

Brisbane 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 across Greater Brisbane

knightfrank.com.au/research

Developer appetite for Brisbane's inner suburbs high-density residential sites

■ Brisbane new apartments remain a compelling investment proposition for those priced out of markets along the east coast given the relative value, yield return, low residential rental vacancy and growing population in the city.

DEVELOPER ACTIVITY

The volume share of Greater Brisbane residential development sites being purchased for high-density development has grown to 94.3% in the year to June 2023, rising from 53.6% five years earlier, and was higher than 68.7% recorded a year ago.

Building approvals across Greater Brisbane trended 4.1% lower between June 2022 and June 2023 with 7,546 apartments approved as recorded by the Australian Bureau of Statistics.

Developer appetite remains significantly lower than the 10,637 apartments approved in the same period five years ago.

COST OF CONSTRUCTION

The cost of construction in Greater Brisbane increased by an estimated 7.8% in the year to June 2023 according to Rawlinsons.

To build apartments to a standard finish, with a balcony, was estimated to range from \$2,780/sqm to \$3,335/sqm (plus GST) in 2022. At the same time, to construct apartments to a prestige finish was estimated at \$4,025/sqm to \$4,725/sqm.

ESTABLISHED APARTMENTS PERFORMANCE

In the June 2023 quarter, established sales volume trended down by 2.3% to 3,476 apartments, while annual sales volume trended 30.1% lower. Average days on market for an apartment was 52 days in the June 2023 quarter. This was 58 days one quarter ago.

Capital values for apartments grew by 5.5% over the year to June 2023, rising by 3.1% in the last quarter to a median value of \$478,500, according to APM.

RENTAL MARKET

Gross rental yields for established apartments trended up 15 bps, to 5.66%, over the June 2023 quarter. Rents increased 6.0% for apartments over the quarter to June 2023, and rose 17.8% over the past year with a median rent of \$530 per week (APM).

Total residential rental vacancy was 1.0% in Greater Brisbane at the end of June 2023 according to the REIQ, recording 1.1% in the Inner Suburbs (0-5 km from the CBD), 1.0% in the Middle Suburbs (5-20 km) and 1.1% in the Outer Suburbs (20km+).

94%

Share of Greater Brisbane site sales purchased for high-density residential development in the year to June 2023

-4.1%

Building approval for apartments change from June 2022 to June 2023 for Greater Brisbane

7.8%

Change in the cost of construction in Greater Brisbane in the year ending June 2023

5.5%

The change in Greater Brisbane 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

1.0%

Total residential rental vacancy in June 2023 across Greater Brisbane

4.10%

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

3.2%

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

2.2%

Greater Brisbane population change in 2022 to an estimated 2.6 million persons, with 1.7% annual forecast in 2025

New apartments in Greater Brisbane

■ Solid high-density residential development site sale performance over the past year has pushed indicative site values higher, and while new apartment delivery has been modest, off-the-plan rates have recorded further growth.

71%

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

4.2%

The change in Greater Brisbane's high-density development site prices in the year to June 2023

3.2%

Greater Brisbane's annual price change in June 2023 for new apartments

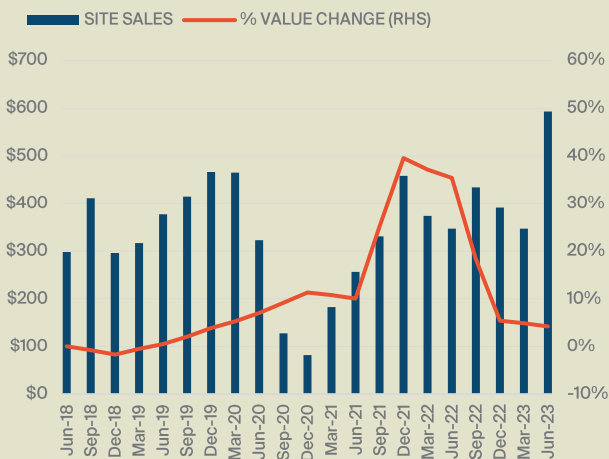
New apartments located in Greater Brisbane represent a geographical area designed by the Australian Bureau of Statistics as being the functional area of the capital city which includes populations who regularly socialise, shop or work within the city.

SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$593.2 million in the year to June 2023, 70.8% higher than a year ago.
- For a raw apartment site, average values ranged from \$30,000/apartment to \$105,000/per apartment in June 2023, with an indicative rate of \$66,600/apartment.
- Site values for apartment developments rose 4.2% over the past year, although with no change in the June 2023 quarter.

Greater Brisbane Site Sales & Values

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



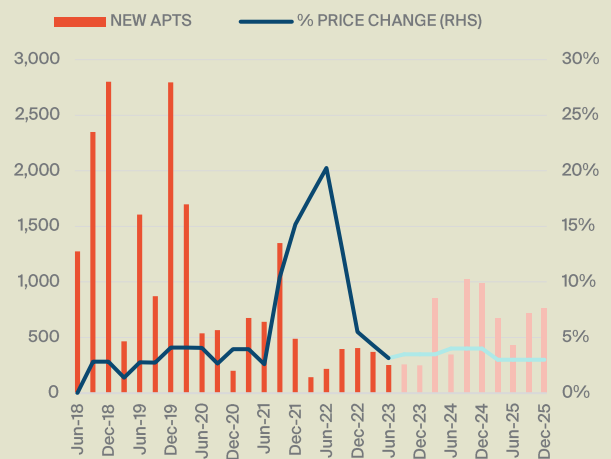
Source: Knight Frank Research

NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Close to 19,900 new apartments were built in the five years to June 2023. An average 3,500 new apartments were built each year, while this is forecast to average 2,700 in the next 3 years.
- The average price for a new apartment ranged from \$5,000/sqm to \$16,500/sqm in June 2023, with an indicative rate of \$9,800/sqm.
- New apartment prices rose 1.0% in the June 2023 quarter and were 3.2% higher over the past year.
- Average new apartment prices are forecast to change by 4% at the end of 2023, 4% in 2024 and 3% in 2025 according to Knight Frank Research.

Greater Brisbane 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

Greater Brisbane 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

Greater Brisbane new apartments forecast

Greater Brisbane New Apartments Forecast

	2021	2022	2023f	2024f	2025f	2023-2025f AVE
Site Price Performance	40%	5%	-	-	-	-
New Apartment Pipeline	3,200	1,200	📉 500	📈 3,200	📈 2,600	📈 2,100
New Apartment Price Performance	15%	6%	📉 4%	📉 4%	📉 3%	📉 4%
Residential Price Performance	23%	1%	📈 3%	📈 4%	📈 5%	📈 4%
Residential Rental Market	11%	14%	📉 13%	📉 9%	📉 7%	📉 10%

Source: Knight Frank Research

New apartments in Brisbane prime regions

■ The lower number of new apartments being built in Brisbane prime regions over the past two years has been driving up the price growth momentum and is holding the price forecast at a sustainable pace.

69%

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

2.9%

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

5.3%

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

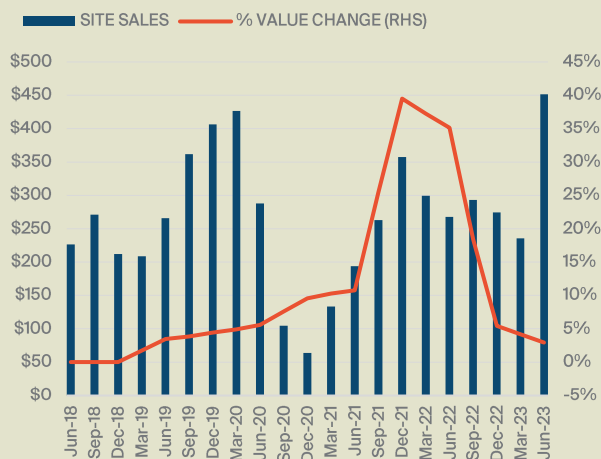
New apartments located in the prime regions are considered to include Inner Brisbane, Inner South and Inner West of Brisbane.

SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$451.8 million in the year to June 2023, 68.7% higher than the year earlier.
- For a raw apartment site in the prime regions, average values ranged from \$65,000/apartment to \$160,000/per apartment in June 2023, with an indicative rate of \$87,500/apartment.
- Site values for apartment developments rose 2.9% over the past year, although no change was recorded in the June 2023 quarter.

