*A review of key drivers for low, medium and high-density developments across major Australian cities*

Knight Frank

# Australian Residential Development Review

knightfrank.com/research

**2021**

# AUSTRALIAN RESIDENTIAL DEVELOPMENT

*Whilst the interest rate environment remains low and high-density development activity is ramping up in some of Australia's major cities, there continues to be increasing appetite for investing in alternate asset classes to minimise risk and diversify portfolios– ripe for the Australian build-to-rent sector to emerge.*

The residential development market was poised for an upswing heading into 2020, until the global coronavirus pandemic changed home buying preferences and Australia closed international borders to students, migrants and offshore buyers.

The strict lending criteria for buyers had been relaxed, although access to traditional finance is still difficult for many local and offshore developers.

Resulting from a lack of construction starts, the pipeline of new apartments tapers back significantly over the next three years, potentially correcting and preparing the market for the sudden pause in migration.

Over the course of 2020, demand has been local. Developers have been active in the Greater Brisbane and Gold Coast markets, with values trending upwards and enquiries are beginning to gain traction in Greater Perth.

### Development site sales

The total volume of residential site sales was $4.046 billion in 2020 — this included sites suitable for low, medium and high-density development across Australia. Total residential site sales have fallen by 19.6% with all states and territories recording a lower volume of sales on the previous year.

New South Wales (NSW) recorded the highest volume of residential site sales with $1.977 billion in 2020 (down 7% on 2019), followed by Victoria with $1.289 billion (falling by 8.7%).

Residential site sales in Queensland totalled $642.37 million in 2020 (down annually by 44%), followed by Western Australia (WA) with $84.8 million (-45%), South Australia (SA) with $28.6 million (-79%) and the Australian Capital Territory (ACT) with $24 million (-60%). Over this time, Tasmania and the Northern Territory (NT) didn't record any major sites sales suitable for residential development.

### Development site densities

In recent years, there has been substantially more land released for low-density in growth corridors in the major cities and this has been reflected in the volume of sites being purchased for residential development, with the share of total sales growing to 23.1% in 2020, compared to 10.1% in 2015. The federal government's HomeBuilder incentive has been a further catalyst for developers since mid-2020.

Across the major Australian cities led by Sydney and Melbourne, sites suiting high-density continue to lead, with a share of 64.2% in 2020, although this has fallen from 84% five years earlier.

Although medium-density sites have recorded their highest share of total sales in the past decade at 12.6%, a lack of sites being bought to market suitable to construct townhouse projects is prevalent across all Australian cities.

This is only likely to intensify as demand increases for those priced out of the single dwelling market and downsizers become more active.

## Noted

Given the definition of density varies across Australia, for consistency, definitions adopted in this report include:

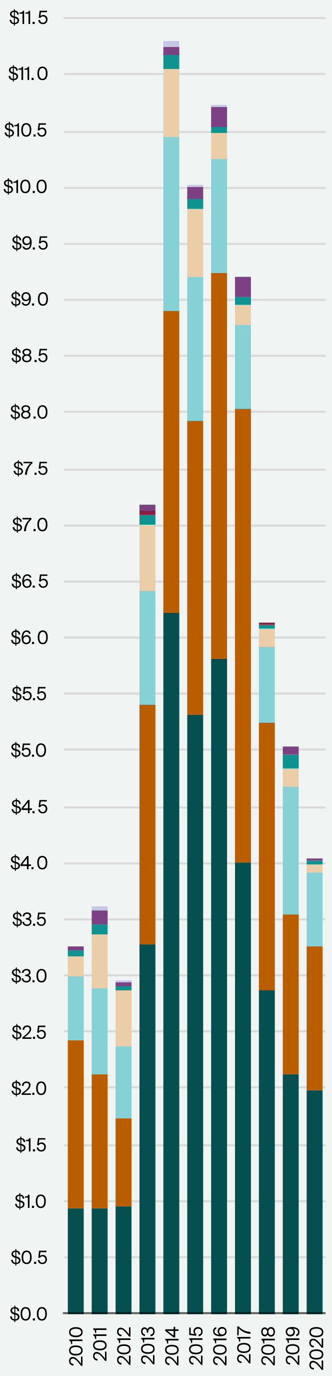
**High-density** covers projects with more than 25 apartments in a complex and more than four storeys in height; as defined by Knight Frank Research.

**Medium-density** covers projects with one and two storeys semi-detached, row or terrace houses; plus flats, units or apartments in a one, two or three storey block; as defined by the Australian Bureau of Statistics (ABS).

**Low-density** covers a residential dwelling on single allotment; as defined by Knight Frank Research.

## Australian residential site sales, by state & territory

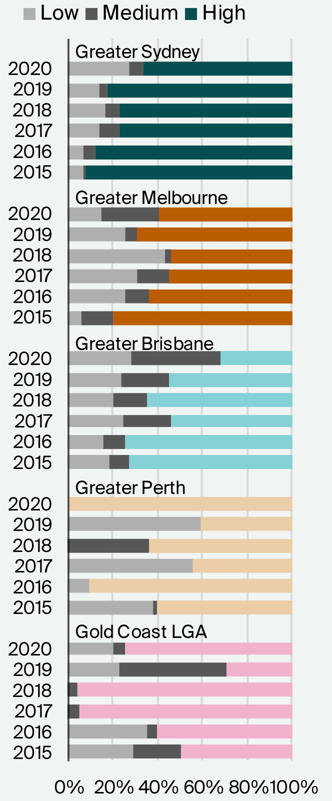
$ billion, total disclosed sales suitable for residential development




Source: Knight Frank Research

## Australian residential site sales, by potential density

% of total disclosed sales, by value




Source: Knight Frank Research

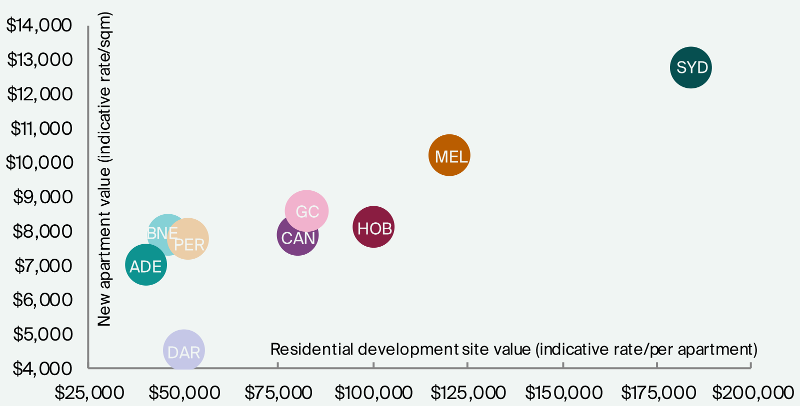
**15%**
Gold Coast LGA growth in high-density development site values in 2020

“The portion of offshore developers buying major Australian residential development sites has returned to pre-2013 levels”

**14%**
Increase in the volume of collective sites sold across Australian major cities

## Residential development sites & new apartment values

Indicative sites based on high-density and new apartments based on standard mainstream 2bed+2bath (excl.CBD), Greater Cities, 31 Dec 2020



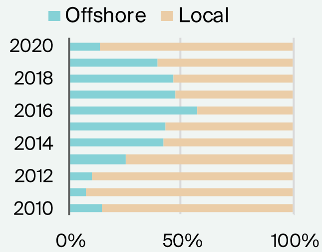

Source: Knight Frank Research

# OFFSHORE DEVELOPERS

The portion of offshore developers, and investors, buying major Australian residential development sites has returned to pre-2013 levels, comprising only 13.6% of total sales in 2020, by value.

