

# COLLECTIVE SALES FOR RESIDENTIAL DEVELOPMENT

MARKET INSIGHT SEPTEMBER 2017

## Key Facts

**Collective site sales for residential development** increased six-fold over the past five years, recording a 17.8% share of total disclosed sales in 2016/17.

In 2016/17, **foreign buyers** purchased 62% of collective site sales with 53.6% of this from horizontal and 8.4% from vertical sales.

The share of **vertical collective site sales suitable for higher density** in NSW grew to 8.1% in 2016/17, following reform in strata legislation.



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Collective site sales suitable for residential development have increased six-fold across Australia over the past five years. This has been both horizontally, with multiple homeowners grouping together to form residential super-lots, and vertically, with owners of individual apartments and office suites within a building leveraging recent legislation changes and re-zoned growth corridors.

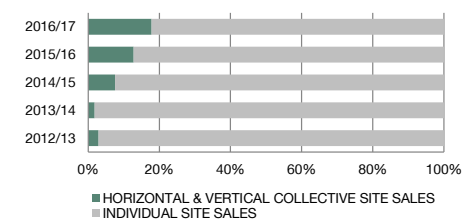
The volume of major site sales with potential for residential development experienced significant growth over the past five years across Australia, peaking at \$11 billion in 2014/15, to total \$7.3 billion in the year ending June 2017. Over this time, collective site sales suitable for low, medium and high density development increased six-fold, recording 17.8% of disclosed total sales, by value, in 2016/17 (Figure 1). This includes horizontal sales, with multiple homeowners grouping together to form an amalgamated residential super-lot and owners of individual industrial units within the same complex selling in one line, together with an increasing trend in vertical sales of apartment complexes and office buildings comprising of multiple owners.

Splitting buyer nationalities across Australia, local buyers dominated horizontal site sales five years ago recording 67.5% of total collective sales, by value, in 2012/13. At this time, foreign buyers represented only 21% of collective sales, as shown in Figure 2. The split of foreign buyers purchasing collective

FIGURE 1

### Collective Site Sales with Potential for Residential Development, Australia

% portion of disclosed total sales, by value



Residential development site sales suitable for low, medium and high density; threshold of \$2M+ for all states, with the exception of NSW & Victoria being \$5M+.

Source: Knight Frank Research

horizontal sales grew to 61.8% in 2013/14, to more recently record 53.6% in 2016/17. In the last year, local buyers were less represented comprising only 17.9% of horizontal sales.

Local buyers have continued to purchase vertical sites over the past five years, with a 11.7% share of collective sales in 2012/13,

although this tapered back in 2014/15 to 3.1%, but resurged with a greater portion of sales in 2016/17 (at 20.1%), when compared to horizontal collective sales (at 17.9%). Since 2015/16, foreign buyers have increased their representation in vertical site sales, to a total 8.4% share in 2016/17, up from 1.5% a year earlier.

Vertical site sales have been more prevalent in New South Wales (NSW) since new legislation for strata properties came into operation. This includes the introduction of the collective sale and renewal (or development) of a scheme, encouraging the upgrade of buildings not currently reaching full potential.

This reform provides owners of freehold strata lots with an alternative way to end their strata scheme. This can be done by agreeing to a plan allowing for the collective sale, or redevelopment, of their strata complex in circumstances where not all, but at least 75%, of owners agree.

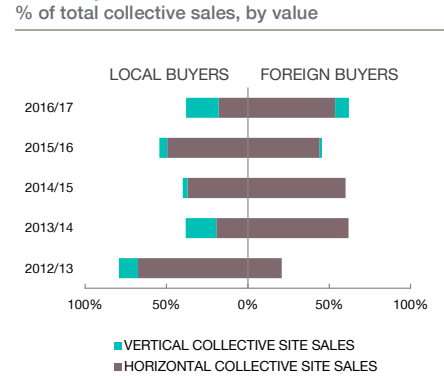
With this reform, many more potential development sites have the ability to be unlocked across Greater Sydney. At this stage, despite lengthy consideration, no other State or Territory Governments have introduced this change.

The share of NSW vertical collective site sales suitable for higher density grew to \$228.3 million (8.1%) in 2016/17, when compared against the total volume of disclosed higher density residential sites sold. This followed the reformed legislation coming into operation on 30 November 2016, after representing 2.3% a year earlier, as shown in Figure 3.

Despite significant growth in apartment values, developers are taking a longer term view when purchasing NSW collective vertical sites. This isn't the trend, as yet, emerging out of Victoria. Since 1 July 2015, the median value of established apartments in Greater Melbourne have increased 13.5% according to Residex. As a result, collective vertical sales in Victoria recorded a share of only 1% in 2016/17 – tallying at \$18.5 million. This was down from a year earlier with a 2.5% share (\$39.7 million) in 2015/16.

By value, Queensland continues to hold the highest portion of horizontal collective site sales. Despite tapering back over the past two years, the state recorded 15.6% of total residential development site sales suitable for higher density in 2016/17, equivalent to \$64 million.

FIGURE 2  
Split of the Buyer Nationality for Collective Site Sales for Residential Development, Australia

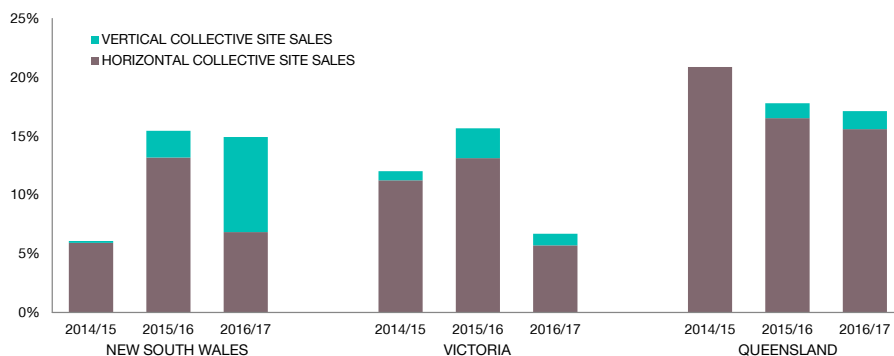


Residential development site sales suitable for low, medium and high density; threshold of \$2M+ for all states, with the exception of NSW & Victoria being \$5M+.

Source: Knight Frank Research

FIGURE 3  
Focus on: Collective Site Sales along the Australian East Coast with the Potential for Higher Density Residential Development

% portion of disclosed total sales for each State, by value



Residential development site sales suitable for higher density development equivalent to 4+ storeys and 25+ apartments; site sale threshold of \$5M+ for NSW and Victoria, and \$2M+ in Queensland.

Source: Knight Frank Research

**Definitions:**

**Collective sales** with the potential for residential development include more than one vendor coming together to form a group in order to sell their property in one line to a purchaser, instead of individual allotments as previously purchased by the vendors. This includes properties with Strata title (and with potential to meet requirements for Strata subdivision), Torrens title, Community title or equivalent for each state.

**Horizontal** examples include the sale of multiple single dwellings grouping together to form an amalgamated residential superlot and an entire industrial complex with multiple owners of individual strata units across one level.

**Vertical** examples include the sale of an entire residential, office, hotel or serviced apartment complex with two or more levels.



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