

# GOLD COAST APARTMENTS

RESIDENTIAL DEVELOPMENT SERIES H1 2019

## Key Facts

Gold Coast **site values** ranged from an average \$42,500 to \$130,000/per apartment (indicative \$71,700/per apartment) at the end of 2018.

There were 4,800 **new apartments** under construction throughout the Gold Coast LGA at the end of 2018. There were a further 2,700 apartments with DA approval being marketed.

Mainstream **new apartment prices** ranged from \$5,000 to \$15,000/sqm on the Gold Coast by the end of 2018 (indicative \$7,800/sqm).



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It's now a year since the Commonwealth Games were held on the Gold Coast leaving a legacy of world-class sporting facilities and amenities, supplemented by a solid pipeline of new apartments. How are the key development drivers placed in the coming year for the Gold Coast market?

## Overview

- High-density is still the preferred type of development site being purchased on the Gold Coast, for many, these sites create potential vantage points for beach and river views—popular with the downsizing population which are currently dominating apartment sales on the Gold Coast.
- Along the Gold Coast Highway, vibrant regenerated precincts continue to spread south, and many property owners are now considering banding together for collective site sales opportunities—either vertically, with older walk-up flats, or horizontally, to form a super-lot of two or three allotments.
- Funding remains challenging for most developers and as a result, almost 2,100 Gold Coast apartments which went to market off-the-plan, now on-hold, are likely to be completed beyond 2022.
- The traditionally low residential vacancy on the Gold Coast has been recently challenged with pockets of new apartment completions, although is still below 3%.

## Development Site Values

The sales volume for development sites suitable for high-density on the Gold Coast was 19% lower in 2018, than the year earlier, recording \$213.9 million worth of sales. High-density sites made up a little over 96% of total development site sales over the year ending December 2018 (for sites greater than \$2 million).

The average sales rate for residential sites with potential for high-density development on the Gold Coast, was an indicative \$71,700/per apartment at the end of 2018, 1.3% higher when compared to a year earlier.

Over this time, the indicative sales rate for high-density beachfront and beachside sites along the light rail spine, from Main Beach to Palm Beach, increased 2% to \$130,000/per apartment; trending within an average range from \$70,000 to \$175,000/per apartment.

# GOLD COAST

**Population** in the Gold Coast LGA was estimated at 606,800 persons in June 2018, with annual **population growth** of 2.6%. The **population projection** is set by the ABS at 2.1% per annum until 2041.

Queensland **economic growth** was 3.4% in 2017-18. Gold Coast LGA **unemployment** stood at 4.3% as at September 2018, trending 50 bps lower than a year earlier.

Gold Coast LGA **median values** rose 1.2% to \$425,000 over 2018. Apartment **sales transacted** totalled 7,810 in the Gold Coast LGA in 2018, down 9% on the previous year. The average apartment is **on the market** for 115 days, up from 98 days one year earlier (APM).

**Gross rental yields** across Gold Coast LGA apartments remained steady at 5.80% over the December 2018 quarter. **Median rents** rose 3.7% over 2018 for Gold Coast LGA apartments, to a weekly rent of \$425. Gold Coast LGA **total vacancy** was 1.6% as at December 2018; up from 1.1% a year earlier.

**Offshore purchasers** pay a duty surcharge in Queensland—this equates to 7% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.

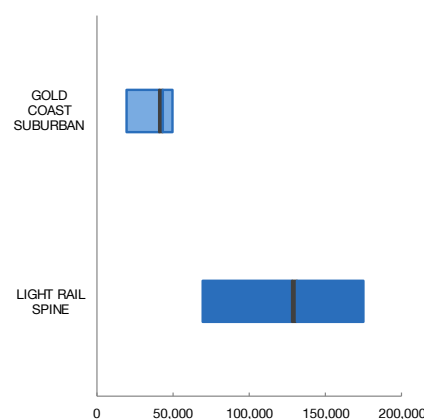
In the wider suburban area of the Gold Coast LGA, prices for high-density sites have remained steady with an indicative of \$42,500/per apartment for the past two years; ranging from \$20,000 to \$50,000/per apartment.

## Apartment Pipeline

The number of new Gold Coast LGA apartments grew by 2,900 over 2018, that is, 300 more apartments than recorded in 2017.

FIGURE 1  
Site Sales Price Range & Indicative Rate, Gold Coast LGA

Potential high-density development  
Average rate/per apartment, as at 31 Dec 2018



Source: Knight Frank Research

Coming off a low base, total vacancy rose to 1.6% in December 2018. Although with only 2,250 additional apartments expected to be completed in 2019, this rate is likely to remain well below market equilibrium of 3% over the next couple of years.