**Australian sites purchased by offshore developers & investors**

% portion of total disclosed sales suitable for residential development, by value




Source: Knight Frank Research

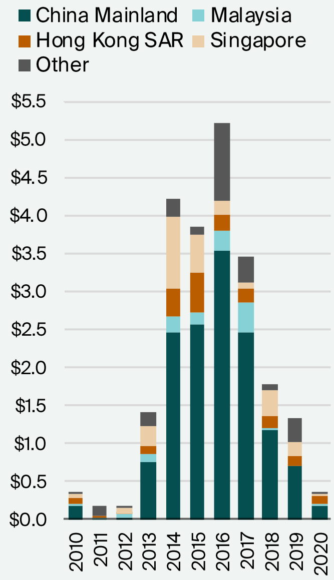
Back in 2016, a combination of factors including a favourable currency play, multiple activation precincts being unlocked for development and residential capital values on a strong upswing on the east coast of Australia, aided 57% of sites being purchased by offshore developers.

Many offshore developers buying in Australia around this time, well established in their domicile, underestimated the lengthy building approval process involved when transacting on raw sites. Some offshore developers were challenged by this hurdle and as a result, not all sites have yet to be built on.

Since this time, the Australian dollar has strengthened dissolving the currency advantage, foreign investment surcharges have been introduced across most states, tighter controls have been established for

**Australian sites purchased by offshore developers & investors**

$ billion, total disclosed sales suitable for residential development




Source: Knight Frank Research

outbound capital from mainland China and international borders have remained closed in Australia since the first half of 2020.

From 2010 to 2019, developers from mainland China purchased an average $1.4 billion worth of Australian development sites per year. Only 12% of this average was reached in 2020, with a total of $169.6 million in site sales. This was the first year since 2012, the distribution of offshore site sales didn't exceed more than half to mainland China, recording only 48%.

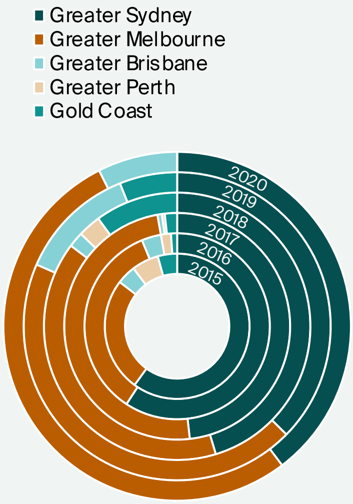
In 2020, developers from Hong Kong SAR was the next largest country or territory to buy sites suitable for residential development in Australia, at $83 million, Singaporean developers recorded $49.3 million and Malaysian developers purchased $43 million worth of sites.

For the past two years, Greater Melbourne has attracted the largest portion of offshore developers and investors (53%) purchasing residential development sites across Australia. In 2020, the city recorded a total of $185.4 million sites sold, led by those purchasing from China mainland, Malaysia and Singapore.

Prior to this, Greater Sydney was the most dominant city for offshore developers. Instead in 2020, $139.1 million of Greater Sydney sites, or 40% of Australian cities, were sold to offshore developers, followed by 7% in Greater Brisbane with $26 million.

**Australian sites purchased by offshore developers & investors, by state**

% portion of total disclosed sales suitable for residential development, by value




Source: Knight Frank Research

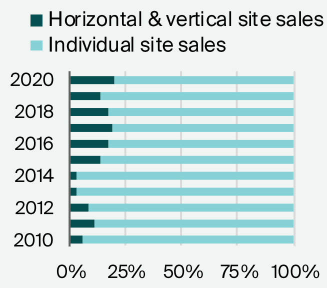
# COLLECTIVE SITES

### Collective site sales

Australian sites sold collectively for low, medium and high-density residential development made up 19.8% of total site sales in 2020 — the largest portion captured over the past decade — and growing by 6.2 percentage points since 2019.

**Australian collective site sales**

% portion of total disclosed sales suitable for residential development, major cities, by value




Source: Knight Frank Research

### Horizontal collective sites

In 2020, horizontal collective sites, including multiple homeowners banding together to form amalgamated residential super-lots, totalled $246.8 million across the major Australian cities. This volume of sales grew 19.4% over the 2020 year. Although down 11.7% over this time, Greater Sydney saw the most activity with $137.5 million worth of sites sold in this way.

### Vertical collective sites

Vertical collective sites, including owners of strata apartments and suites within a building selling in-one-line, recorded $412.9 million across the major cities of Australia. Sites sold in this manner increased 11% between 2019 and 2020. The combination of Greater Brisbane and the Gold Coast LGA noted the greatest share of vertical site sales from total sales, at 19.6%, whilst Greater Sydney tallied the most sales, at $337.2 million, in this time.

Across the major Australian cities, vertical site sales have been more dominant in Greater Sydney following new legislation for strata schemes came into operation in late 2016—increasing from a share of 1.3% in 2015, to 19.8% in 2017 of total site sales suitable for residential development.

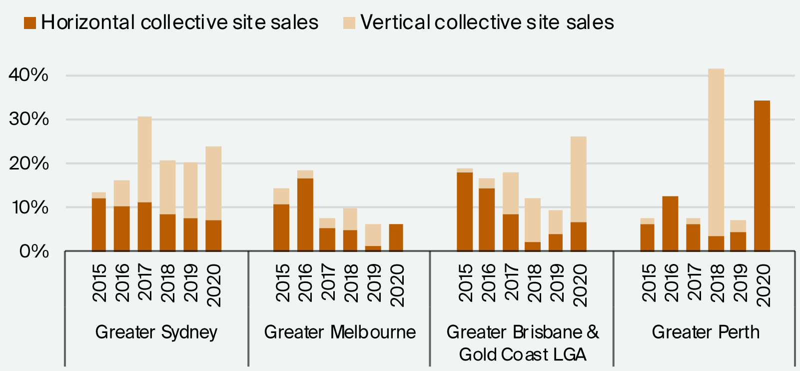
This reform provides owners of freehold strata lots in NSW with an alternative way to end their strata scheme. This can be done by agreeing to a plan allowing for the collective sale, or redevelopment, of their strata complex in circumstances where at least 75% of owners agree.

Unlike Greater Sydney, Greater Perth didn't see an immediate spike in vertical collective sales when the WA amended Strata Titles Act 1985 came into effect on 1 May 2020, with sales remaining low, reflecting the wider development site sales market.

The amended Act in WA now allows for 80% of owners within a strata scheme the right to vote for dissolution of the scheme.

