

Gold Coast New Apartments Insight

Q3 2023

Knight Frank's quarterly analysis of high-density residential sites and new apartment market for build-to-sell (BTS) product on the Gold Coast

knightfrank.com.au/research

Shortage of new development delivery pushes up apartment prices

■ New apartment prices on the Gold Coast have remained on an upward trajectory alongside already established apartments over the past year, given very little new stock has been built, and the population continues to grow.

DEVELOPER ACTIVITY

The volume share of residential development sites being purchased on the Gold Coast for high-density development has reduced to 90.5% in the year to June 2023, falling from 95.7% five years earlier, and was below the 98.3% recorded a year ago.

Building approvals across the Gold Coast trended 16.8% higher between June 2022 and June 2023 with 4,739 apartments approved as recorded by the Australian Bureau of Statistics.

The appetite of developers seeking approval is higher than the 3,258 apartments approved in the same period five years ago.

COST OF CONSTRUCTION

The cost of construction in Australia increased by an estimated 7.1% in the year to June 2023 according to Rawlinsons. The estimated cost to build apartments to a standard finish, with a balcony, ranged from \$2,780/sqm to \$3,335/sqm (plus GST) in 2022. At the same time, to complete an apartment to a prestige standard was estimated at \$4,025/sqm to \$4,725/sqm.

ESTABLISHED APARTMENTS PERFORMANCE

Sales volume trended down 28.9% in the year ending June 2023, with 6,697 established apartments. The average days on market for an established apartment was 60 days in the June 2023 quarter. This was also 60 days one quarter ago.

Capital values for established apartments rose 8.1% over the year to June 2023, up 2.8% in the last quarter to a median value of \$637,500, according to APM.

RENTAL MARKET

Gross rental yields for established apartments were up 10 bps, to 5.30%, in the June 2023 quarter. Over the same time, rents increased 4.0% for apartments and trended up 18.2% over the past year, where median rents were \$650 per week (APM).

Total residential rental vacancy was 1.2% in the Gold Coast LGA at the end of June 2023, after recording vacancy of 0.9% last quarter, and experiencing 0.5% vacancy one year ago according to the Real Estate Institute of Queensland (REIQ).

-91%

Share of Gold Coast site sales volume purchased for high-density residential development in the year to June 2023

16.8%

Building approval for apartments change from June 2022 to June 2023 for the Gold Coast

7.1%

Change in the cost of construction across Australia in the year ending June 2023

8.1%

The change in Gold Coast median established apartment values in the year to June 2023

10.0%

Portion of new property sales to international buyers in Queensland in June 2023

1.2%

Total residential rental vacancy in June 2023 on the Gold Coast

4.10%

Official cash rate target in September 2023 with forecast by Oxford Economics of 3.40% in 2025

3.2%

Queensland annual economic growth in 2022 with forecast of 3.3% in 2025 by Oxford Economics

2.2%

Gold Coast population change in 2022 to an estimated 647,750 persons, with 2.1% annual forecast in 2025

New apartments on the Gold Coast

■ A low number of high-density sites are being purchased by developers on the Gold Coast given the higher construction costs and shortage of builders which is jeopardising the delivery of future apartment projects in the pipeline.

-71%

Gold Coast annual change in high-density residential development site sales volume at the end of June 2023

-11.4%

The change in the Gold Coast high-density development site prices in the year to June 2023

11.1%

Gold Coast's annual price change in June 2023 for new apartments

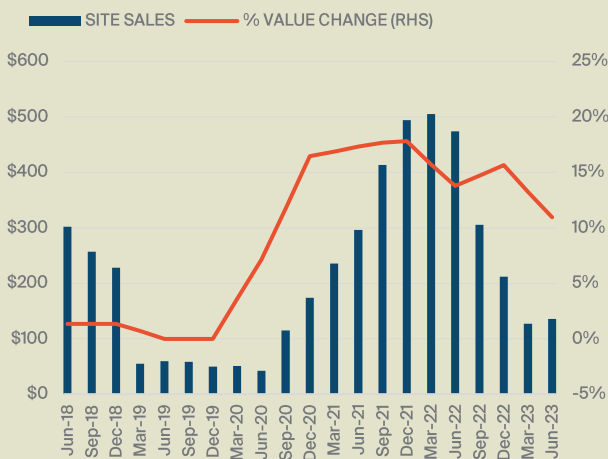
The Gold Coast Local Government Area (LGA) has been defined by the Queensland State Government and legally designed for the local governing body to have responsibility including development for new apartments.

SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$136 million in the year to June 2023, 71.3% lower than a year ago.
- For a raw apartment site, average values ranged from \$30,000/apartment to \$230,000/per apartment in June 2023, with an indicative rate of \$137,000/apartment.
- Site values for apartment developments fell 11.4% over the past year, although no change was recorded in the June 2023 quarter.

