A review of key drivers for low, medium and high-density residential development sites in major Australian cities

Knight Frank

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Australian Residential Development Sites Review

2022

KEY FINDINGS

How has the residential development site market performed across Australia's major cities and what are the potential risks ahead?

The *Australian Residential Development Site Review*'s objective is to provide an annual assessment of how development sites are shaping future residential markets, and to highlight opportunities and risks.

Most residential markets across Australia saw accelerating price growth throughout the pandemic. Developers were presented with an array of options, but also met with disruption, with further risks mounting on the horizon.

Developers play low-density card

The introduction of the HomeBuilder grant to support jobs in the residential construction sector three months into the pandemic saw a reinvigorated home-and-land market in growth corridors across the country. This was timely, as developers pivoted towards more low-density developments to lower their risk profile in a time of increasing uncertainty. This was most evident across Greater Melbourne.

First home buyer activity increased significantly over this time, to peak at a 29.8% share of all new Australian loans approved in January 2021 (ABS), before falling to 21.5% at the end of 2021 as applications for the grant closed in April 2021. However, there is still a focus on growing the first home buyer base with the announcement to extend the First Home Guarantee Scheme, a new Regional Home Guarantee Scheme and the Family Home Guarantee in the 2022-23 Budget.

Opportunity missed for build-to-rent sector

Residential vacancies continue to place pressure on the rental market across most cities and regional areas of Australia. The build-to-rent (BTR) sector, although not traditionally designed to combat housing affordability, could be one solution to designate more stock and stability for the rental market. This could be most prolific in chronically undersupplied markets like the Gold Coast, Adelaide and Perth with lower underlying land values, relative to major capital cities.

In 2021, some state governments stepped up to support, and stimulate, this emerging sector. Victoria will halve the land tax levied on BTR developments from 2022 through to 2040. This follows a similar tax break for BTR projects adopted by New South Wales (NSW), whilst the Queensland government has committed to support two BTR projects in Greater Brisbane.

Although at a national level, the 2022-23 Budget was a missed opportunity to review the ongoing taxation hurdle; by ensuring policy settings do not impede the flow of local and international institutional capital ready to be deployed.

Unfavourable conditions driving up construction costs

Logistics delayed within the supply chain, as well as limited availability of materials and labour, have accelerated the cost of construction for builders across Australia averaging 5.3% growth in 2021. This has unfortunately seen several building companies dissolve in recent months across several cities. Severe weather events on the east coast are likely to amplify delays and costs in the coming year, impacting multiple sites across the entire country.

Houses becoming smaller as apartments get bigger

Largely driven by housing affordability constraints across Australia, average land lots being sold saw a reduction in size from 418 sqm in 2020, to 409 sqm in 2021. This was despite prices rising

RISK MONITOR | RESIDENTIAL DEVELOPMENT | ONE YEAR OUTLOOK

MARKET SCENARIO	AUS	SYD	MEL	BNE	GC	PER	ADE	HOB	CAN	DAR
People, Wealth & Liveability										
Population growth falls below annual projection	4	4	5	3	3	4	3	3	3	4
People are overall less wealthier than one year ago	4	5	5	3	3	4	3	4	4	4
Infrastructure project pipeline weaker than last year	2	1	2	2	2	4	2	3	2	2
Lending Environment & Economy										
Finance for developers remains responsible, but harder to obtain	5	5	4	5	5	4	4	5	5	5
Mortgage lending rates rise more rapidly than past year	5	5	5	4	4	4	4	5	5	5
Lending to buyers becomes stricter, but remains responsible	5	5	5	5	5	5	5	5	5	5
Employment opportunities subside	4	4	4	4	4	4	4	4	4	4
Pipeline										
Site sales volume underperforms past year	4	5	3	4	3	4	3	4	4	3
Timeframe for planning submissions approvals pushes out	4	5	3	4	4	5	3	5	5	3
Cost of construction annual growth trends higher than inflation	5	5	5	5	5	5	5	5	5	5
Weather delays construction and repairs draw trades away from new homes	5	5	4	5	5	4	4	4	5	4
Recent completions outweigh local buyer demand for new property	4	4	5	3	4	3	3	3	3	4
Mainstream Property Performance										
Property sales volume below last year	4	4	5	4	4	5	4	4	4	5
Number of days on market rise for properties listed for sale	3	3	4	3	3	3	4	3	3	4
Capital growth falls below past year performance	4	4	4	4	4	4	4	4	4	4
Vacancy trends higher than market equilibrium, impacting rental return	4	4	5	4	4	4	4	4	3	4
International Landscape										
Offshore developer investment lower for development sites	3	4	3	3	3	2	1	1	1	1
International buyers trend below last year	4	4	4	4	4	4	4	4	4	4
New rules impacting international buyers for Australian property	3	3	3	3	3	3	3	3	3	3

The likelihood of scenario happening *(cell colour)*	UNLIKELY				LIKELY				CERTAIN	
The potential impact on market *(number)*	1		2		3		4		5	
Overall risk score *(number's font colour)*	1	2	3	4	5	6	7	8	9	10
	LOW									HIGH

Source: Knight Frank Research

by 6.3% over the same time according to the UDIA. Following suit, CommSec found the average internal floor space for a standalone house condensed from 236 sqm in 2020, to 229 sqm in 2021. Yet, the average apartment floorspace expanded from 137 sqm, to 183 sqm, within this time.

Developers have shifted their focus to deliver larger apartments suited to owner-occupiers and longer term tenants, including families seeking low maintenance living, digital nomads working from home and 'rightsizers' - those downsizing to luxury apartments with house-like proportions.

Investors gaining market share

Although more owner-occupiers have been dominating the residential market in recent years, 2021 saw the split of investor loans grow by 75.1% (ABS). Over the same time, the share of international buyers purchasing new properties in Australia rose by 4.6%, rising 60 bps from a year ago (NAB).

Potential risks we'll be monitoring

Across Australia, the three most important potential risks we'll be watching over the coming year in the development space are concentrated around the pipeline and lending environment.

The first two risks go hand-in-hand—the ongoing escalation in construction costs impacting project delivery—as extended weather events further delay days on site, and extensive repairs to established homes draw tradespeople away from new builds.

Whilst the third hasn't been on the radar for several years, but it will be imperative to monitor the impact on rising mortgage lending rates.

SYDNEY

The shortage of well-located sites for development dictated Sydney's residential development narrative in recent years, but this quickly turned to the feasibility of project delivery given the escalating cost of construction throughout 2021.

