

# BRISBANE APARTMENTS

## RESIDENTIAL DEVELOPMENT SERIES H1 2019

### Key Facts

Greater Brisbane **site values** ranged from an average \$27,500 to \$43,800/per apartment (indicative \$40,300/per apartment) at the end of 2018.

There were 9,700 **new apartments** under construction throughout Greater Brisbane at the end of 2018. There were a further 4,800 apartments with DA approval being marketed.

Mainstream **new apartment prices** ranged from \$3,800 to \$9,400/sqm in Greater Brisbane by the end of 2018 (indicative \$7,400/sqm).



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Despite the last two bumper years of new apartments completed in the inner suburbs of Brisbane, vacancy has remained steady over this time. As the shift from finance risk, to planning risk emerges, what is ahead for the key development drivers of the Brisbane apartment?

### Overview

- There's an air of optimism in the Greater Brisbane market with increased population growth and a stronger economy over the past year, with a solid pipeline over the next decade of infrastructure projects.
- Developer finance remains challenging in a cooler apartment market and as a result, almost 4,700 apartments that once launched marketing campaigns have been placed on-hold, unlikely to be built by the end of 2022. This will support the elevated vacancy in the Brisbane inner suburbs.
- The Brisbane City Council requested the Queensland Government approve amendments to the *Brisbane City Plan 2014 (City Plan)* in late 2018. The proposed amendments to the City Plan would prevent multiple dwellings (apartments and townhouses) being built on 3,000 sqm+ lots in the low-density zone. The blueprint recently released is focussed on design, and those suburban areas which have been underperforming.

### Development Site Values

Greater Brisbane site sales with potential for high-density residential development totalled \$288.4 million in 2018, 15% higher than the volume recorded one year earlier. High-density sites made up approximately 71% of total development site sales over the year ending December 2018.

Across Greater Brisbane, excluding CBD sites, the indicative sales rate for high-density development sites remained steady at the tail end of 2018 with an indicative \$40,300/per apartment.

Although turnover has been thin, site values in the inner suburbs have been anchored for the past two years with an indicative rate of \$43,800/per apartment, ranging from \$32,500 to \$70,000/per apartment. Likewise, extending to the middle suburbs where high-density sites trend between \$25,000 to \$35,000/per apartment, little

# BRISBANE

**Population** in Greater Brisbane was estimated at 2.5 million persons in June 2018, with annual **population growth** of 2.1%. The **population projection** is set by the ABS at 1.7% per annum until 2041.

Queensland **economic growth** was 3.4% in 2017-18. Greater Brisbane **unemployment** stood at 5.9% as at December 2018, trending 90 bps higher than a year earlier.

The **cost of construction** across Greater Brisbane increased 3.8% in 2018. At this time, it was estimated the cost to build an apartment to a medium standard (with a balcony) was \$2,910/sqm to \$3,480/sqm (plus GST), according to Rawlinsons.

Greater Brisbane **median values** decreased 7.9% to \$370,000 over 2018. Apartment **sales transacted** totalled 10,842 in Greater Brisbane in 2018, down 22% on the previous year. The average apartment is **on the market** for 127 days, up from 122 days one year earlier (APM).

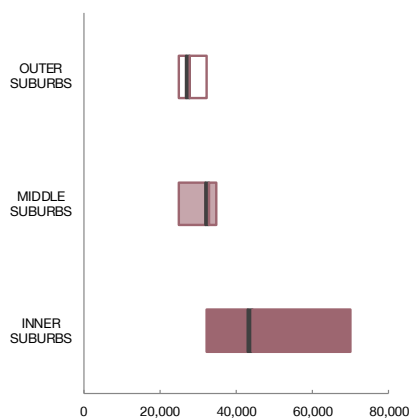
**Gross rental yields** across Greater Brisbane apartments remained steady, at 5.10%, over the December 2018 quarter. **Median rents** rose 2.7% over 2018 for Greater Brisbane apartments, to a weekly rent of \$380. Greater Brisbane **total vacancy** was 2.5% as at December 2018; recording 4.0% in the Inner Suburbs (0-5km from the CBD), 2.0% in the Middle Suburbs (5-20km) and 2.0% in the Outer Suburbs (20km+).

**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.

change has been recorded in the indicative value of \$32,500/per apartment.

In the outer suburbs of Brisbane, there has been limited new apartment stock added to the pipeline and as a result high-density site values have held up at an indicative \$27,500/per apartment for the past couple of years, ranging from \$25,000 to \$32,500/per apartment.