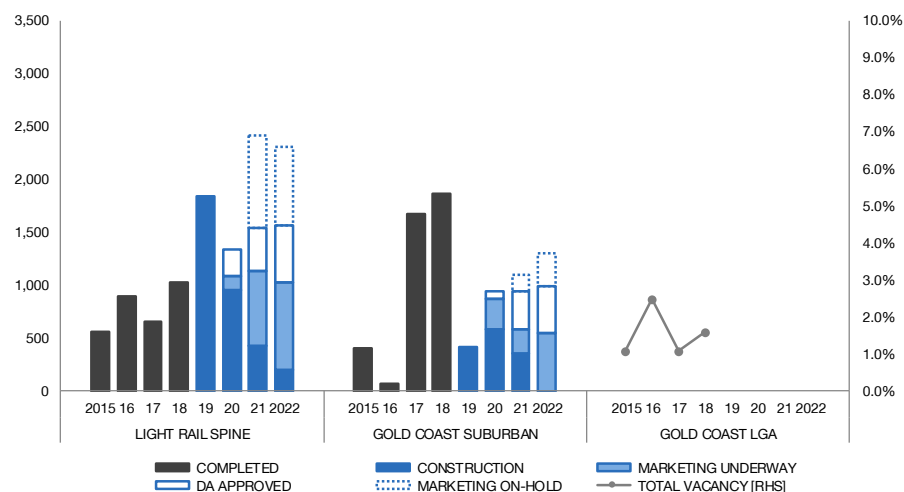
With slower take-up of off-the-plan apartments sales, there has been recent evidence some projects being presented to the market have been retracted by the developer, deciding to hold back the project for stronger market conditions. This was the case for 1,620 apartments expected by 2022 along the light rail spine.

The Gold Coast suburban area made up almost two-thirds of new stock completed in 2018, with a little over 1,850 new apartments. New supply is projected to taper back heading towards 2022, with only 1,350 apartments currently under construction with a further 1,050 apartments being marketed across this wider area.

Along the light rail spine, there are 1,850 apartments currently under construction due by the end of 2019. A further 3,250 are expected by 2022, when taking into account those apartments also currently being marketed with development approval.

FIGURE 2  
New Apartment Pipeline & Total Residential Vacancy, Gold Coast LGA

Number of potential apartments each year, includes projects with 4+ storeys with 25+ apartments & % total residential vacancy [RHS], as at 31 Dec 2018



Source: Knight Frank Research, REIQ

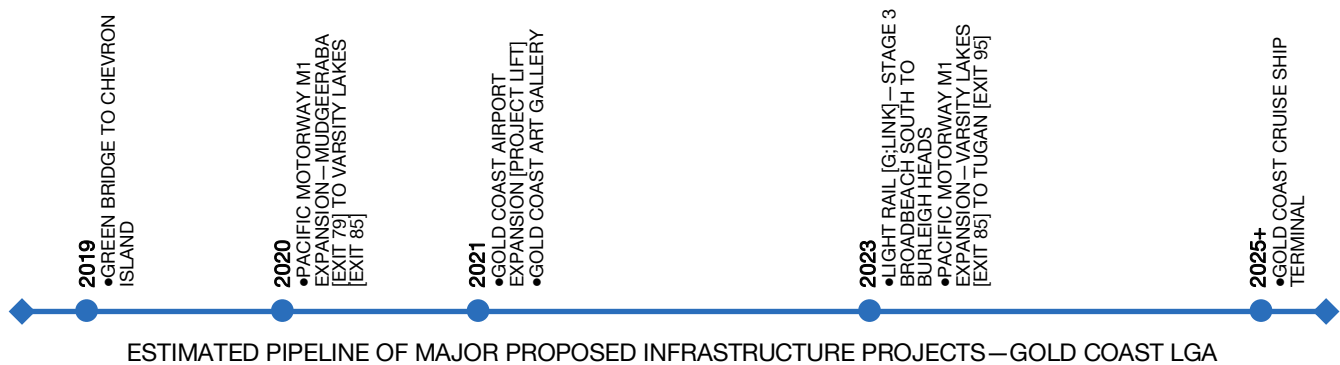
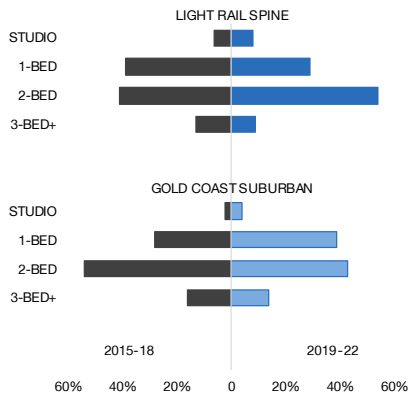


FIGURE 3

### Split of Bedrooms in New Apartments Gold Coast LGA

Distribution in completed projects (2015-18) & under construction (due 2019-22)



Source: Knight Frank Research

## Bedroom Split

From 2015 to 2018, the number of apartments being built with 2-bedrooms dominated the mix in the Gold Coast LGA, representing 48% of all new stock. For all new apartments currently under construction, and due by 2022, this share will rise to 52%. Reflecting buyer preference, with less investors in the market, saw the 1-bedroom share fall from 34% to 31% over this time.

As new projects launch, it's evident with more families and downsizers engaged in apartment living, the apartments with 3-bedrooms (or more) tend to be the first viewed, although this share fell from 15% built over the past four years, to only 10% of this bedroom configuration due to come on line by 2022. This could potentially be misaligned to the future market demand.