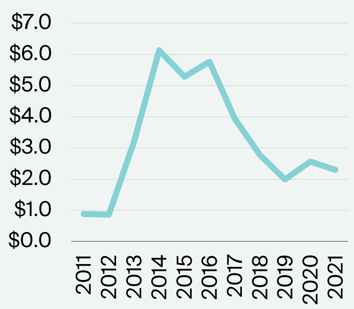
Site Sales Activity

The volume of Greater Sydney site sales suitable for residential development totalled $2.3 billion in 2021, trending down 10.1% on 2020 and was below the 10-year average of $3.2 billion.

Greater Sydney was the second largest market for residential site sales volume in 2021, where the average price was $25.9 million and the average site area was 20,166 sqm.

Greater Sydney residential site sales

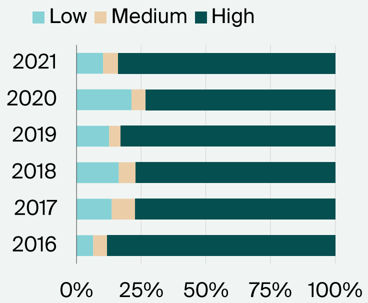
$ billion, total disclosed sales suitable for development



Source: Knight Frank Research

Residential site sales by potential density

% of total disclosed sales in Greater Sydney, by value



Source: Knight Frank Research

Site Acquisitions

Across Greater Sydney residential development site sales, individual site acquisitions made up the greatest portion with 67.9% in 2021, although fell from a 79.5% share a year ago. Collective sites made up the remainder of sales; 22.3% being vertical in nature, and 9.8% via a horizontal sale.

Site Purchasers

Local developers and investors purchased 93.4% of residential sites in the Greater Sydney in 2021. This was the highest portion recorded since 2011, as the share of international buyers fell from 19.6% in 2020, to 6.6% in 2021. Hong Kong SAR made up the greatest portion of international sales in 2021.

Build-to-Rent Development

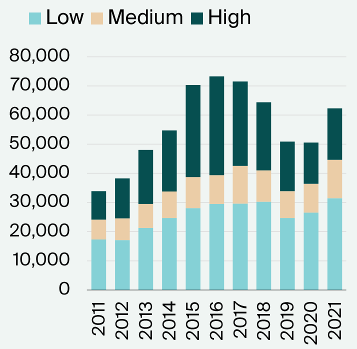
There are 1,702 apartments in build-to-rent (BTR) schemes under construction in Greater Sydney, due for completion by the end of 2024. Another 583 apartments have been approved for development, but yet to commence, whilst 805 are in the early planning stage. This included one site being purchased in 2021 earmarked for BTR.

Construction Costs

The average cost of construction continued to rise throughout Greater Sydney, with growth of 6.3% in 2021. This was ahead of the national average at 5.3%, and was the third strongest experienced growth across the country according to Rawlinsons.

Building approvals by density

Annual total dwellings in NSW



Source: Knight Frank Research, ABS

Market Feasibility

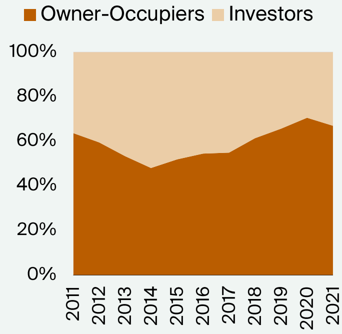
Greater Sydney's residential vacancy was down 80 bps at the end of 2021, at 2.9% (REIA). Over the course of 2021, 62,268 building approvals were recorded in New South Wales (NSW) being 23.2% higher than 2020 (ABS). Oxford Economics forecast NSW economic growth to reach 4.0% by the end of 2022.

Residential Buyer Profile

New household loan commitments in NSW rose by 47.6% in 2021. The split of investor loans grew from 29% to 33%, while owner-occupier loans fell from 71% to 67%. First home buyer activity increased 16% over this time, to comprise an 18% share of all new loans approved (ABS).

Distribution of loan commitments

Annual new households in NSW



Source: Knight Frank Research, ABS

International property buyers in NSW made up 3.0% of all new property sales in 2021. This was 80 bps lower than one year ago (NAB).

Low-Density Development

In 2021, 10.3% of sites purchased across Greater Sydney were suitable for low-density development, almost half the 21.3% share recorded the previous year.

A total of 9,025 new single allotments were released to homebuyers across Greater Sydney in 2021, up 9.0% on the year before. The median lot price was 13.8% higher in 2021, at $544,000. The median lot size was minimised from 371 sqm in 2020, to 362 sqm in 2021 (UDIA).

Top suburbs for number of major sites purchased for low-density development

Greater Sydney, 2016-2021

SALES	SUBURB
10	LEPPINGTON
7	MARSDEN PARK
5	ROUSE HILL

Source: Knight Frank Research

The number of low-density building approvals in NSW grew by 18.5% in 2021, with 31,415 single dwellings (ABS). The internal floor space of a new house in NSW averaged 223 sqm in mid-2021, smaller than 235 sqm built a year ago (CommSec). The median value for an established house in Greater Sydney grew by 6.0% in Q4 to stand at $1.6 million; recording annual growth of 33.1% in 2021 (APM).

Medium-Density Development

Of all sites purchased across Greater Sydney in 2021, 5.9% were suitable for medium-density development. This was comparable to the 5.3% share recorded the previous year.

Top suburbs for number of major sites purchased for medium-density development

Greater Sydney, 2016-2021

SALES	SUBURB
7	LINDFIELD
6	KELLYVILLE
5	BAULKHAM HILLS

Source: Knight Frank Research

Medium-density building approvals rose by 34.2% over the 2021 year in NSW to total 13,244 dwellings, although Q4 recorded a decline of 19.2% (ABS).

High-Density Development

Sites purchased for high-density across Greater Sydney increased from a share of 73.4% in 2020, to 83.8% in 2021.

Top suburbs for number of major sites purchased for high-density development

Greater Sydney, 2016-2021

SALES	SUBURB
15	PARRAMATTA
14	MACQUARIE PARK
13	CRONULLA

Source: Knight Frank Research

In 2021, NSW high-density building approvals were up 24.4% on the previous year, with 17,609 apartments. Although the last quarter of the year had started trending downwards, to record a fall of 42.6% (ABS).

A new apartment in NSW averaged 126 sqm internal floor space in mid-2021, larger than the 121 sqm average a year ago (CommSec).

The median value for an established apartment in Greater Sydney stood at $802,500, appreciating 8.4% over 2021, with 0.9% growth in the last quarter (APM).