FIGURE 1  
**Site Sales Price Range & Indicative Rate, Greater Brisbane**  
Potential high-density development (excl. CBD)  
Average rate/per apartment, as at 31 Dec 2018



Source: Knight Frank Research

## Apartment Pipeline

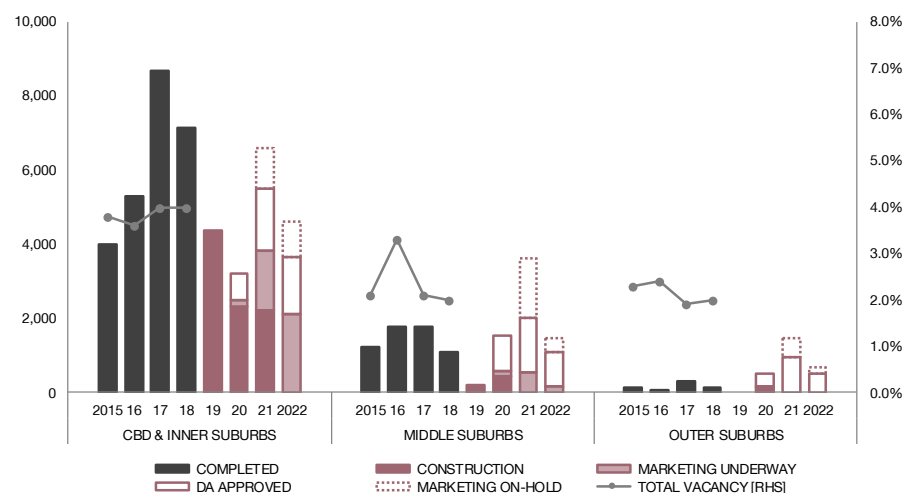
2018 saw the completion of 8,350 apartments in Greater Brisbane, down 22% on the number of apartments added in 2017. This has resulted with improved overall rental vacancy, from 2.6% in December 2017, to 2.3% one year on.

Apartment completions were greatest in the inner suburbs of Brisbane with 7,150 new apartments over this time. Between now, and the end of 2022, another 12,800 apartments are projected either currently being built or marketed with development approval.

Brisbane's middle and outer suburbs saw 1,250 new apartments completed in 2018. There is another 750 high-density apartments currently under construction and a further 900 with development approval being marketed and due online by the end of 2022.

Across Greater Brisbane there is potential for an additional 9,050 development approved apartments coming on line by 2022, although a significant portion of these funded projects will be determined by presales. The current pipeline has also taken into account the 4,700 apartments which launched in recent years, but currently not proceeding.

FIGURE 2  
**New Apartment Pipeline & Total Residential Vacancy, Greater Brisbane**  
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

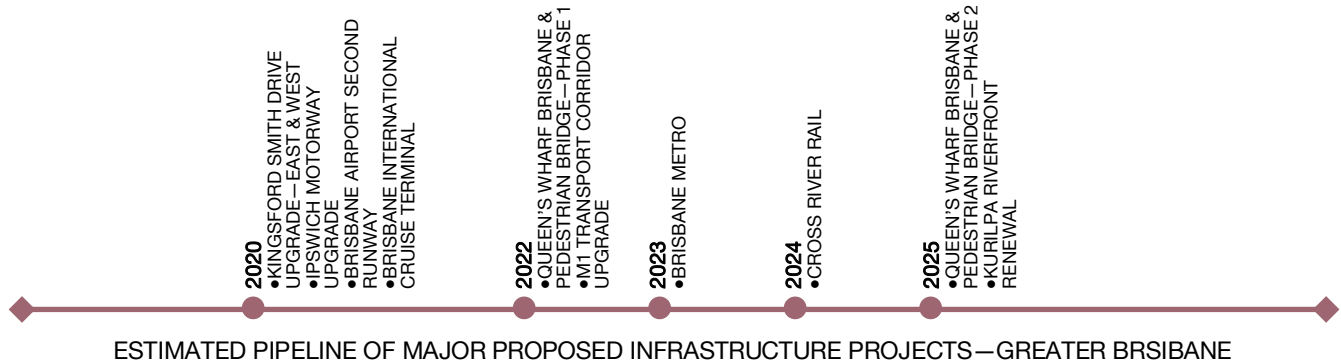
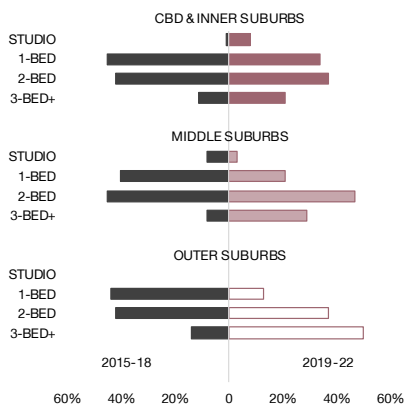


FIGURE 3

### Split of Bedrooms in New Apartments Greater Brisbane

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



Source: Knight Frank Research

## Bedroom Split

Across Greater Brisbane, the number of apartments with 1-bedroom dominated the mix built from 2015-18, representing 44% of all new stock. This was closely followed by 2-bedroom apartments with a 43% share. This was on-par with Greater Melbourne bucking the trend of the other major cities where 2-bedroom apartments have taken the lion share, by some margin, over the past four years. Whilst the portion of studio apartments being built over this time rose from 3% to 7% in Greater Brisbane, the growth in the share of 3-bedroom apartments was a standout— from 11% to 22%.

