

*A review of key drivers for high-density apartment projects across Greater Brisbane*



# Brisbane Apartment Projects Review

2021

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# BRISBANE APARTMENT PROJECTS

*The Brisbane residential development market is earmarked for increasing activity over the coming years given recent compression in rental vacancy. How has this market performed in 2020 and what's the outlook ahead?*

## Development sites

The residential development market in Brisbane made significant ground in 2020, with some major site sales earmarked for the first half of 2021. Prime sites remained limited, and this resulted in the drawing down in the volume of major **sites purchased** by developers suitable for high-density in Brisbane (above \$2m). This was influenced by site sales in the Inner Suburbs falling by 89%, and the Middle Suburbs by 67%, over this time.

High-density sites comprised 32% of the total volume of development sites purchased in 2020 (dropping from 55%

in 2019), which tallied to \$51.1 million (86% lower YoY). The largest volume of high-density sites purchased in 2020 were recorded in the Brisbane suburbs of Mount Gravatt, New Farm and East Brisbane. In 2020, there were no major sites announced, when purchased, to intend constructing a high-density build-to-rent product.

As a result of lowered site sales volume, at the end of 2020, high-density **site values** in the Inner Suburbs rose 12.6% at an indicative of \$50,900/per apartment (ranging from \$40,000 to \$75,000/per apartment). Site values in the Middle Suburbs achieved 6.6%

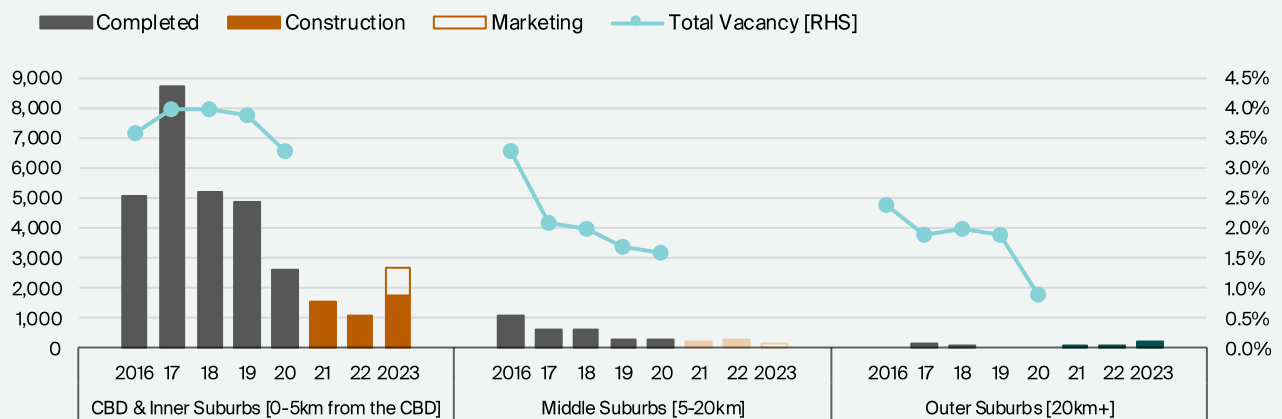
growth to be \$32,500/per apartment (ranging between \$27,500 and \$37,500/per apartment) whilst the Outer Suburbs values were up 6.7% at \$32,000/per apartment; ranging tighter from \$30,000 to \$37,500/per apartment. The **cost of construction** in Greater Brisbane increased by 1.3% in 2020, as estimated by Rawlinsons.

## New projects pipeline

The **pipeline for new apartments** in Brisbane will more than halve — when considering the average marketing and construction timeframes for development approved projects with 40+ apartments and 4+ storeys.