Potential risks we'll be monitoring

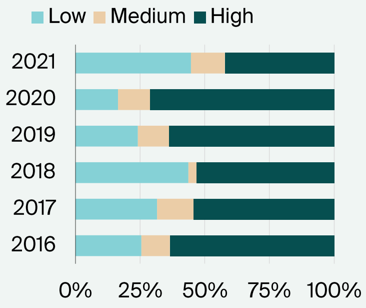
- How is population growth trending against the annual projection?
- Are people becoming less wealthy?
- Is developer finance getting harder to obtain?
- Are mortgage lending rates rising more rapidly than past year?
- Is lending to home buyers becoming stricter?
- Is the cost of construction trending higher than inflation?
- Is the weather delaying construction and are repairs drawing tradespeople away from building new homes?
- Have property sales slowed, impacting capital growth?

MELBOURNE

As the number of corporate residential tenants and international students tapered in Melbourne's inner suburbs throughout the pandemic, there was a distinct shift in developer strategy with more purchasing a greater share of low-density sites in 2021.

Residential site sales by potential density

% of total disclosed sales in Greater Melbourne, by value



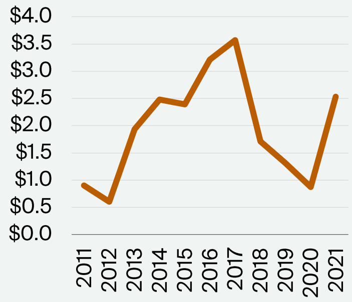
Source: Knight Frank Research

Site Sales Activity

Greater Melbourne site sales suitable for residential development totalled $2.5 billion in 2021, increasing by 190% on the year before and outstripping the 10-year average of $2.0 billion. This was heavily dominated by significant large parcels purchased on the outskirts of the city suited to future low-density allotments. In 2021, Greater Melbourne recorded the largest volume of residential site sales across Australia, where the average price was $29.1 million and the average site area was 83,354 sqm.

Greater Melbourne residential site sales

$ billion, total disclosed sales suitable for development



Source: Knight Frank Research

Site Acquisitions

Collective site transactions (17.1%) made up a larger portion of Greater Melbourne residential development site sales in 2021, compared to 10.1% in 2020. Vertical sites made up 12.8% of total sales, while 4.3% were horizontal sites. Standard individual site acquisitions made up the remainder 82.9%; the lowest share since 2016.

Site Purchasers

Local developers and investors purchased two-thirds of residential sites in Greater Melbourne in 2021, inversing the 2016 experience when two-thirds of developers buying sites were from overseas. Over the past year, Singaporeans made up 19.5% of all residential development site sales, followed by Malaysian (3.1%) and those from Chinese Mainland (2.6%).

Build-to-Rent Development

Greater Melbourne accommodates the deepest build-to-rent (BTR) market in Australia — making up 57.3% of Australia's BTR apartment pipeline. There are 2,895 apartments in BTR schemes under construction and due for completion by the end of 2024. Another 5,642 apartments have been approved for development, but yet to start siteworks, whilst another 1,376 are in the early planning stage. A total of 11 major development sites were purchased in 2021 earmarked for BTR, with an average site value of $24.6 million.

Construction Costs

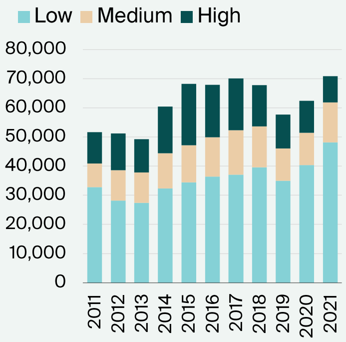
Construction costs rose 3.0% for Greater Melbourne in 2021. Although this is a moderate rise, it's currently trending below the Australian average growth of 5.3% and is the second lowest across the capital cities, behind Greater Darwin (Rawlinsons).

Residential Demand Drivers

Residential vacancy in Greater Melbourne rose 10 bps over 2021, to stand at 5.1% (REIA). Although still growing a modest 13.6% over this time compared to other capital cities, building approvals tallied at 70,885 (ABS) — both the vacancy and new building approvals are the highest across all capital cities in Australia. Victoria's economic growth recovery is forecast to be 5.2% by the end of 2022, according to Oxford Economics.

Building approvals by density

Annual total dwellings in Victoria



Source: Knight Frank Research, ABS

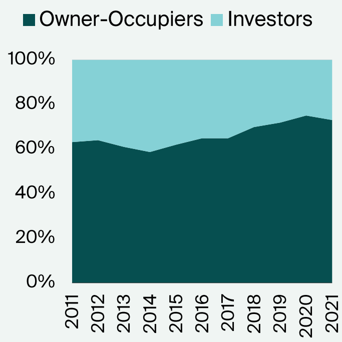
Residential Buyer Profile

In Victoria, new household loan commitments increased by 51.7% in 2021. The split of investor loans rose from 25% to 27%, while owner-occupier loans fell from 75% to 73%. First home buyer activity increased 21% over this time, to comprise a 24% share of all new loans approved (ABS).

Recording the highest distribution across Australia, international buyers

Distribution of loan commitments

Annual new households in Victoria



Source: Knight Frank Research, ABS

made up 7.1% of all new property sales in Victoria in 2021. This was 360 bps above one year ago (NAB).

Low-Density Development

The share of sites purchased across Greater Melbourne suitable for low-density development was 44.7% in 2021, almost three times the allocation compared to 2020 (16.5%).

Top suburbs for number of major sites purchased for low-density development

Greater Melbourne, 2016-2021

SALES	SUBURB
12	TARNEIT
5	CRAIGIEBURN
5	DONNYBROOK

Source: Knight Frank Research

There were 32,016 new single allotments released to homebuyers across Greater Melbourne in 2021, up 84% over the last year. The median lot price rose by 2.7% in 2021, to $327,475. The median lot size was larger in 2021 at 390 sqm, compared to 371 sqm in 2020 (UDIA).

Low-density building approvals in Victoria rose by 19.4% in 2021, to 48,121 single dwellings. A new house in Victoria averaged 239 sqm internal floor space in mid-2021, smaller than 250 sqm built the previous year (CommSec). The median value for a Greater Melbourne established house stood at $1.1 million, up by 18.6% over 2021, with 5.8% growth in Q4 (APM).

Medium-Density Development

Across Greater Melbourne, of all sites purchased in 2021, 13.1% were suitable for medium-density development. This was consistent with the 12.3% share recorded the previous year. Medium-density building approvals in Victoria increased by 23.8% across 2021, to total 13,783 dwellings. Although in the last quarter growth, this fell by 2.2% (ABS).