**Australian collective site sales, by major states**

% portion of total disclosed sales suitable for residential development, by value




Source: Knight Frank Research

## Noted

**Collective site sales** have potential for residential development and include more than one vendor coming together to form a group in order to sell their property, in one line, to a purchaser. This includes properties with Strata title (and with potential to meet requirements for Strata subdivision), Torrens title, Community title or state equivalent; as defined by Knight Frank Research.

**Horizontal** examples include the sale of multiple single dwellings, or land owners grouping together to form an amalgamated residential super-lot with the intention for redevelopment; as defined by Knight Frank Research.

**Vertical** examples include the sale of an entire complex with two or more levels, comprising multiple owners of residential, office or industrial suites with the intention for redevelopment; as defined by Knight Frank Research.

# BUILD-TO-RENT

### Removing the Shackles – rising activity in the Build-to-Rent market

After a lengthy wait, an Australian Build-to-Rent (BTR) sector is now emerging. Multiple large-scale developments are now under way and plans continue to take shape for a sustained pipeline of activity across the country, with Melbourne emerging as the focal point for new activity.

While the demand side drivers have been supportive for some time, numerous barriers have stood in the path of BTR. The recent growth in developer appetite is a response to shifting market dynamics and policy adjustments that have made BTR more attractive, and developments now underway will set a benchmark for others to follow.

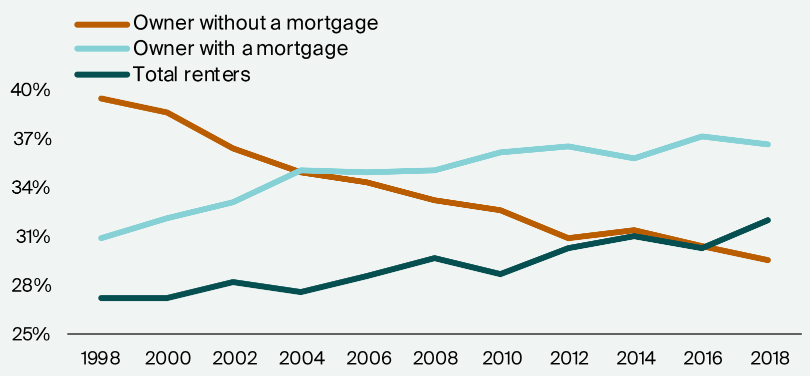
### Demographic tailwinds driving demand

The rise in activity is a long-awaited response to a demographic forces that are driving a sustained increase in demand for rental accommodation. ABS data on household composition reveals that the number of households renting grew by 58% over the last 20 years, whereas the number of households who own their own home either outright or with a mortgage increased by a much lower 26%. This resulted in the proportion of households renting rising to 32% from 27% and the proportion of households owning their home falling from 70% to 66%.

Rapid population growth and continued urbanisation are important factors here, leading to higher population density. Related to this, a large proportion of Australia's population growth is explained by net overseas migration, with many new arrivals accustomed to high density living and opting to rent in urban areas. In addition, the number of single person households continues to grow more rapidly than other household sizes, and this is also driving rental demand.

Alongside these demographic shifts, housing affordability is clearly an issue for many and strong price growth our major cities over the past decade has also contributed to a rising share of renters. However, less well known is the fact that the share of renters is similar in markets where housing is much more affordable than the major capitals, suggesting that a substantial number of households have a preference for renting even in markets where the cost of housing is much lower.

**Proportion of households renting versus owning**




Source: Knight Frank Research, ABS

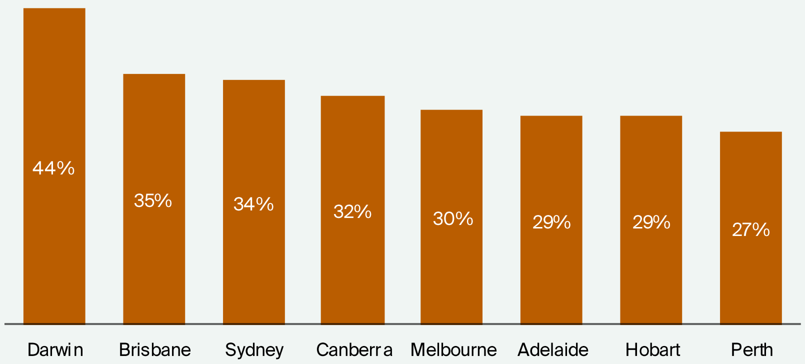
### Shifting dynamics tilt the balance toward BTR

Despite these long-standing demand side drivers and its large-scale adoption in other countries, most notably the US and UK, the BTR sector has been slow to emerge in Australia. The strength of the traditional apartment market and other alternative uses, alongside tax and planning impediments have acted to discourage developers from initiating projects. However, shifting dynamics over the past year have combined to make BTR more attractive and attracted widespread investor interest.

Firstly, the pandemic has changed the outlook for the retail and office sectors, and many investors are seeking to diversify. Retail has historically held a relatively high weighting in institutional real estate portfolios, but average capital values have fallen by 16% over the past two years. At the same time, the experience of the pandemic has generated uncertainty over how office workplaces will adapt, and the outlook is for slower growth in the quantum of investable stock than in recent years.

Secondly, the pipeline of traditional apartment development has slowed

### Proportion of households renting in major cities




Source: Knight Frank Research, ABS

substantially from the highs of recent years, likely to lead to under-supply when borders reopen and international migration resumes. Apartment approvals have dropped substantially across the Eastern seaboard from the peak levels of 2015-17, pointing to a subdued pipeline of new developments in coming years, thereby creating greater opportunity for BTR to help fill the void.

Lastly, state governments in NSW and Victoria have introduced a land tax discount to help spur the growth of the sector, which they view as having an important role to play in providing more housing options as well as boosting the pipeline of new construction during the current economic recovery and on a sustained basis going forward.

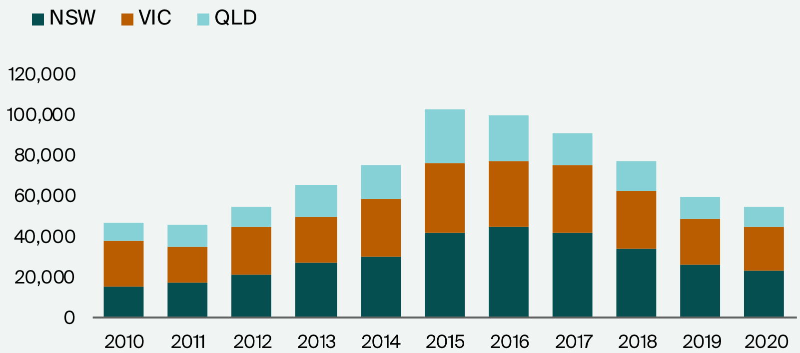
## Growing momentum

The combined impact has been to prompt a wave of new schemes. Sydney has the highest number so apartments currently under construction, but Melbourne is now emerging as the epicentre of activity, with robust demand and lower site values than in Sydney leading a wide range of investors to form development plans and new capital partnerships.

