

## FOREIGN PURCHASERS FUELLING HIGHER DENSITY DEVELOPMENT SITE SALES ACROSS MAJOR CITIES

As state governments have encouraged higher density living by rezoning key sites around infrastructure hubs, opportunities for developers have been ample over recent years. With the lowered AUD, more foreign developers are now taking this opportunity to enter the Australian market.

### September 2015

Major Australian capital cities higher density residential development site sales tallied **\$7.30 billion** in the year ending 31 August 2015.

Over the past year, residential development site sales suitable for higher density was collectively down **5.7%** in major capital cities.

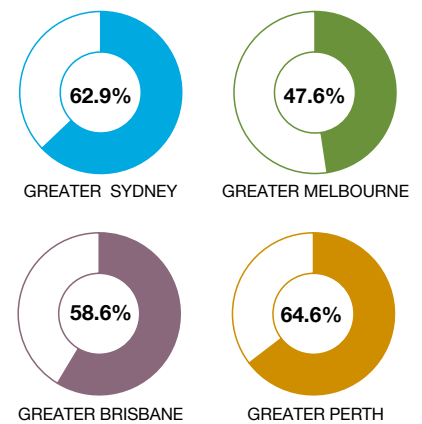
Foreign buyers purchased, by value, between **47.6% to 64.6%** of development sites in major capital cities.

Currently there are **80,135 apartments under construction** in major capital cities—led by Greater Sydney & Greater Melbourne.

Sales of major sites likely for higher density residential development in the four major capital cities of Australia totalled \$7.30 billion in the year ending August 2015; this was collectively down 5.7% on the previous year's volume. Greater Sydney is still experiencing upward growth in sales volume, although the prior steep upward trajectory achieved in the year to 31 August 2014 is flattening out. A total \$4.61 billion sales were recorded over the year to August 2015, when almost 63%, by value, was sold to foreign purchasers.

Across Greater Sydney, development sites sales with potential for higher density ranged from \$60,000 to \$400,000 per apartment (excluding the CBD) while the range extended out significantly in the CBD to \$350,000 to \$1,000,000 per apartment. Site sales volumes have fallen over the course of the past year for the remaining major capital cities after strong results over the two years to August 2014. Sales volume in Greater Melbourne

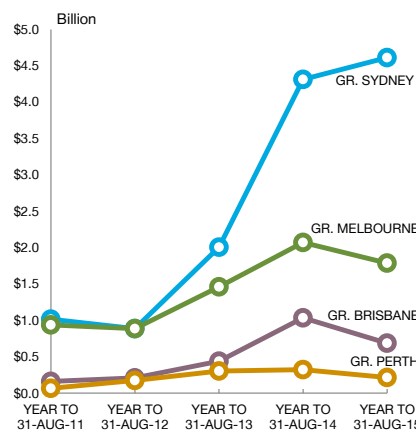
FIGURE 2  
Portion Of Foreign Purchasers  
Potential Higher Density Development Sites, Year to 31 August 2015



Source: Knight Frank Research

totalled \$1.79 billion in the year to August 2015. Site sales averaged \$35,000 to \$200,000 per apartment, excluding the CBD; where 47.6% of these sales, by value, were sold to foreign purchasers. The volume of site sales in Greater Brisbane (at \$685.85 million) and Greater Perth (at \$213.36 million) saw foreign investment, by value, at 58.6% and 64.6%, respectively. Both cities have a similar sales rate range when excluding

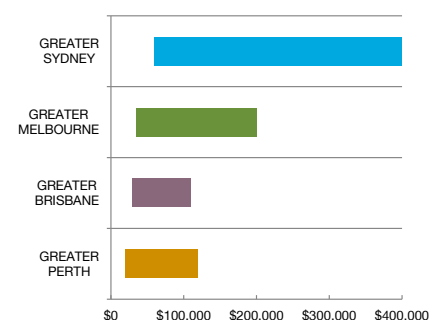
FIGURE 1  
Total Residential Site Sales Volume  
Potential Higher Density Development Sites



Sales >\$2M for GR. Brisbane & GR. Perth and >\$5M for GR. Sydney & GR. Melbourne

Source: Knight Frank Research

FIGURE 3  
Average Sales Rate Per Apartment  
Potential Higher Density Development Sites, Excluding the CBD



Source: Knight Frank Research



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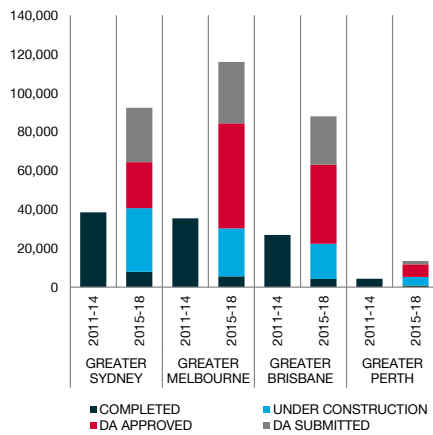
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the CBD; starting from \$30,000 to \$110,000 per apartment for Greater Brisbane, while Greater Perth ranges slightly wider from \$20,000 to \$120,000 per apartment.

Since January 2011, 123,815 new apartments have been added to the major capital cities residential stock, led by Greater Sydney (46,490) and Greater Melbourne (41,045). In total across the major cities, there are currently 80,135 apartments under construction, with another 125,060 with DA approval which have the potential to be on-line by the end of 2018. Apartment numbers could grow further when approval is granted for the

FIGURE 4  
**New Apartment Pipeline**  
Number of Apartments

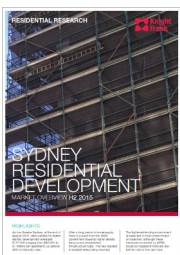


Includes projects 4+storeys with 25+ apartments in complex

Source: Knight Frank Research

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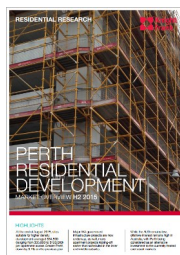
Sydney Residential Development  
H2 2015



Melbourne Residential Development  
H2 2015



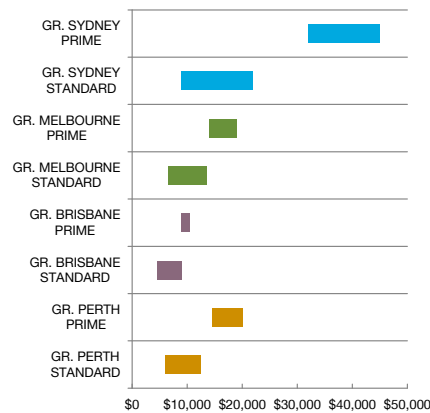
Brisbane Residential Development  
H2 2015



Perth Residential Development  
H2 2015

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FIGURE 5  
**New Apartment Price Range**  
Average rate per m<sup>2</sup>



Source: Knight Frank Research

additional 86,430 apartments currently submitted in these cities. As determined by pre-sales, the market dictates when new apartment projects get underway, so for most local developers, there is a strong chance that these projects may be pushed beyond this timeframe.

Prices for new apartments can vary considerably, with the most disparity seen in Greater Sydney with a range from \$9,000 to \$22,000/m<sup>2</sup> for a standard finish up to \$32,000 to \$45,000/m<sup>2</sup> for prime. A standard finish apartment in Greater Melbourne will range from \$6,500 to \$13,500/m<sup>2</sup>, while Greater Brisbane and Greater Perth will be closer to \$4,500/m<sup>2</sup> - \$9,000/m<sup>2</sup> and \$6,000/m<sup>2</sup> - \$12,500/m<sup>2</sup>, respectively.

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