Top suburbs for number of major sites purchased for medium-density development

Greater Melbourne, 2016-2021

SALES	SUBURB
3	CARRUM DOWNS
3	NORTHCOTE
3	FLEMINGTON

Source: Knight Frank Research

High-Density Development

Sites purchased for high-density fell from a share of 71.1% in 2020, to 42.2% in 2021, in Greater Melbourne.

Top suburbs for number of major sites purchased for high-density development

Greater Melbourne, 2016-2021

SALES	SUBURB
32	MELBOURNE
24	BOX HILL
19	SOUTH MELBOURNE

Source: Knight Frank Research

In Victoria, high-density building approvals in 2021 dropped 18.1% on the previous year to record 8,981 apartments. The last quarter of 2021 trended upwards by 5.4% (ABS). A new apartment in Victoria averaged 157 sqm of internal floor space in mid-2021, larger than 155 sqm built one year ago (CommSec). The median value for an established apartment stood at $593,500 in Greater Melbourne, up by 6.0% in 2021, with 3.8% growth in the last quarter (APM).

Potential risks we'll be monitoring

- How is population growth trending against the annual projection?
- Are people becoming less wealthy?
- Are mortgage lending rates rising more rapidly than past year?
- Is lending to home buyers becoming stricter?
- Is the cost of construction trending higher than inflation?
- Have property sales slowed?

BRISBANE

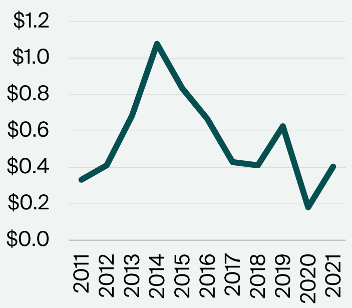
Brisbane remains the most affordable capital city on the east coast of Australia. As a result, investors returned to this market in 2021 encouraged by the low rental vacancy.

Site Sales Activity

Site sales suitable for residential development in Greater Brisbane totalled $404.5 million in 2021, more than double (122.8%) on the year before. Although still remains below the 10-year average of $551.2 million.

Greater Brisbane residential site sales

$ billion, total disclosed sales suitable for development

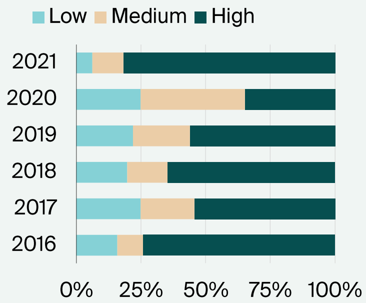


Source: Knight Frank Research

Greater Brisbane was the third largest market for residential site sales volume in 2021, where the average price was $14.4 million and the average site area was 7,702 sqm.

Residential site sales by potential density

% of total disclosed sales in Greater Brisbane, by value



Source: Knight Frank Research

Site Acquisitions

Across the Greater Brisbane residential development site sales, individual site acquisitions made up the greatest portion with 69.3% in 2021, although falling from a 87.2% share a year ago. Collective sales made up the remainder; 16.3% being horizontal sites and 14.4% via a vertical site.

Site Purchasers

Local developers and investors purchased 85.1% of residential sites in Greater Brisbane in 2021, whilst a decreasing share of international buyers was recorded at 14.9%, down from 17.6% in 2020. The international buyers came from a location outside the major countries and territories of China Mainland, Hong Kong SAR, Malaysia and Singapore.

Build-to-Rent Development

There is increasing appetite amongst major residential developers for sites in Greater Brisbane suitable to accommodate the emerging build-to-rent (BTR) model in Australia. This includes the motive to hold onto the entire building on completion in return for a future income stream, or sell to an institutional owner for this intended purpose.

Many developers are watching the delivery of 834 apartments in Greater Brisbane recently completed, or under construction and due in the market by the end of 2024. There is another 2,500 apartments with development approval earmarked for future BTR projects. Across Australia, Greater Brisbane now comprises 19% of the BTR pipeline. There was one additional Greater Brisbane development site sale announced in 2021 as being purchased with the intention for a BTR project.

Market Feasibility

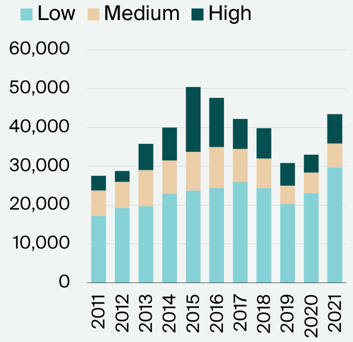
Greater Brisbane's residential vacancy dropped 50 bps to 1.4% (REIA); as Queensland's building approvals rose 31.6% to 43,440 in 2021 (ABS). According to Oxford Economics, Queensland's economic growth is forecast to grow by 5.6% in 2022.

Construction Costs

Greater Brisbane construction costs

Building approvals by density

Annual total dwellings in Queensland



Source: Knight Frank Research, ABS

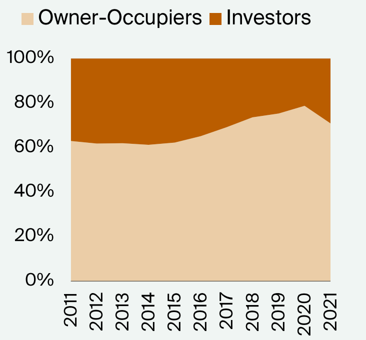
rose 5.0% in 2021. Although this is a significant rise, it's currently trending below the Australian average growth rate of 5.3% according to Rawlinsons.

Residential Buyer Profile

In Queensland, new household loan commitments grew by 58.3% in 2021. The split of investor loans grew from 21% to 29%, while owner-occupier loans fell from 79% to 71%. First home buyer activity increased 21% over 2021, to comprise a 20% share of all new loans approved (ABS).

Distribution of loan commitments

Annual new households in Queensland



Source: Knight Frank Research, ABS

International property buyers in Queensland made up 6.0% of all new property sales in 2021, this was 40 bps lower than a year ago (NAB).

Low-Density Development

A lower share of sites purchased in 2021 were suitable for low-density development across Greater Brisbane, falling from 24.9% to 6.2% throughout the year.

Top suburbs for number of major sites purchased for low-density development

Greater Brisbane, 2016-2021

SALES	SUBURB
4	ROCHEDALE
4	BRIDGEMAN DOWNS
3	LOGAN RESERVE

Source: Knight Frank Research

A total of 16,371 new single allotments were released to homebuyers across South East Queensland in 2021, slightly lower on the year before. The median lot price rose 5.0% in 2021, to $272,000, while the median lot size compressed from 415 sqm in 2020, to 401 sqm in 2021 (UDIA).