Numerous challenges remain, with tax and planning frameworks still grappling with how and to what extent they should adapt to accommodate the growth of BTR, and even with growing momentum it will take many years for the sector to mature. But the current momentum is undeniable and BTR looks set to emerge as an important part of the new supply picture in years to come.

### Building approvals for new apartments

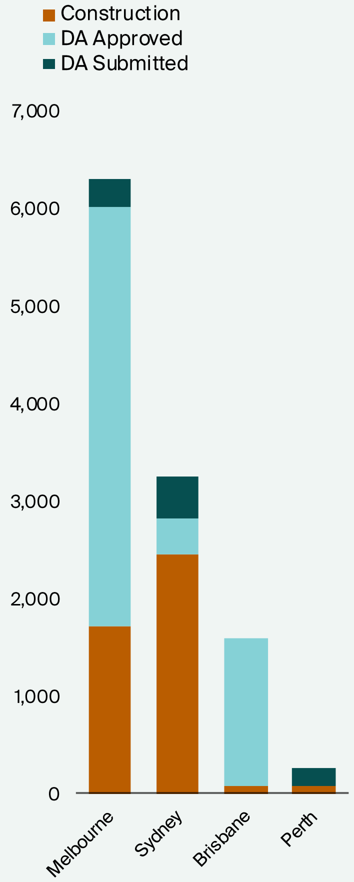
Annual total




Source: Knight Frank Research, ABS

### BTR development pipeline by city

Total number of apartments, includes projects with 40+ apartments




Source: Knight Frank Research

# SYDNEY

## Residential Supply Drivers

The volume of Greater Sydney **site sales** suitable for residential development totalled $1.98 billion in 2020, down 3.4% on 2019. Over the course of 2020, a total of 49,945 **building approvals** were recorded in NSW; 1.8% lower than in 2019. Greater Sydney **construction costs** continued to rise, with growth of 2.8% over the 2020 year.

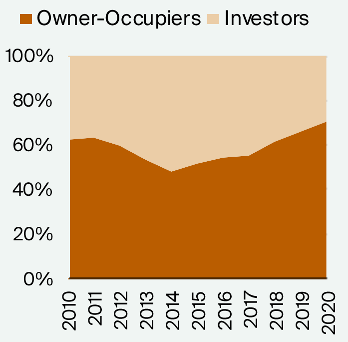
## Residential Demand Drivers

The Greater Sydney **projected population growth** averages 1.6% per annum to 2041. **Unemployment** stood at 6.7% as at December 2020, 240 bps above a year earlier although NSW's **economic growth** is forecast to grow 3.2% by the end of 2021. **Residential vacancy** was 3.3% at the end of 2020, down from 3.4% one year ago.

NSW new household **loan commitments** increased by 18.8% in 2020. The split of **investor** loans fell from 34% to 29%, while **owner-occupier** loans grew from 66% to 71%. **First home buyer** activity increased 35% over this time, to comprise a 24% share of all new loans approved.

### Distribution of loan commitments

Annual total new households in NSW




Source: Knight Frank Research, ABS

**3.3%**
Total vacancy across Greater Sydney

## Low-Density Development

In 2020, 27.6% of **sites purchased** across Greater Sydney were suitable for low-density development, almost double the 14.2% share recorded the previous year. A total of 8,280 new **single allotments** were released across Greater Sydney in 2020, up 70.4% on the year before. The **median lot price** was 4.1% higher in 2020, at $478,000. The **median lot size** rose from 372 sqm in 2019, to 378 sqm in 2020.

The number of low-density **building approvals** in NSW grew by 7.5% in 2020, with 26,483 single dwellings. The **internal floor space** of a new house in NSW averaged 235 sqm in 2019/20, bigger than 222 sqm built a year earlier. The **median value** for an established house in Greater Sydney grew by 4.8% in Q4 to stand at $1.2 million, to record total growth of 6.7% over 2020.

## Medium-Density Development

Of all **sites purchased** across Greater Sydney in 2020, 6.1% were suitable for medium-density development. This was higher than the 3.5% share recorded the previous year. Medium-density **building approvals** rose by 4.3% over the 2020 year in NSW to total 9,607 dwellings; with 12.3% growth recorded in Q4 2020 alone.

## High-Density Development

**Sites purchased** for high-density fell significantly from a share of 82.3% in 2019 to 66.3% in 2020, across Greater Sydney. High-density **site values** were indicative of $184,200/per apartment at the end of 2020, decreasing by 3.1% over the year. Site values ranged from an average $340,000/per apartment in the inner suburbs, not including the CBD, to an average $77,500/per apartment in the outer suburbs.

In 2020, high-density **building approvals** in NSW were down 18.7% on the previous year, with 13,855 apartments. The last quarter of 2019 was trending upwards, recording a sharp 91% rise on Q3 2019. A new apartment in NSW averaged 121 sqm **internal floor space** in 2019/20, larger than the 114 sqm average one year ago.

### Building approvals by density

Annual total dwellings in NSW


Source: Knight Frank Research, ABS

**New apartment prices** in Greater Sydney fell 4.5% since 2019 to an indicative $12,800/sqm in 2020; to range between an average of $6,000/sqm and $24,000/sqm (excluding prime and Sydney CBD projects). The **median value** for an established apartment in Greater Sydney stood at $730,000, falling by 0.3% over 2020, with 0.2% growth in the last quarter.

# MELBOURNE

### Residential Supply Drivers

Melbourne **site sales** in 2020 suitable for residential development totalled $878.04 million, down 28.8% on the previous year. A total of 62,401 **building approvals** were recorded in Victoria in 2020, 8.1% higher than in 2019. Melbourne **construction costs** continued to rise by 2.0% in 2020.

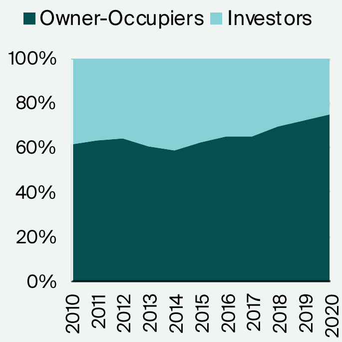
### Residential Demand Drivers

Greater Melbourne's **projected population growth** averages 1.9% per annum to 2041. **Unemployment** stood at 6.8% as at December 2020, 178 bps above a year earlier although Victoria's **economic growth** is forecast to grow 5.0% by the end of 2021. **Residential vacancy** was 5.4% at the end of 2020, elevated from 2.2% one year ago.

In Victoria, new household **loan commitments** were up by 10.2% in the year ending December 2020. The split of **investor** loans fell from 28% to 25%, while **owner-occupier** loans grew from 72% to 75%. **First home buyer** activity increased 23% over this time, to comprise a 32% share of all new loans approved.

