

A review of key drivers for high-density apartment projects across the Gold Coast



Gold Coast Apartment Projects Review

2021

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GOLD COAST APARTMENT PROJECTS

Shifting towards more owner-occupiers buying Gold Coast apartments, development activity has continued in recent years. How has this market performed in 2020 and what's the outlook ahead?

Development sites

As the coronavirus pandemic highlighted the importance of home, the Gold Coast and surrounding regions became the epitome of lifestyle in Australia — to live and holiday for homeowners, for investors and developers.

Major high-density **sites purchased** by developers on the Gold Coast totalled \$167.8 million in 2020 (above \$2m). By value, this was 238% higher than the year before and was influenced by site sales along the Light Rail Spine (up 253%), although the wider Gold Coast Suburban area also saw growth of 221%.

High-density sites made up three-quarters of the total volume of development sites purchased in 2020, increasing from 29% in 2019. The largest volume of high-density sites purchased in 2020 were recorded in the Gold Coast suburbs of Burleigh Heads, The Spit and Palm Beach. There were no announcements of major sites purchased with the intention of building a high-density build-to-rent product in this time.

High-density development **site values** also soared. At the end of 2020, site values in suburbs along the Light Rail

Spine rose 17.3% to an indicative of \$152,500/per apartment (ranging from \$90,000 to \$200,000/per apartment). Site values in the wider Gold Coast Suburban area achieved 11.8% growth to be \$47,500/per apartment (ranging between \$25,000 and \$60,000/per apartment).

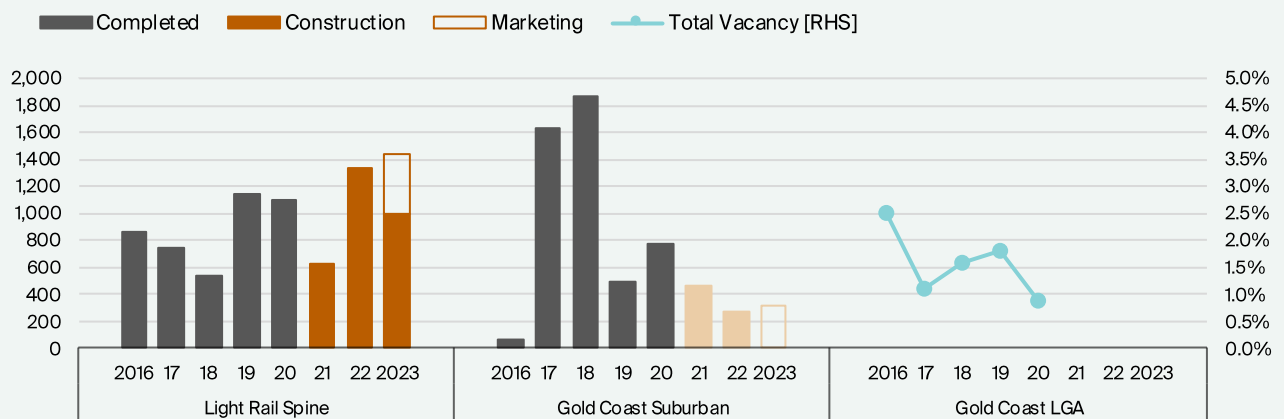
Drawing closest comparison, as estimated by Rawlinsons, the **cost of construction** in Greater Brisbane increased by 1.3% in 2020

New projects pipeline

Gold Coast's **pipeline for new apartments** is relatively narrow based

Gold Coast new apartment pipeline & total residential vacancy

No. of potential apartments, projects with 40+ apartments and 4+ storeys & total residential vacancy [RHS], 31 Dec 2020



Source: Knight Frank Research

Gold Coast residential development sites & new apartment values

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



Source: Knight Frank Research

on the time required to be absorbed for marketing and construction for development approved projects with 40+ apartments and 4+ storeys.