Developers are now adopting a more balanced bedroom mix in the inner suburbs following the oversupply of smaller-sized investment stock in recent years and an aging demographic wanting to live in larger pads closer to the city.

## New Apartment Pricing

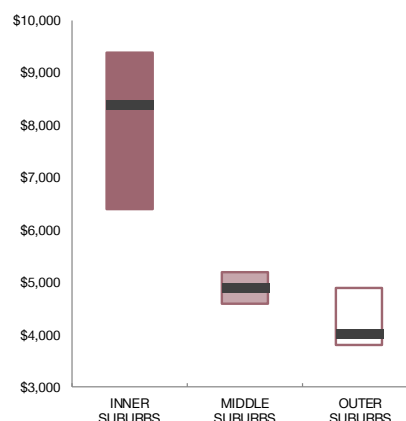
During 2018 indicative prices for new apartments across Greater Brisbane grew 2.8% to stand at \$7,400/sqm. As the market continued to shift towards better quality stock appealing to the downsizing market, the range now starts at \$3,800 and extends to \$9,400/sqm. At this time, the inner suburbs of Brisbane achieved an indicative \$8,400/sqm (ranging from \$6,400 to \$9,400/sqm).

Beyond a five kilometre radius from the Brisbane CBD, the middle suburbs remained steady at an indicative \$4,900/sqm at the end of 2018 (range of \$4,600 to \$5,200/sqm). Also stable, the outer suburbs stood at \$4,000/sqm; ranging from \$3,800 to \$4,900/sqm.

FIGURE 4

### New Apartment Price Range & Indicative Rate, Greater Brisbane

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



Source: Knight Frank Research

### TOP 10 BRISBANE SUBURBS FOR NEW APARTMENTS

#### COMPLETED IN 2018

Woolloongabba  
West End  
South Brisbane  
Indooroopilly  
Toowong  
Hamilton  
Chermside  
Ascot  
Kangaroo Point  
Bowen Hills

#### UNDER CONSTRUCTION DUE BY END 2022

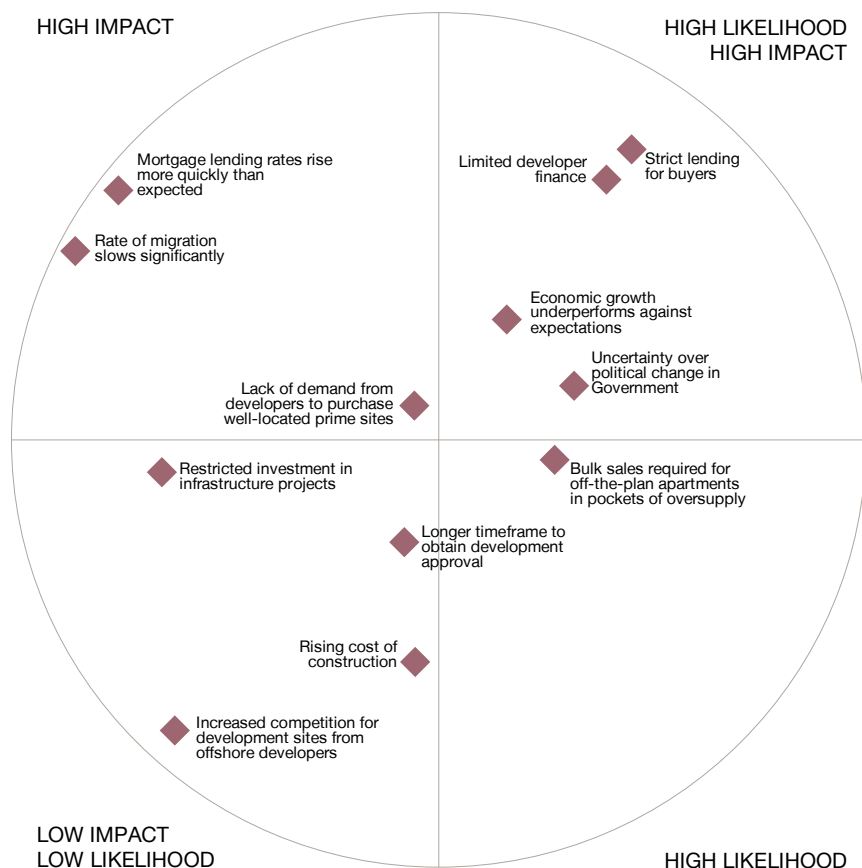
Brisbane  
Fortitude Valley  
Woolloongabba  
South Brisbane  
West End  
Newstead  
Kangaroo Point  
Hamilton  
Yeronga  
Greenslopes



FIGURE 5

## Key Development Drivers Risk Monitor, Greater Brisbane

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** start by drawing a radius from the Brisbane CBD; **Inner Suburbs** are located within 5km, **Middle Suburbs** are within a 5-20km ring and **Outer Suburbs** are located beyond 20km but within the Greater Brisbane boundary.

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

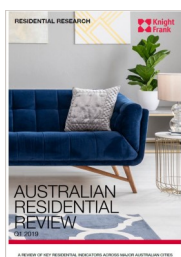
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