**Distribution of loan commitments**

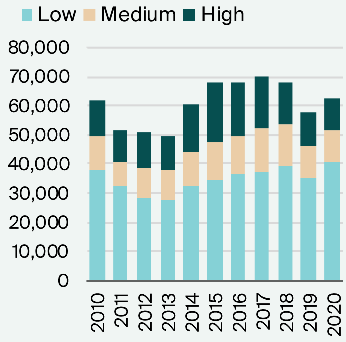
Annual new households in Victoria




Source: Knight Frank Research, ABS

**Building approvals by density**

Annual total dwellings in Victoria




Source: Knight Frank Research, ABS

### Low-Density Development

The share of **sites purchased** across Greater Melbourne suitable for low-density development was 15.2% in 2020, compared to 25.7% in the previous year. There were 17,400 new **single allotments** released across Greater Melbourne in 2020, up 45.4% over the last year. The **median lot price** fell by 3.4% in 2020, to $319,000. The **median lot size** was larger in 2019 at 395 sqm, compared to 390 sqm in 2020.

Low-density **building approvals** in Victoria rose by 15.3% over 2020 to 40,325 single dwellings. A new house in Victoria averaged 250 sqm **internal floor space** in 2019/20, bigger than 246 sqm built in the previous year. The **median value** for a Greater Melbourne established house stood at $936,000, up by 3.9% over 2020, with 5.3% growth in the fourth quarter.

### Medium-Density Development

Across Greater Melbourne, of all **sites purchased** in 2020, 25.5% were suitable for medium-density development. This was significantly higher than the 4.9% share recorded the previous year. Medium-density **building approvals** in Victoria increased slightly by 0.8% across 2020, to total 11,194 dwellings, although in the last quarter, 5.3% growth was recorded.

**5.4%**
Total vacancy across Greater Melbourne

### High-Density Development

**Sites purchased** for high-density fell from a share of 69.4% in 2019, to 59.3% in 2020, across Greater Melbourne.

High-density **site values** were indicative of $120,400/per apartment across Greater Melbourne at the end of 2020, remaining steady. The site values ranged from an average $139,400/per apartment in the inner suburbs, excluding the CBD, to $40,000/per apartment in the outer suburbs.

In Victoria, high-density **building approvals** in 2020 dropped by 6.4% on the previous year to record 10,882. The last quarter of 2020 was trending downwards, falling 55.2%. A new apartment in Victoria averaged 155 sqm of **internal floor space** in 2019/20, up from 148 sqm a year ago.

**New apartment prices** in Greater Melbourne, at $10,200/sqm, remained steady in 2020 to range between an average of $6,500/sqm and $15,000/sqm (this excludes prime and Melbourne CBD projects). The **median value** for an established apartment stood at $569,500 across Greater Melbourne, up by 2.5% over 2020, with 4.4% growth in the last quarter.

# BRISBANE & GOLD COAST

### Residential Supply Drivers

**Site sales** suitable for residential development in Brisbane totalled $161.97 million in 2020, down 75.2% on the year before, while Gold Coast site sales were up 29.6% to $223.9 million. A total of 33,055 **building approvals** were recorded in Queensland in 2020, 7.2% higher than in 2019. Brisbane's **construction costs** rose 1.3% in 2020.

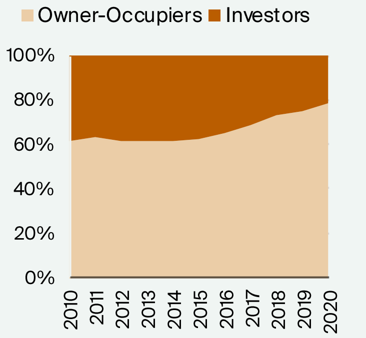
### Residential Demand Drivers

Greater Brisbane's **projected population growth** averages 1.7% per annum to 2041, compared to 2.1% on the Gold Coast. At the end of 2020, **unemployment** stood at 7.8% in Brisbane (up 260 bps over the year) and 6.9% on the Gold Coast (up 120 bps) whilst Queensland's **economic growth** is forecast to grow 2.8% by the end of 2021. Greater Brisbane's **residential vacancy** fell from 2.3% in 2019, to 1.3% in 2020. Over the same time, the Gold Coast LGA dropped from 1.8% to 0.9%.

In Queensland, new household **loan commitments** grew by 21.9% in the year ending December 2020. The split of **investor** loans fell from 25% to 21%, while **owner-occupier** loans rose from 75% to 79%. **First home buyer** activity increased 45% over 2020, to comprise a 29% share of all new loans approved.

Distribution of loan commitments

Annual new households in Queensland




Source: Knight Frank Research, ABS

### Low-Density Development

Almost 28% of **sites purchased** across Greater Brisbane in 2020 were suitable for low-density development, rising from 23.8% recorded the previous year, while the share on the Gold Coast fell from 23.2% to 20.1% over this time. A total of 17,400 new **single allotments** were released across South East Queensland in 2020, double the year before. The **median lot price** fell 3.3% in 2020, to $261,000, while the **median lot size** compressed from 436 sqm in 2019, to 415 sqm in 2020.

The number of low-density **building approvals** in Queensland rose by 13.9% in 2020 to 23,110. The **internal floor space** of a new house in Queensland averaged 226 sqm in 2019/20, larger than the average 223 sqm built a year earlier. The **median value** for an established house in Greater Brisbane stood at $616,500, up by 5.6% in 2020 (0.8% in Q4 2020) while on the Gold Coast, the median value grew by 7.8% in 2020 to $695,000, with 4.5% growth in Q4.

### Medium-Density Development

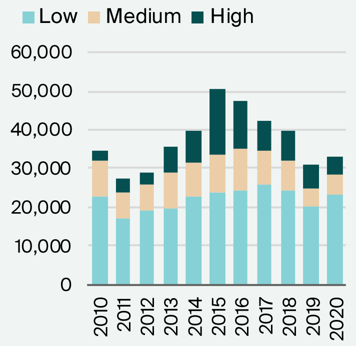
In 2020, 40.5% of **sites purchased** across Greater Brisbane were suitable for medium-density development, up 21.2% in 2019; while the portion on the Gold Coast fell from 48.1% to 5.0%. Queensland medium-density **building approvals** increased by 12.1% in 2020, to total 5,297, although falling in Q4 2020 by 24.7%.

### High-Density Development

Greater Brisbane **sites purchased** for high-density fell from almost half of total sales in 2019, to 31.6% in 2020.

Building approvals by density

Annual total dwellings in Queensland




Source: Knight Frank Research, ABS

On the Gold Coast the portion of high-density site sales rose from 28.7% in 2019, to 74.9% in 2020. Greater Brisbane high-density **site values** were indicative of $45,800/per apartment growing by 11.4% in 2020. Over this time, Gold Coast high-density site values appreciated by 15.1% to $82,500/per apartment.

High-density **building approvals** in Queensland fell by 20.3% over the year ending 2020, to 4,648 apartments. The last quarter of 2020 trended upwards by 21.9%. In 2019/20 a new apartment averaged 138 sqm of **internal floor space** in Queensland, larger than the average 133 sqm one year ago.