The Light Rail Spine has the most solid pipeline to be built by 2024 with 3,400 new apartments, 23% more than the past three years. The Gold Coast Suburban pipeline is forecast for 1,050 new apartments over the next three years, trending down from the 3,150 new apartments built since 2018.

High-density **building approvals** in Queensland were down 20.3% between 2019 and 2020, with 4,648 apartments approved. The last quarter of 2019 bucked this trend, growing by 21.9% (ABS). **Internal floor space** averaged 138 sqm in a new Queensland apartment in 2019/20, bigger than one year ago with an average of 133 sqm (CommSec).

New apartment pricing

Gold Coast **new apartment prices** also increased between 2019 and 2020. The Light Rail Spine experienced the most uptick in new apartment prices in 2020, rising by 9.5% to an indicative value of \$11,500/sqm (ranging from \$8,800 to \$14,300/sqm). The broader

Gold Coast Suburban area saw growth of 5.3% to \$6,000/sqm, to range between \$5,300 and \$6,400/sqm).

Apartment demand

The Gold Coast recorded an upswing in an already solid population growth over 2020, as traditionally popular with young families and the downsizing generation. Although unemployment is raised, the economy is expected to recover further in the coming years.

This resulted with Gold Coast apartments recording a 4.5% boost in annual **sales turnover** in 2020, as **capital values** were 6.2% above a year ago to stand at a median of \$448,000 (APM) for **established apartments**. Residential **vacancy** had tightened further from 1.8% in 2019, to 0.9% in 2020 (REIA), severely reducing the choice of rental accommodation in an already undersupplied rental market. Gold Coast apartment rents responded, rising by 1.2% in 2020 (APM).

Buyer profile

Its evident more apartments are being purchased by owner-occupiers on the Gold Coast, particularly by downsizers and first home buyers, although investor enquiries are on the rise.

New household **loan commitments** in Queensland increased by 21.9% in 2020 boosted by the relaxation of lending restrictions. The share of **investor** loans fell from 25% to 21%, while **owner-occupier** loans grew from 75% to 79%. **First home buyer** activity increased 45% over this time, to comprise a 29% share of all new loans approved in Queensland (ABS).

Outlook

The Gold Coast residential market is **forecast** by Knight Frank Research to rise by 12% in 2021, and by 10% by the end of 2022. There are some challenges ahead, so the Gold Coast apartment market is likely to perform closer to 7% in 2021, and 6% growth in 2022.

Challenges for the development market include the rising cost of construction and sites, and whilst funding for developers has relaxed, it's still difficult to obtain. Then there's also the underlying pause in migration impacting overall population growth. At the other end of the spectrum, the greatest opportunity remains to be an incredibly low mortgage lending environment for buyers, a tight rental vacancy environment and growth in new apartment prices.

GOLD COAST APARTMENT PROJECTS | ONE YEAR OUTLOOK

New Apartment Drivers	Future Development Ideal Scenario	LIGHT RAIL SPINE			SUBURBAN		
		Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Population Growth	Exceeds annual projection	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
New Infrastructure	Project pipeline stronger than past year	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Employment	Opportunities grow	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Mortgage Lending Rates	Remain low	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Lending to Buyers	Remains responsible, but relaxed	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Capital Growth	Exceeds past year performance	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
No. Days on Market	Falls for established apartments	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Sales Volume	Picks up for established apartments	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Gross Rental Yields	Performance strengthens	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Vacancy	Trends lower than market equilibrium	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Local Buyers	Demand outweighs completions	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Offshore Buyers	Investment increases on past year	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
New Apartment Prices	Exceeds past year performance	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Finance for Developers	Remains responsible, but relaxed	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Planning Submissions	Timeframe is for approvals reduced	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Construction Costs	Annual growth trends lower than inflation	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Site Sales Volume	Exceeds past year volume	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Site Values	Lower than past year	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Local Developers	Investment surges for high-density sites	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High
Offshore Developers	Investment grows for high-density sites	Low	LIKELIHOOD	High	Low	LIKELIHOOD	High

Source: Knight Frank Research

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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