The number of low-density building approvals in Queensland rose 28.7% in 2021, to 29,692 (ABS). The internal floor space of a new house in Queensland averaged 232 sqm in mid-2021, larger than the average 226 sqm built a year earlier. The median value for an established house in Greater Brisbane stood at $792,000, up by 25.7% in 2021; with 10.7% growth in Q4 alone (APM).

Medium-Density Development

In 2021, 12.1% of sites purchased across Greater Brisbane were suitable for medium-density development, down from 40.3% in 2020. Queensland medium-density building approvals increased by 15.5% in 2021, to total 6,171 dwellings; although falling in Q4 2021 by 47.5% (ABS).

Top suburbs for number of major sites purchased for medium-density development

Greater Brisbane, 2016-2021

SALES	SUBURB
5	ROCHEDALE
4	BULIMBA
4	KENMORE

Source: Knight Frank Research

High-Density Development

Greater Brisbane sites purchased for high-density in 2021, at 81.7%, more than doubled the share of total sales in 2020 (at 34.8%).

Top suburbs for number of major sites purchased for high-density development

Greater Brisbane, 2016-2021

SALES	SUBURB
13	FORTITUDE VALLEY
12	NEW FARM
9	TOOWONG

Source: Knight Frank Research

High-density building approvals in Queensland also grew over this time by 64.3%, to total 7,577 apartments in 2021. The last quarter of 2021 also strengthened, at 6.6% (ABS) . In mid-2021, a new apartment averaged 141 sqm of internal floor space in Queensland, larger than the average 138 sqm one year ago (CommSec).

The median value for an established apartment in Greater Brisbane stood at $416,000, up by 3.5% over 2021; although fell by 2.0% in Q4 2021 (APM).

Potential risks we'll be monitoring

- Is developer finance getting harder to obtain?
- Are the costs of construction trending higher than inflation?
- Is the weather delaying construction and are repairs drawing tradespeople away from building new homes?
- Is home buyer lending becoming stricter?
- Are mortgage lending rates rising more rapidly than past year?

GOLD COAST

Throughout the pandemic, the Gold Coast has become an increasingly popular home for digital nomads, families and retirees alike.

Site Sales Activity

Site sales suitable for residential development in the Gold Coast LGA totalled $475.5 million in 2021, close to double both the year before, and the 10-year average of $235.8 million.

Site Acquisitions

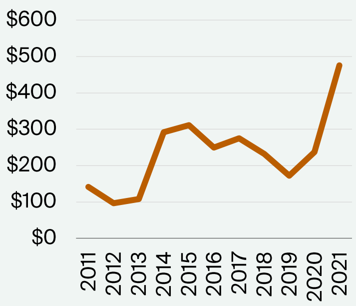
Collective site acquisitions made up the greatest portion of Gold Coast LGA residential development site sales in 2021; 54.0% being vertical sites, and 4.5% were horizontal. Standard individual site acquisitions made up the remainder, with 41.5%, falling from a 65.1% majority share in 2020.

Site Purchasers

Local developers and investors purchased 91.6% of residential sites in the Gold Coast LGA in 2021, whilst an increasing share of international buyers was recorded at 8.4%, given no major sales were recorded in 2020. All international buyers for sites in 2021 came from China Mainland.

Gold Coast LGA residential site sales

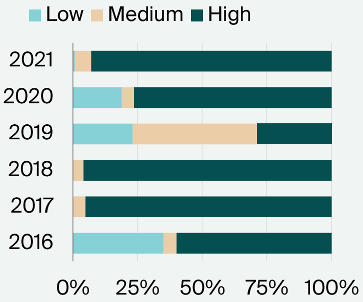
$ million, total disclosed sales suitable for development



Source: Knight Frank Research

Residential site sales by potential density

% of total disclosed sales in Gold Coast LGA, by value



Source: Knight Frank Research

Build-to-Rent Development

There has only been one major project announced in the Gold Coast LGA pipeline as a dedicated build-to-rent project, due for completion in 2022. There were no major sites recorded in 2021, for BTR schemes.

Market Feasibility

Gold Coast LGA's residential vacancy fell 30 bps to 0.6% in 2021 (REIA). Whilst Queensland's economic growth is forecast to grow 4.0% by the end of 2022, according to Oxford Economics.

Low-Density Development

Only 1% of major sites purchased in 2021 were suitable for low-density development in the Gold Coast LGA. This was a considerable fall from an 18.9% share recorded the previous year.

The median value for an established house on the Gold Coast stood at $792,000, up by 25.2% in 2021, with 7.0% growth in Q4 alone (APM).

Medium-Density Development

In 2021, 6.3% of sites purchased across the Gold Coast LGA were suitable for medium-density development; growing from a 4.7% share in 2020.

Top suburbs for number of major sites purchased for medium-density development

Gold Coast LGA, 2016-2021

SALES	SUBURB
3	COOMERA
3	HOPE ISLAND

Source: Knight Frank Research

High-Density Development

Gold Coast LGA sites purchased for high-density development returned to a similar distribution witnessed from 2017 to 2018. The portion of high-density site sales rose from 76.3% in 2020, to 92.9% in 2021.

Top suburbs for number of major sites purchased for high-density development

Gold Coast LGA, 2016-2021

SALES	SUBURB
26	SURFERS PARADISE
11	MERMAID BEACH
11	BROADBEACH

Source: Knight Frank Research

The median value for an established apartment in on the Gold Coast LGA stood at $500,000, up 11.6% over 2021, but remained steady in Q4 (APM).

Potential risks we'll be monitoring

- Are the costs of construction trending higher than inflation?
- Is the weather delaying construction and are repairs drawing tradespeople away from building new homes?
- Is developer finance getting harder to obtain?
- Is home buyer lending stricter?
- Are mortgage lending rates rising more rapidly than past year?

PERTH

While the Western Australia (WA) border remained closed in 2021, there was a hype of activity in the local residential market.

Site Sales Activity

The volume of Greater Perth site sales suitable for residential development increased to $152.7 million in 2021, up 11.9% on the previous year.

Build-to-Rent Development

There are 80 build-to-rent (BTR) apartments in Greater Perth under construction, with another 175 apartments with DA approval and a 2021 site sale at early planning stage with the potential for a BTR project.