Between 2019 and 2020, indicative **new apartment prices** increased 3.9% in Greater Brisbane (to $7,900/sqm) and rose by 10.3% on the Gold Coast (to $8,600/sqm), excluding prime and CBD projects. The **median value** for an established apartment in Greater Brisbane stood at $395,000, down by 3% over 2020, with −1.1% recorded in Q4 2020. On the Gold Coast, the median value was $448,000, up 6.2% over 2020, and up 3.0% in Q4.

# PERTH

### Residential Supply Drivers

The volume of Perth **site sales** suitable for residential development totalled $84.8 million in 2020, down 34.1% on the previous year. Over 2020, a total of 18,473 **building approvals** were recorded in Western Australia, 22.1% higher than 2019. **Construction costs** in Perth saw a rise of 1.2% over 2020.

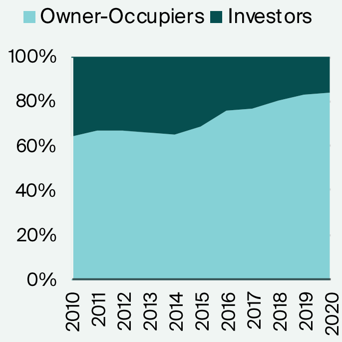
### Residential Demand Drivers

Greater Perth's **projected population growth** averages 1.6% per annum to 2041. **Unemployment** stood at 6.7% as at December 2020, 150 bps above the year earlier although Western Australia's **economic growth** is forecast to grow 3.0% by the end of 2021. **Residential vacancy** in Greater Perth was 0.8% at the end of 2020, lower than 2.4% one year ago.

In the year ending December 2020, new household **loan commitments** in Western Australia rose by 30.9%. The split of **investor** loans fell from 17% to 16%, while **owner-occupier** loans grew from 83% to 84%. **First home buyer** activity increased 41% over this time, to comprise a 39% share of all new loans approved.

**Distribution of loan commitments**

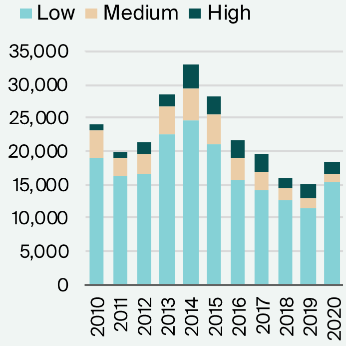
Annual new households in WA




Source: Knight Frank Research, ABS

**Building approvals by density**

Annual total dwellings in WA




Source: Knight Frank Research, ABS

### Low-Density Development

There were no major **sites purchased** suitable for low-density over the year ending December 2020, lower than the 59.1% share a year ago. There were 10,870 new **single allotments** released across Greater Perth (including Peel) in 2020, up 60.7% on 2019. The **median lot price** fell 0.9% to $215,000, over this time, although the **median lot size** remained the same, at 375 sqm.

The number of low-density **building approvals** in Western Australia rose by 34.5% in 2020 to 15,436 houses. The **internal floor space** of a new house in Western Australia averaged 233 sqm in 2019/20, significantly larger than the 225 sqm built a year earlier. The **median value** for an established house in Greater Perth stood at $563,000, growing by 6.3% over 2020, with 3.0% growth being in Q4 2020.

### Medium-Density Development

Over the year ending December 2020, there were no major sites purchased suitable for medium-density development. Western Australian medium-density **building approvals** fell by 31.4% over 2020, to total 1,065 dwellings, although picking up significantly, by 189%, in the fourth quarter of 2020.

**0.8%**
Total vacancy across Greater Perth

### High-Density Development

Across Greater Perth, all major **sites purchased** in 2020 were for high-density development, rising from a share of 40.9% in 2019.

High-density **site values** across Greater Perth were up slightly in 2020 with an indicative of $51,100/per apartment. The average site value ranged from $60,100/per apartment in the inner suburbs, not including the CBD, to $21,300/per apartment in the outer suburbs.

In 2020, high-density **building approvals** in Western Australia fell 6.1% on the previous year, to 1,972 apartments. Although, the last quarter of 2020 grew by 63.2%. A new apartment in Western Australia averaged 151 sqm of **internal floor space** in 2019/20, compressing from 156 sqm built one year ago.

**New apartment prices** in Greater Perth remained stable at an indicative $7,800/sqm across 2020, to range between an average of $5,900/sqm and $11,500/sqm. This excludes prime and Perth CBD-based projects. The **median value** for an established apartment in Greater Perth stood at $347,500 at the end of 2020, up by 4.4% over the year and 2.3% in the fourth quarter.

# ADELAIDE

### Residential Supply Drivers

Adelaide **site sales** in 2020 suitable for residential development totalled $28.6 million, down 78.9% on the previous year. A total 11,465 **building approvals** were recorded in South Australia in 2020, 0.9% lower than 2019. Adelaide **construction costs**, up 2.5%, continued to rise in 2020.

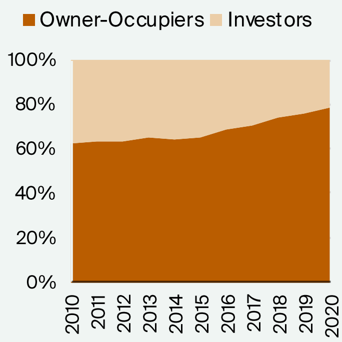
### Residential Demand Drivers

Greater Adelaide's **projected population growth** averages 0.8% per annum to 2041. **Unemployment** stood at 6.5% as at December 2020, 33 bps higher on the year earlier although South Australia's **economic growth** is forecast to grow 3.8% by the end of 2021. Total **residential vacancy** in Greater Adelaide was 0.8% at the end of 2020, down from 1.0% one year ago.

In South Australia, new household **loan commitments** were up by 12.5% in the year ending December 2020. The split of **investor** loans fell from 24% to 21%, while **owner-occupier** loans grew from 76% to 79%. **First home buyer** activity increased 33% over this time, to comprise a 25% share of all new loans approved.

Distribution of loan commitments

Annual new households in SA




Source: Knight Frank Research, ABS

**0.8%**
Total vacancy across Greater Adelaide

### Low-Density Development

There were no major **sites purchased** for low-density in Greater Adelaide in 2020, although this share comprised 43.9% in 2019. There were 3,400 new **single allotments** released across Greater Adelaide in 2020, rising 36.3% over the year. The **median lot price** increased 2.2% in 2020, to $183,500. The **median lot size** also grew from 449 sqm in 2019, to 459 sqm in 2020.

Low-density **building approvals** in South Australia were up 11.8% over 2020, and grew by 21.5% in Q4 2020, to 9,130 single dwellings.

A new house in South Australia averaged 205 sqm of **internal floor space** in 2019/20, larger than 198 sqm built in the previous year. The **median value** for a Greater Adelaide established house stood at $574,500, up by 6.1% over 2020, with 2.1% growth being in the fourth quarter.

### Medium-Density Development

Similar to the year before, there were no major **sites purchased** suitable for medium-density development in 2020 across Greater Adelaide. Medium-density **building approvals** in South Australia decreased by 27.1% in 2020 to total 1,728 dwellings, although was up by 32% in Q4 2020.

