd.Schaffer@au.knightfrank.com +61 409 090 855

Notes to Editors
Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 14,000 people operating from over 413 offices across 60 countries. These figures include Newmark Grubb Knight Frank in the Americas, and Douglas Elliman Fine Homes in the USA. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit www.knightfrank.com.