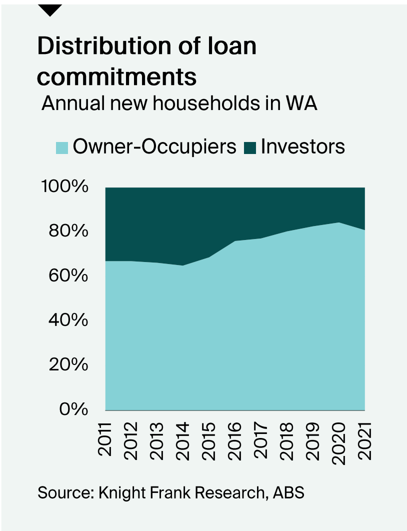
Market Feasibility

Residential vacancy in Greater Perth was 0.7% at the end of 2021, 10 bps lower than one year ago (REIA). Over this time, there was a 37.6% rise in building approvals on the year before, with a total of 25,429 dwellings (ABS). According to Oxford Economics, WA's annual economic growth is forecast to slow to 0.7% by the end of 2022. All while Greater Perth's construction costs saw a rise of 6.0% over the course of 2021—the 4th highest growth in Australia, by capital city (Rawlinsons).

Residential Buyer Profile

New household loan commitments in WA rose by 56.3% in 2021. The split of investor loans grew from 16% to 19%, while the share of owner-occupier loans reduced from 84%, to 81%. First home buyer activity increased 29% over this time, to comprise a 29% share of all new loans approved (ABS).

International property buyers in WA made up 3.8% of all new property sales in 2021, this was 10 bps above one year ago (NAB).

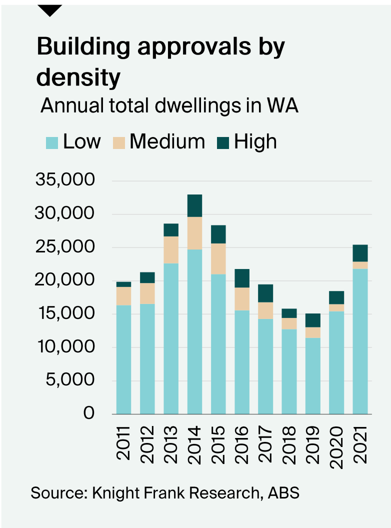


Low-Density Development

A 32.4% share of total major sites were purchased suitable for low-density development in Greater Perth, higher than the 17.1% share a year ago.

There were 9,297 new single allotments released to home buyers across Greater Perth (including Peel) in 2021, falling 14.5% on 2020. The median lot price rose slightly at 0.1% to $215,200 over this time, although the median lot size remained the same, at 375 sqm (UDIA).

The number of low-density building approvals in WA rose by 41.5% in 2021 to 21,833 houses (ABS). The internal floor space of a new house in WA averaged 230 sqm in mid-2021, smaller than the 233 sqm built a year earlier (CommSec). The median value for an established house in Greater Perth stood at $612,500, growing by 7.5% over 2021, with 1.8% growth being in Q4 2021 (APM).



Medium-Density Development

There were no major sites purchased in 2021 suitable for medium-density development across Greater Perth.

Medium-density building approvals in WA were up slightly by 0.8% in 2021, to total 1,078 dwellings (ABS).

High-Density Development

Across Greater Perth, the largest portion of major sites purchased in 2021 were for high-density development at 67.6%. This was down from a 82.9% share in 2020.

In 2021, high-density building approvals in WA increased by 26.9% on the previous year, to 2,518 apartments (ABS). A new apartment in WA averaged 141 sqm of internal floor space in mid-2021, compressing in size from 151 sqm built a year ago (CommSec). The median value for an established apartment in Greater Perth stood at $380,500 at the end of 2021, up by 8.6% over the year and 2.0% in the fourth quarter (ABS).

Potential risks we'll be monitoring

- Is the cost of construction trending higher than inflation?
- Have property sales slowed, impacting capital growth?
- Is buyer lending becoming stricter?
- How far are planning timeframes being pushed out?

ADELAIDE

The increasing attraction to smaller cities throughout the pandemic continues to be experienced in Greater Adelaide.

Site Sales Activity

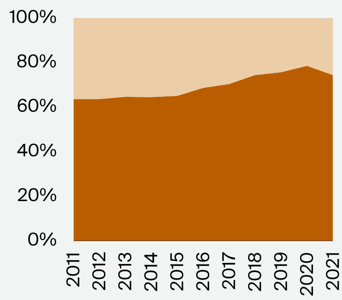
Site sales suitable for residential development totalled $45.5 million in Greater Adelaide in 2021, increasing 46.8% on the previous year.

Build-to-Rent Development

There are no major built-to-rent schemes currently slated for Greater Adelaide.

Market Feasibility

Total residential vacancy in Greater Adelaide was 0.5% at the end of 2021, down 30 bps from one year ago (REIA). As a result, 2021 saw a total of 14,745 building approvals recorded in South Australia (SA), 28.8% more than 2020 (ABS). The economy in SA is forecast to grow 2.5% by the end of 2022 according to Oxford Economics. Although construction costs in Greater Adelaide grew 4.0% in 2021, this was trending below the Australian average of 5.3% according to Rawlinsons.



Source: Knight Frank Research, ABS

Residential Buyer Profile

In SA, new household loan commitments were up by 40.6% in 2021. The split of investor loans grew from 21% to 26%, while owner-occupier loans fell from 79% to 74%. First home buyer activity increased 26% over this time, to comprise an 18% share of all new loans approved (ABS).

Low-Density Development

There were no major sites purchased for low-density in Greater Adelaide in 2021, similarly recorded in 2020.

There were 5,628 new single allotments released for home buyers across Greater Adelaide in 2021, rising 65.5% over the year. The median lot price increased 2.1% in 2021, to $187,250. The median lot reduced in size from 459 sqm in 2020, to 450 sqm in 2021 (UDIA).

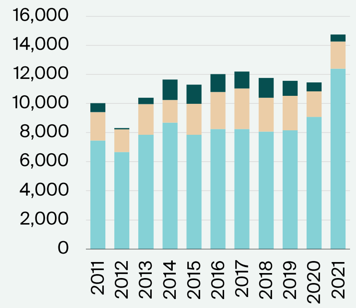
Low-density building approvals in SA in 2021 were up by 36.7% to 12,402 single dwellings, although fell by 13.1% in Q4 (ABS).

A new house in SA averaged 202 sqm of internal floor space in mid-2021, smaller than 205 sqm built in the previous year (CommSec). The median value for a Greater Adelaide established house stood at $731,500, up by 27.4% over 2021, with 8.5% growth in the fourth quarter alone (APM).