### Brisbane new apartment pipeline & total residential vacancy

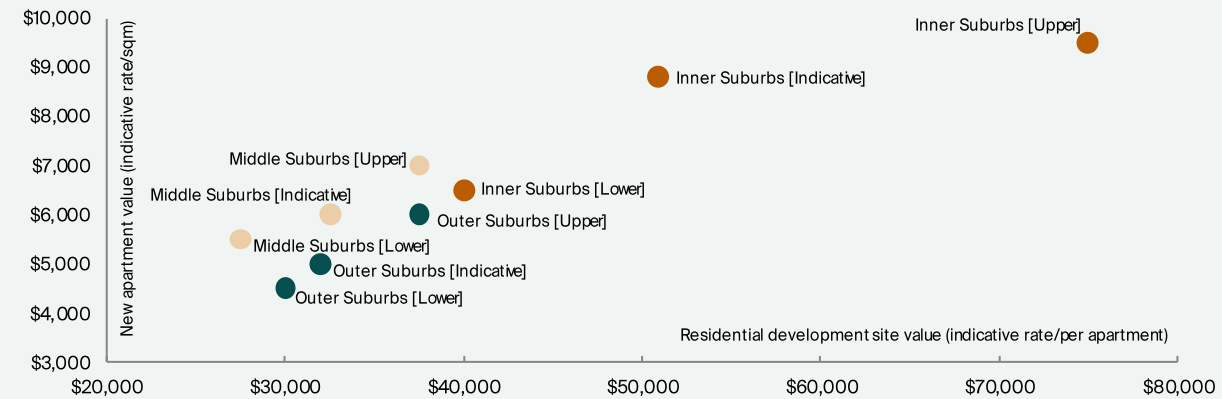
No. of potential apartments, projects with 40+ apartments and 4+ storeys & total residential vacancy [RHS], 31 Dec 2020



Source: Knight Frank Research

### Brisbane 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

The strongest pipeline for new apartments to be built by 2024 is in the Inner Suburbs of Brisbane (5,350), followed by the Middle Suburbs (725); significantly falling against the total built in the previous three years at 12,700 and 1,150 new apartments, respectively. The Outer Suburbs is earmarked for 350 new apartments in this time, increasing from the 100 apartments built since 2018.

Queensland high-density **building approvals** 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). A new Queensland apartment averaged 138 sqm **internal floor space** in 2019/20, bigger than one year ago with an average of 133 sqm (CommSec).

#### New apartment pricing

Both the Middle Suburbs and Outer Suburbs saw the most growth in **new apartment prices** in 2020, both rising by 11.1%. Middle Suburbs achieved an indicative value of \$6,000/sqm (ranging from \$5,500 to \$7,000/sqm) while the Outer Suburbs was \$5,000/sqm, to range between \$4,500 and \$6,000/sqm). New apartment prices in Brisbane's Inner Suburbs rose by 2.3%

to an indicative \$8,800/sqm in this time, to range between an average of \$6,500 and \$9,500/sqm.

#### Apartment demand

Brisbane was able to benefit from the growth in interstate migration in 2020, boosting the demand for housing, although unemployment remains elevated when compared to other major cities. In saying this, as the number of apartment listings compressed, Brisbane apartments recorded an 8.3% fall in annual **sales turnover** in 2020, while **capital values** were 3% below a year ago to stand at a median of \$395,000 (APM) for established apartments.

Over this time, residential **vacancy** had fallen from 2.3% to 1.3% (REIA), narrowing the choice of rental accommodation available, tipping well into an undersupplied rental market. The Outer Suburbs recorded the lowest vacancy at 0.9%, followed 1.6% in the Middle Suburbs with 3.3% in the Inner Suburbs. In response, Brisbane apartment rents rose by 3.9% (APM).

#### Buyer profile

The weight has shifted in recent years, from a heavily dominated investor

market to more apartments being purchased by owner-occupiers across Brisbane, particularly downsizers and first home buyers.

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

Knight Frank Research has **forecast** the Brisbane residential market is to rise by 8% in 2021, and by 6% by the end of 2022.

There are challenges ahead, such as lowered migration, developer finance constraints and rising construction costs, so Brisbane apartments are likely to perform closer to 3% in 2021, and 4% growth in 2022. On the other hand, the greatest opportunity remains to be cheaper mortgage lending, site sales volume picking up with local and interstate developers investing in the upswinging market.

## BRISBANE APARTMENT PROJECTS | ONE YEAR OUTLOOK

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