### High-Density Development

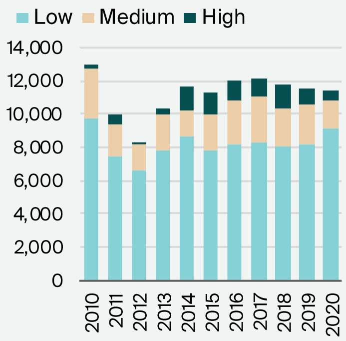
All **sites purchased** were for high-density development in Greater Adelaide in 2020, rising from a 56.1% share in 2019. High-density **site values** were indicative of $40,000/per apartment across Greater Adelaide at the end of 2020, remaining similar to the year before. Site values ranged from a lower $30,000/per apartment to an upper of $100,000/per apartment, excluding sites in the CBD.

In South Australia, high-density **building approvals** in 2020 dropped by 40.8% on the previous year, to record 607 apartments. The last quarter of 2020 was trending upwards, rising by 110%. A new apartment in South Australia averaged 150 sqm of **internal floor space** in 2019/20, much bigger than the average of 139 sqm built a year ago.

**New apartment prices** in Greater Adelaide have stayed steady since 2019 at $7,000/sqm in 2020, to range between an average of $6,000/sqm and $8,000/sqm (excluding prime and CBD projects). The **median value** for an established apartment stood at $350,000 across Greater Adelaide, increasing by 13.5% over 2020, although remaining stable in Q4 2020.

Building approvals by density

Annual total dwellings in SA




Source: Knight Frank Research, ABS

# HOBART

### Residential Supply Drivers

Across 2020, there were no major **site sales** recorded in Greater Hobart for residential development. Over this time, a total of 3,447 **building approvals** were recorded in Tasmania, 10.3% higher than in 2019. Hobart **construction costs** continued to rise in 2020, with annual growth of 2.5%.

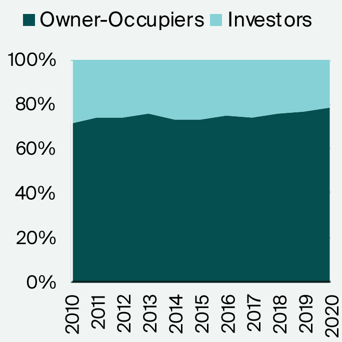
### Residential Demand Drivers

**Projected population growth** in Greater Hobart averages 0.9% per annum to 2041. **Unemployment** stood at 6.1% as at December 2020, 70 bps above the year earlier, although Tasmania's **economic growth** is forecast to grow by 3.9% by the end of 2021. Greater Hobart's total **residential vacancy** was 2.0% at the end of 2020, increasing from 1.7% one year ago.

In the year ending December 2020, new household **loan commitments** in Tasmania rose by 13%. The split of **investor** loans fell from 24% to 22%, while **owner-occupier** loans grew from 76% to 78%. **First home buyer** activity increased 28% over this time, to comprise a 21% share of all new loans approved.

Distribution of loan commitments

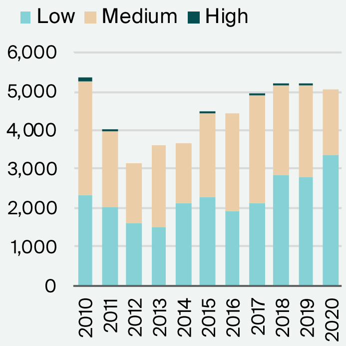
Annual new households in Tasmania




Source: Knight Frank Research, ABS

Building approvals by density

Annual total dwellings in Tasmania




Source: Knight Frank Research, ABS

### Low-Density Development

Over 2020, there were no major **site sales** recorded in Greater Hobart for low-density residential development, reflecting a similar result in 2019.

The number of low-density **building approvals** in Tasmania picked up by 19% in 2020, rising by 15.2% in Q4 alone, to 3,338 single dwellings.

The **internal floor space** of a new house in Tasmania averaged 179 sqm in 2019/20, similar to those built one year ago.

The **median value** for an established house stood at $564,000 in Greater Hobart, up by 12.4% over 2020, with growth of 6.1% in the last quarter.

### Medium-Density Development

Following a similar experience in 2019, there were no major **site sales** recorded in Greater Hobart suitable for medium-density residential development in 2020.

Across Tasmania, medium-density **building approvals** dropped by 58.7% in the 2020 year to total 109 dwellings.

**2.0%**
Total vacancy across Greater Hobart

In the fourth quarter of 2020, building approvals were down by 41%.

### High-Density Development

Greater Hobart recorded no major **site sales** suitable for high-density residential development in 2020, following a similar result in 2019.

High-density **site values** were indicative of $100,000/per apartment across Greater Hobart at the end of 2020. This increased 12.5% over the past year. An average site value ranges from a lower $90,000/per apartment, to an upper of $110,000/per apartment, this excludes the Hobart CBD.

There were no high-density projects seeking **building approvals** in Tasmania in 2020. A new apartment in Tasmania averaged 133 sqm of **internal floor space** in 2019/20, considerably smaller than an average of 159 sqm built a year ago.

Greater Hobart **new apartments prices** have increased 8% between 2019 and 2020, to an indicative $8,100/sqm. An average new apartment ranged from $7,900/sqm and $8,300/sqm (excluding prime projects). The **median value** for an established apartment in Greater Hobart stood at $432,500, up by 2.5% over 2020, with 1.0% growth recorded in the last quarter of 2020.

# CANBERRA

## Residential Supply Drivers

Canberra **site sales** suitable for residential development totalled $24 million in 2020, falling 60.2% from 2019. Over this time, 4,992 **building approvals** were recorded in the Australian Capital Territory, up by 3.9%, while Canberra's **construction costs** rose by 2.5%.

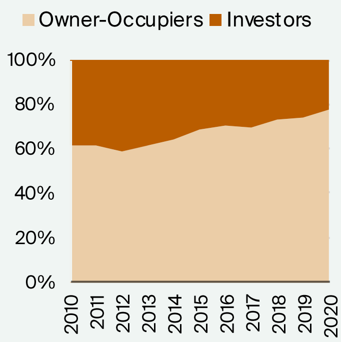
## Residential Demand Drivers

**Projected population growth** averages 1.5% per annum to 2041, in the Australian Capital Territory. **Unemployment** stood at 3.6% as at December 2020, 78 bps higher than the year before, although **economic growth** is forecast to grow 4.0% by the end of 2021. Canberra's **residential vacancy** was 1.0% at the end of 2020, down from 1.3% one year earlier.

New household **loan commitments** in the Australian Capital Territory grew by 21.1% in the year ending December 2020. The split of **investor** loans fell from 26% to 22%, while **owner-occupier** loans grew from 74% to 78%. **First home buyer** activity increased 45% over this time, to comprise a 27% share of all new loans approved.

### Distribution of loan commitments

Annual new households in ACT




Source: Knight Frank Research, ABS

**1.0%**
Total vacancy across Canberra

## Low-Density Development

Unlike 2019, there were no major **site sales** recorded in Canberra suitable for low-density residential development. There were 2,490 new **single allotments** released across Canberra in 2020, up by 69.4% on the year before. While the **median lot price** in Canberra fell 1.4% to $417,000 in 2020, the **median lot size** increased to 256 sqm, up from 251 sqm in 2019.