Medium-Density Development

Similar to the year before, there were no major sites purchased suitable for medium-density development in 2021 across Greater Adelaide.

Medium-density building approvals in SA increased by 5.0% in 2021 to total 1,859 dwellings, with 7.9% growth in Q4 2021 (ABS).



Source: Knight Frank Research, ABS

High-Density Development

All major residential sites purchased in 2021 were suitable for high-density development in Greater Adelaide, remaining consistent to past years.

High-density building approvals in SA dropped by 20.3% in 2021 compared to the previous year, to record 484 apartments. The last quarter of 2021 was trending up, rising by 24.8% (ABS). A new apartment in SA averaged 149 sqm of internal floor space in mid-2021, slightly smaller than the average built a year ago at 150 sqm (CommSec).

The median value for an established apartment stood at $380,500 in Greater Adelaide, increasing by 11.6% over 2021, with 4.5% growth in Q4 2020 (APM).

Potential risks we'll be monitoring

- Is the cost of construction trending higher than inflation?
- Is buyer lending becoming stricter?
- How far are planning timeframes being pushed out?
- Is the weather delaying construction and are repairs drawing tradespeople away from building new homes?

HOBART

Greater Hobart recorded the strongest residential price growth across Australian capital cities in 2021.

Site Sales Activity

Across 2021, a total of $7.0 million worth of major site sales were recorded in Greater Hobart suitable for residential development.

Build-to-Rent Development

No major built-to-rent schemes are currently scheduled for Greater Hobart.

Market Feasibility

Greater Hobart's total residential vacancy was 0.9% at the end of 2021, falling 110 bps over the year (REIA). Over this time, a total of 3,877 building approvals were recorded in Tasmania, 11.9% higher than in 2020 (ABS). Tasmania's economic growth is forecast to grow by 0.5% by the end of 2022, according to Oxford Economics. Greater Hobart saw construction costs climb by 7.0% in 2021—the second highest city in Australia (Rawlinsons).

Residential Buyer Profile

New household loan commitments in Tasmania rose by 28.2% in 2021. The split of investor loans grew from 22% to 28%, while owner-occupier loans fell from 78% to 72%. First home buyer activity increased 4% over this time, to comprise a 18% share of all new loans approved (ABS).

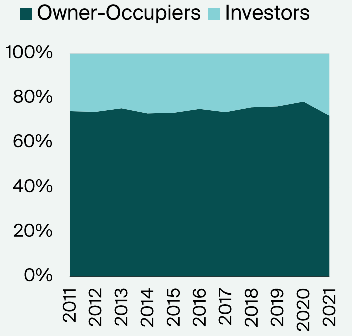
Low-Density Development

Over 2021, there were no major site sales recorded in Greater Hobart for low-density residential development, reflecting a similar result in 2020.

The number of low-density building approvals in Tasmania picked up by 4.6% in 2021, to 3,513 single dwellings, although falling by 7.6% in Q4 (ABS).

Distribution of loan commitments

Annual new households in Tasmania



Source: Knight Frank Research, ABS

The internal floor space of a new house in Tasmania averaged 177 sqm in mid-2021, smaller in size to those built one year ago at 179 sqm (CommSec).

The median value for an established house stood at $752,000 in Greater Hobart, up by 34.6% over 2021, with growth of 8.7% in Q4 alone (APM).

Medium-Density Development

Following a similar experience to a year ago, there were no major site sales recorded in Greater Hobart suitable for medium-density residential development in 2021.

Building approvals by density

Annual total dwellings in Tasmania

Source: Knight Frank Research, ABS

Across Tasmania, medium-density building approvals increased by 93.5% in the 2021 year, to total 209 dwellings. In the fourth quarter of 2021, building approvals were up by 260% (ABS).

High-Density Development

Greater Hobart recorded $7.0 million worth of major site sales suitable for high-density residential development in 2021, increasing from no major sales recorded a year earlier.

There were 155 high-density apartments in Tasmania which gained building approval in 2021 (ABS). A new apartment in Tasmania averaged 91 sqm of internal floor space in mid-2021, considerably smaller than an average of 133 sqm built a year ago (CommSec).

The median value for an established apartment in Greater Hobart stood at $561,500, up by 27.0% over 2021, with steady growth recorded in the last quarter of 2021 (ABS).

Potential risks we'll be monitoring

- Are mortgage lending rates rising more rapidly than past year?
- Are people becoming less wealthy?
- Are the costs of construction trending higher than inflation?
- Is developer finance getting harder to obtain?
- Is home buyer lending becoming stricter?
- How far are planning submission approvals timeframes being pushed out?
- Have property sales slowed, impacting capital growth?
- Are properties taking longer to sell?

CANBERRA

Canberra has placed in the top 3 best performing Australian capital cities for residential price performance in every quarter of 2021.

Site Sales Activity

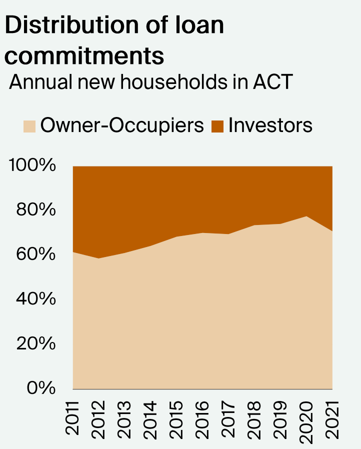
Canberra site sales suitable for residential development totalled $14.0 million in 2021, falling 41.7% from 2020.

Build-to-Rent Development

There are 1,122 apartments in build-to-rent (BTR) schemes at early planning stages in Canberra, due for completion by the end of 2024. There were no sites sold for BTR projects in 2021.

Market Feasibility

Canberra's residential vacancy was 0.9% at the end of 2021, falling 10 bps from one year earlier (REIA). Over this time, a total of 5,629 building approvals were recorded in the Australian Capital Territory (ACT), up by 13.4% from a year ago (ABS). Economic growth in the ACT is forecast by Oxford Economics to grow 2.4% by the end of 2022. Canberra's construction costs rose 9.0% in 2021, the highest in the country, according to Rawlinsons.



Source: Knight Frank Research, ABS

Residential Buyer Profile

New household loan commitments in the ACT grew by 40.5% in 2021. The split of investor loans grew from 22% to 29%, while owner-occupier loans fell from 78% to 71%. First home buyer activity increased 15% over this time, to comprise a 23% share of all new loans approved (ABS).