Gold Coast Site Sales & Values

High-density residential rolling annual major site sales volume (\$ million) & % annual change in site values



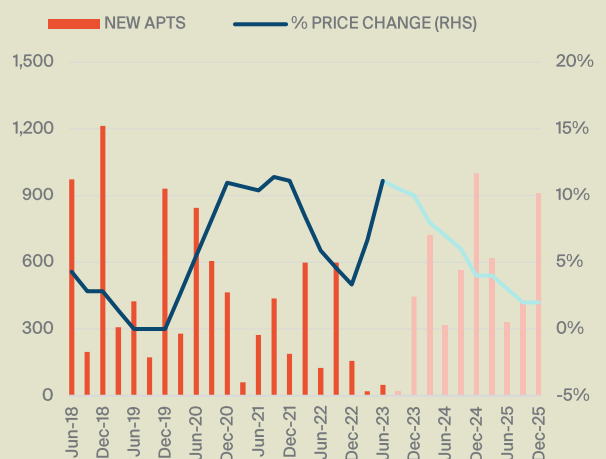
Source: Knight Frank Research

NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Close to 8,900 new apartments were built in the five years to June 2023. An average 1,700 new apartments were built each year, while this is forecast to average 2,400 in the next 3 years.
- The average price for a new apartment ranged from \$4,500/sqm to \$16,000/sqm in June 2023, with an indicative rate of \$10,000/sqm.
- New apartment prices rose 4.2% in the June 2023 quarter and were 11.1% higher over the past year.
- Average new apartment prices are forecast to change by 10% at the end of 2023, 4% in 2024 and 2% in 2025 according to Knight Frank Research.

Gold Coast Pipeline & Prices

No. of new apartments built or due each quarter & % annual change and forecast of new apartment prices



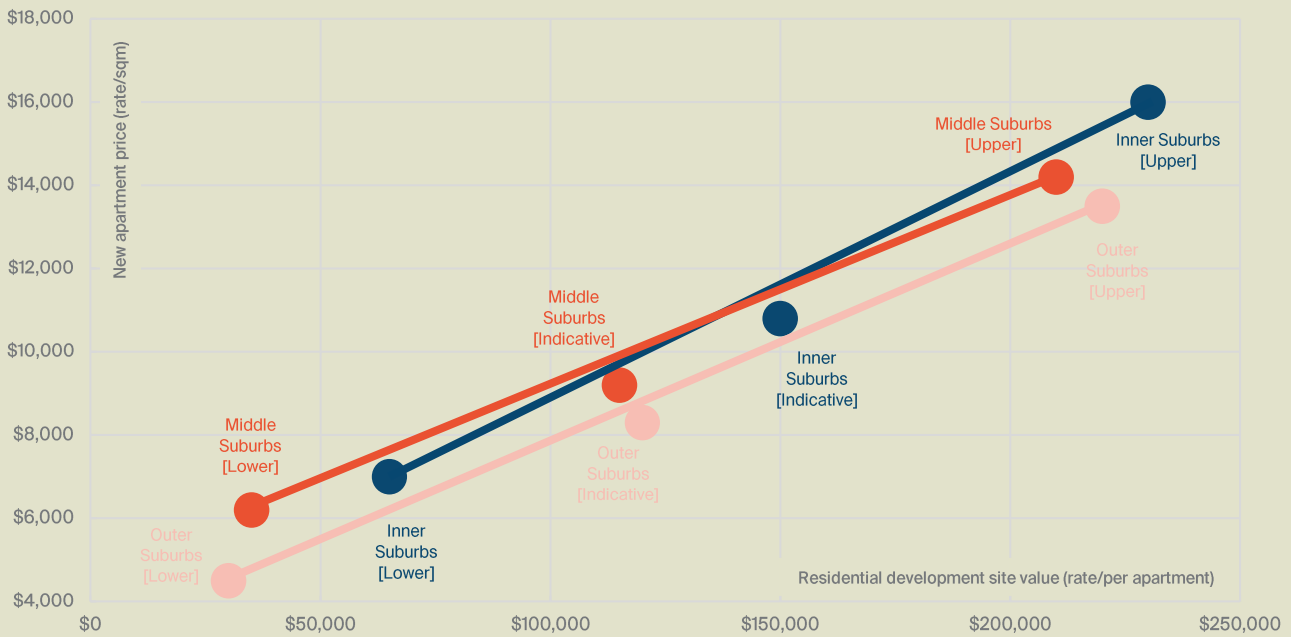
Source: Knight Frank Research

Snapshot: Development sites & apartment project pricing

New apartments located in the Inner Suburbs include the regions of Northshore and Gold Coast Central, the Middle Suburbs within the Central Beaches and Coastal Fringe & Hinterland regions and the Outer Suburbs of Southern Beaches and Northern Gold Coast regions.