## New Apartment Pricing

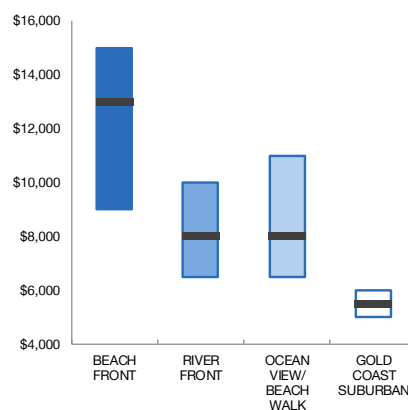
New apartment prices in the Gold Coast LGA increased 2.6% over 2018, driven by downsizers converting to apartment living. Along the beachfront prices ranged from \$9,000 to \$15,000/sqm by the end of 2018; with an indicative rate of \$13,000/sqm.

At this time, new apartments on the riverfront could be purchased for an indicative \$8,000/sqm; ranging from \$6,500 to \$10,000/sqm while those with an ocean view, and within walking distance of the beach, achieved an indicative \$8,000/sqm (ranging from \$6,500 to \$11,000/sqm). New apartments located in the wider suburban area recorded an indicative rate of \$5,500/sqm; trending from \$5,000-\$6,000/sqm.

FIGURE 4

### New Apartment Price Range & Indicative Rate, Gold Coast LGA

Rate/sqm (GFA) for standard mainstream 2 bed+2 bath, as at 31 Dec 2018



Source: Knight Frank Research

### TOP 5 GOLD COAST LGA SUBURBS FOR NEW APARTMENTS

#### COMPLETED IN 2018

Varsity Lakes  
Broadbeach  
Carrara  
Surfers Paradise  
Robina

#### UNDER CONSTRUCTION DUE BY END 2022

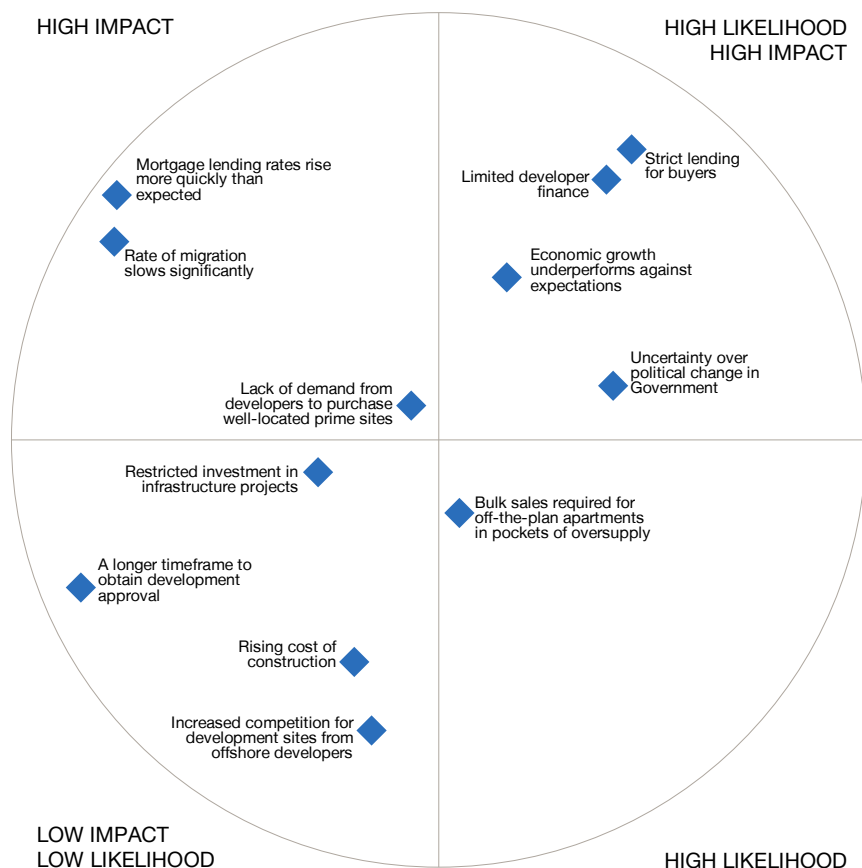
Surfers Paradise  
Broadbeach  
Palm Beach  
Southport  
Benowa



FIGURE 5

## Key Development Drivers Risk Monitor, Gold Coast LGA

Scenarios assessed on the likelihood and their impact over the next year



Source: Knight Frank Research

### Definitions

**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.

**Geographies for Development Sites** include Light Rail Spine suburbs located along the G:Link from Main Beach to Palm Beach. Gold Coast Suburban are those suburbs outside the Light Rail Spine but within the Local Government Area (LGA) boundary.

**Geographies for New Apartments** include Beachfront from Main Beach to Coolangatta. Riverfront from Southport to Broadbeach Waters. Ocean View/Beach Walk from Main Beach to Coolangatta; both sides of Gold Coast Highway. Gold Coast Suburban are all remaining suburbs within the LGA boundary.

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

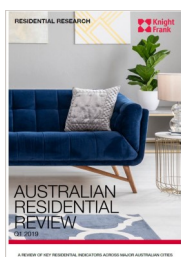
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