Low-Density Development

Similar to 2020, there were no major site sales recorded in Canberra suitable for low-density residential development.

There were 1,828 new single allotments released across Canberra in 2021, down by 26.6% on the year before. As a result, the median lot price in Canberra rose by 8.6% to $453,000 in 2021. While the median lot size decreased from 501 sqm in 2020, to 493 sqm in 2021 (UDIA).

Low-density building approvals in the ACT rose by 38.0% in 2021, to 1,737 single dwellings (ABS).

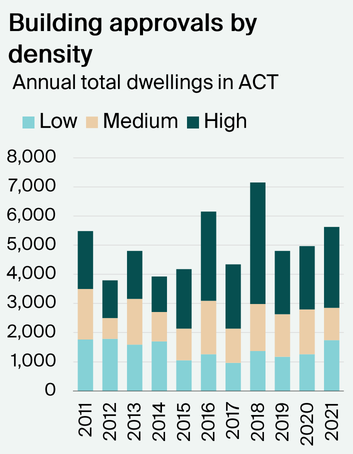
The internal floor space of a new house in the ACT averaged 259 sqm in mid-2021, larger than 256 sqm built a year earlier (CommSec).

The median value for an established house in Canberra stood at $1.18 million, up 36.6% over 2021, with growth of 11.3% in Q4 alone (APM).

Medium-Density Development

There were no major site sales in Canberra suitable for medium-density residential development in 2021, reflecting the year before.

Medium-density building approvals decreased by 27.2% in 2021 to total 1,115 dwellings in the ACT (ABS).



Source: Knight Frank Research, ABS

High-Density Development

All major site sales in Canberra were considered suitable for high-density in 2021; a similar result to 2020.

In 2021, high-density building approvals in the ACT increased by 27.9% on the previous year, to 2,777 apartments. The last quarter of 2021, continued trending up, by 57.8% (ABS).

A new apartment in the ACT averaged 133 sqm of internal floor space in mid-2021, significantly smaller than 143 sqm built a year ago (CommSec). The median value for an established apartment in Canberra stood at $555,500 at the end of 2021, rising 9.7% over the year, although losing strength with a fall of 1.6% in the last quarter (APM).

Potential risks we'll be monitoring

- Are mortgage lending rates rising more rapidly than past year?
- Are the costs of construction trending higher than inflation?
- Is developer finance getting harder to obtain?
- Is buyer lending becoming stricter?
- Is severe weather delaying construction more than normal?

DARWIN

Although Greater Darwin rental vacancy remained low in 2021, there has been very little developer activity to boost the housing pipeline.

Site Sales Activity

There were no major residential development site sales recorded in Greater Darwin in 2021.

Build-to-Rent Development

There are currently no major built-to-rent schemes slated for Greater Darwin.

Market Feasibility

Greater Darwin's total residential vacancy was 2.7% at the end of 2021, trending up 140 bps from one year ago (REIA), whilst a 6.5% fall in building approvals was recorded for the Northern Territory (NT) over this time, to 629 dwellings (ABS). Economic growth in NT is forecast to grow 5.7% by the end of 2022, according to Oxford Economics. Greater Darwin's construction costs rose by 1.0% between 2020 and 2021—the smallest rise across the country (Rawlinsons).

Residential Buyer Profile

New household loan commitments in the NT grew by 66% in 2021. The spilt of investor loans grew from 14% to 21%, while owner-occupier loans fell from 86% to 79%. First home buyer activity increased 12% over this time, to comprise a 18% share of all new loans approved (ABS).

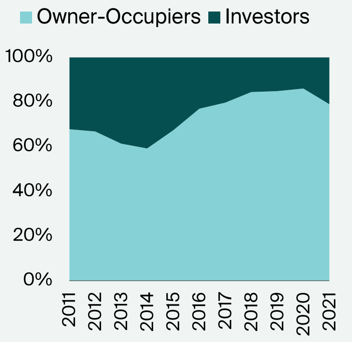
Low-Density Development

There were no major site sales recorded in Greater Darwin suitable for low-density residential development in 2021, similar to the year before.

The number of low-density building approvals in the NT rose by 13.7% in 2021, to total 574 single dwellings, although down 7.8% in Q4 (ABS). The internal floor space of a new house in the NT averaged 200 sqm in mid-2021, larger than the average 190 sqm built one year ago (CommSec).

Distribution of loan commitments

Annual new households in NT



Source: Knight Frank Research, ABS

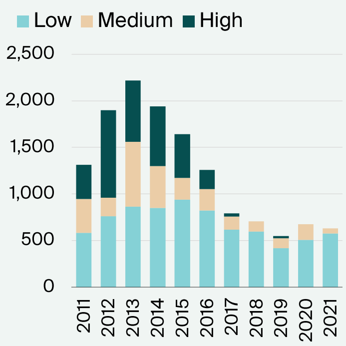
The median value for an established house stood at $645,500 in Greater Darwin, increasing by 30.1% in 2021, although remained steady in the last quarter of the year (APM).

Medium-Density Development

Greater Darwin hasn't recorded any major site sales suitable for medium-density residential development for the past three years.

Building approvals by density

Annual total dwellings in NT



Source: Knight Frank Research, ABS

Medium-density building approvals in the Northern Territory fell by 67.3% in 2021 with a total of 55 dwellings (ABS).

High-Density Development

Over the past year, there have not been any major site sales recorded in Greater Darwin suitable for high-density residential development.

There were also no high-density projects gaining building approvals in the NT, in 2021 (ABS). A new apartment in the NT averaged 142 sqm of internal floor space in mid-2021, smaller than the average 145 sqm built a year ago (CommSec).

The median value for an established apartment in Greater Darwin stood at $326,000 at the end of 2021, increasing 11.1% over the year, and 1.7% in the last quarter (APM).

Potential risks we'll be monitoring

- Are mortgage lending rates rising more rapidly than past year?
- Have property sales slowed, impacting capital growth?
- Is developer finance hard to obtain?
- Is the cost of construction trending higher than inflation?
- Is lending to home buyers becoming stricter?
- How is population growth trending against the annual projection?
- Are people becoming less wealthy?
- Is severe weather events delaying construction?
- Does mining activity draw trades people away from building new homes, maintenance and repairs?
- Are the number of days on market rising for properties listed for sale?

DATA DIGEST

Major sites for all states & territories $2m+, except New South Wales & Victoria $5m+.

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.

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. This does not include blocks of flats or boarding houses purchased as income-producing investment; 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.

Currency reference to dollars or $ refers to Australian dollars (AUD), unless stated.

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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