Gold Coast LGA Residential Development Site Values & New Apartment Prices

Based on high-density raw site values and standard mainstream new apartment prices, 30 June 2023



Source: Knight Frank Research

Gold Coast new apartments forecast

Gold Coast New Apartments Forecast

	2021	2022	2023f	2024f	2025f	2023-2025f AVE
Site Price Performance	19%	16%	-	-	-	-
New Apartment Pipeline	1,000	1,500	📉 500	📈 2,600	📈 2,300	📈 1,800
New Apartment Price Performance	17%	5%	📈 7%	📈 5%	📉 3%	📈 5%
Residential Price Performance	21%	11%	📉 3%	📉 4%	📉 6%	📉 4%
Residential Rental Market	19%	18%	📉 9%	📉 5%	📉 3%	📉 6%

Source: Knight Frank Research

New apartments in Gold Coast prime regions

■ Despite luxury apartments being built larger to accommodate more owner occupiers on the Gold Coast, indicative prime apartment prices continued to trend higher in the last quarter.

-75%

Gold Coast prime regions annual change in high-density residential development site sales volume at the end of June 2023

11.0%

The change in Gold Coast's prime regions high-density development site prices in the year to June 2023

8.1%

Gold Coast's prime regions annual price change in June 2023 for new apartments

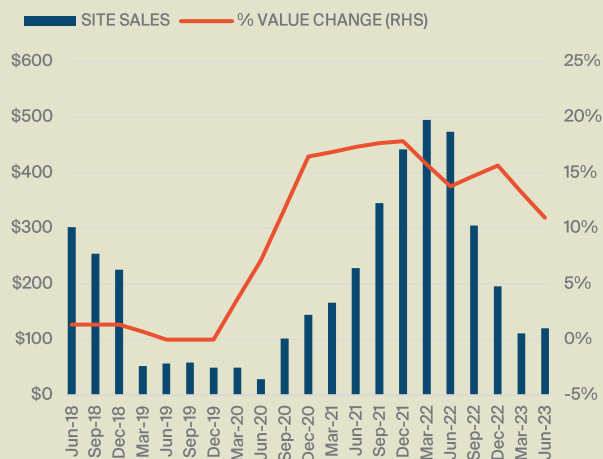
New apartments located in the Gold Coast prime region include postcodes 4212, 4215 to 4221 and 4226.

SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$120 million in the year to June 2023, 74.7% lower than the year earlier.
- For a raw apartment site in the prime region, average values ranged from \$170,000/apartment to \$230,000/per apartment in June 2023, with an indicative rate of \$202,500/apartment.
- Site values for apartment developments rose 11.0% over the past year, although no growth was recorded in the June 2023 quarter.

Gold Coast Prime Site Sales & Values

High-density residential rolling annual major site sales volume (\$ million) & % annual change in site values



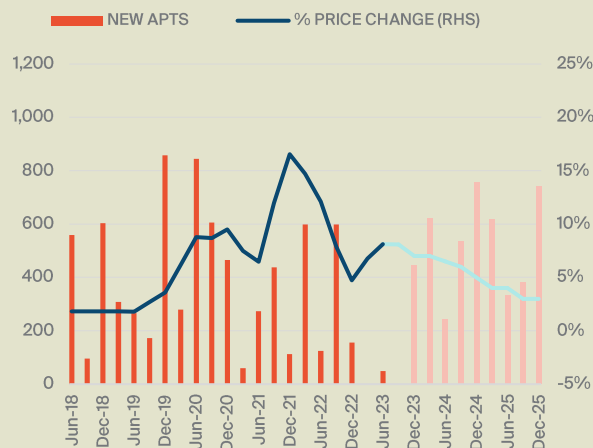
Source: Knight Frank Research

NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Almost 7,500 new apartments were built in the five years to June 2023. An average 1,500 new apartments were built each year, while this is forecast to average 2,000 in the next 3 years.
- The average price for a new prime luxury apartment ranged from \$6,500 to \$22,000/sqm in June 2023, with an indicative rate of \$16,000/sqm.
- New prime luxury apartment prices rose 1.3% in the June 2023 quarter and were 8.1% higher over the past year. Prices are forecast to change by 7% at the end of 2023, 5% in 2024 and 3% in 2025 according to Knight Frank Research.

Gold Coast Prime Pipeline & Prices

No. of new apartments built or due each quarter in prime regions & % annual change and forecast of new prime luxury apartment prices



Source: Knight Frank Research

Data digest

Major sites

Considered to hold a raw site value threshold of \$2 million or more for all cities, except for Sydney and Melbourne being \$5 million or more.

High-density

Includes residential apartment projects with 4+ storeys in height.

Prime (luxury) residential property

The most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value.

Prime regions

Prime regions cover postcodes 4212, 4215-4221, 4226.

Currency

All references made to dollars or \$ is 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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