Low-density **building approvals** in the Australian Capital Territory rose by 32.9% in 2020 to 1,261 houses. The **internal floor space** of a new house in the Australian Capital Territory averaged 507 sqm in 2019/20, larger than 494 sqm built a year earlier. The **median value** for an established house in Canberra stood at $855,500, up by 9.1% over 2020, with growth of 6.4% in Q4 2020 alone.

## Medium-Density Development

There were no major **site sales** in Canberra suitable for medium-density residential development in 2020, similar to the year before. Medium-density **building approvals** increased by 7.6% in 2020 to total 1,559 dwellings in the Australian Capital Territory, up 73% in the fourth quarter.

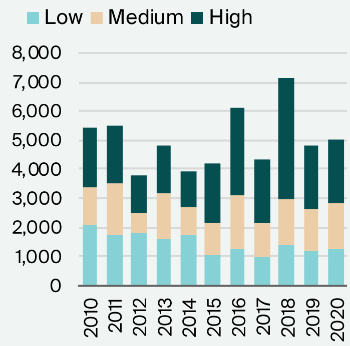
## High-Density Development

All major **site sales** in Canberra were considered suitable for high-density in 2020, the opposite recorded in 2019.

Across Canberra, high-density **site values** rose by 14.3% in 2020 with an indicative of $80,000/per apartment. Average site values ranged from a lower $50,000/per apartment to an upper of $120,000/per apartment, excluding the CBD.

### Building approvals by density

Annual total dwellings in ACT




Source: Knight Frank Research, ABS

In 2020, high-density **building approvals** in the Australian Capital Territory increased by 0.1% on the previous year, to 2,172 apartments. The last quarter of 2020, trended downwards, falling by 15.5%.

A new apartment in the Australian Capital Territory averaged 143 sqm of **internal floor space** in 2019/20, significantly larger than 102 sqm built one year ago.

**New apartment prices** in Canberra rose 1.9% to an indicative $7,900/sqm across 2020, to range between $6,750/sqm and $12,000/sqm. This excludes prime projects. The **median value** for an established apartment in Canberra stood at $485,500 at the end of 2020, decreasing 1.3% over the year, but strengthening by 3.0% in the last quarter of 2020.

# DARWIN

## Residential Supply Drivers

There were no major residential development **site sales** recorded in Greater Darwin in 2020. **Building approvals** increased 22.8%, to 673, in the Northern Territory over this time. Darwin's **construction costs** rose by 0.3% between 2019 and 2020.

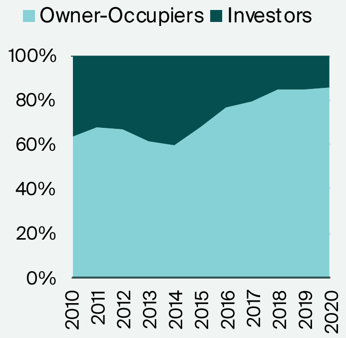
## Residential Demand Drivers

**Projected population growth** in Greater Darwin averages 1.8% per annum to 2041. **Unemployment** stood at 4.8% as at December 2020, 19 bps above the year earlier, while Northern Territory's **economic growth** is forecast to grow 3.8% by the end of 2021. Greater Darwin's total **residential vacancy** was 1.7% at the end of 2020, trending down phenomenally from 7.7% one year ago.

In the year ending December 2020, new household **loan commitments** in the Northern Territory grew by 16.6%. The spilt of **investor** loans fell from 15% to 14%, while **owner-occupier** loans grew from 85% to 86%. **First home buyer** activity increased 29% over this time, to comprise a 31% share of all new loans approved.

**Distribution of loan commitments**

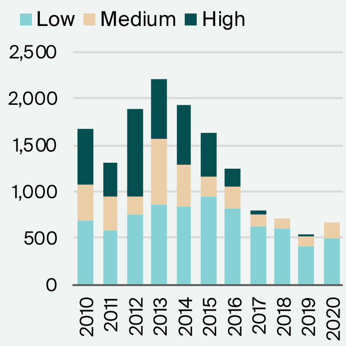
Annual new households in NT




Source: Knight Frank Research, ABS

**Building approvals by density**

Annual total dwellings in NT




Source: Knight Frank Research, ABS

## Low-Density Development

There were no major **site sales** recorded in Greater Darwin suitable for low-density residential development in 2020, similar to the year before.

The number of low-density **building approvals** in the Northern Territory rose by 21.4% in 2020, and up by 51.2% in Q4, to total 505 single dwellings over the year. The **internal floor space** of a new house in the Northern Territory averaged 190 sqm in 2019/20, a smaller size than the average 201 sqm being built one year earlier.

The **median value** for an established house stood at $534,000 in Greater Darwin, increasing by 3.6% in 2020, with a further increase of 2.3% in the last quarter of the year.

## Medium-Density Development

Greater Darwin hasn't recorded any major **site sales** suitable for medium-density residential development for the past two years. Medium-density **building approvals** in the Northern Territory rose by 55.6% in 2020 with a total of 168 dwellings. Although in Q4 2020, building approvals fell by 82%.

**1.3%**
Total vacancy across Greater Darwin

## High-Density Development

For the past two years, there have not been any major **site sales** recorded in Greater Darwin suitable for high-density residential development.

High-density **site values** were indicative of $50,000/per apartment across Greater Darwin at the end of 2020. An average site value ranged from a lower $30,000/per apartment, to an upper of $70,000/per apartment, this excludes the CBD. These values have remained stable over the past twelve months.

There were no high-density projects seeking **building approvals** in the Northern Territory in 2020.

A new apartment in the Northern Territory averaged 145 sqm of **internal floor space** in 2019/20, larger than the average 139 sqm built a year ago.

**New apartment prices** in Greater Darwin decreased by 10% between 2019 and 2020, to an indicative $4,500/sqm. An average new apartment ranged from $3,000/sqm and $6,000/sqm (excluding prime projects).

The **median value** for an established apartment in Greater Darwin stood at $285,500 at the end of 2020, increasing 7.5% over the year and 0.6% in the last quarter of the year.

## DATA SOURCES

High-density pipeline by volume, apartments and storeys (25+ apts and 4+storeys across major cities)–Knight Frank Research; Development site sales by volume, density and offshore (all states & territories $2m+, except New South Wales & Victoria $5m+)–Knight Frank Research; Population projections–ABS; Economic growth forecast–Oxford Economics; Unemployment–ABS; Building approvals–ABS; Construction costs–Rawlinsons Cost Guide; New household loan commitments–ABS; Total vacancy–REIA; Land lots–UDIA; New home sizes–CommSec, ABS; Median values & growth–APM; Development site values–Knight Frank Research; New Apartment Values–Knight Frank Research.

**Note:** Unless stated, all references to dollars or $ refer to Australian dollars (AUD).

## We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.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