Brisbane Prime Site Sales & Values

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



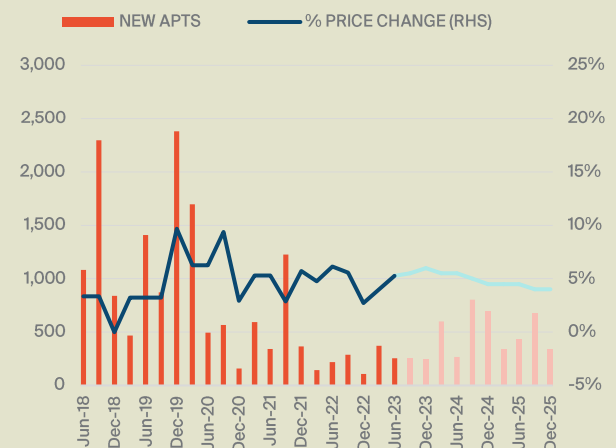
Source: Knight Frank Research

NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- A little over 15,600 new apartments were built in the five years to June 2023. An average 2,800 new apartments were built each year, while this is forecast to average 1,900 in the next 3 years.
- The average price for a new prime luxury apartment ranged from \$16,000 to \$25,000/sqm in June 2023, with an indicative rate of \$20,000/sqm.
- New prime luxury apartment prices rose 2.6% in the June 2023 quarter and were 5.3% higher in the past year. Prices are forecast to change by 6% at the end of 2023, 5% in 2024 and 4% in 2025 according to Knight Frank Research.

Brisbane 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

New apartments in Brisbane inner suburbs

Increased competition for Build-to-Rent (BTR) development sites close to employment hubs in the inner suburbs of Brisbane have pushed up high-density residential site values over the past year.

125%

Brisbane inner suburbs annual change in high-density residential development site sales volume at the end of June 2023

3.4%

The change in Brisbane's inner suburbs high-density development site prices in the year to June 2023

2.8%

Brisbane's inner suburbs annual price change in June 2023 for new apartments

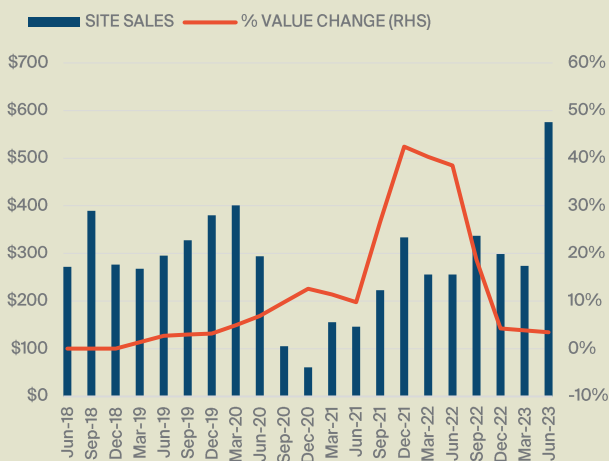
New apartments in the inner suburbs of Brisbane are located within a 5-kilometre radius from the Central Business District.

SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$575.8 million in the year to June 2023, 125% higher than a year ago.
- For a raw apartment site, average values ranged from \$50,000/apartment to \$105,000/per apartment in June 2023, with an indicative rate of \$75,600/apartment.
- Site values for apartment developments rose 3.4% over the past year, although no change was recorded in the June 2023 quarter.

Brisbane Inner Ring Site Sales & Values

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



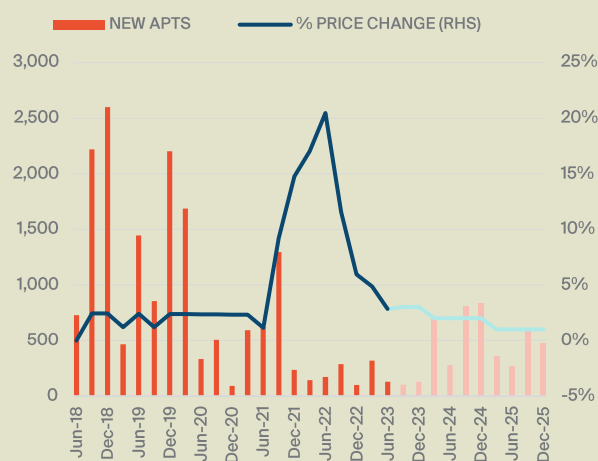
Source: Knight Frank Research

NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Close to 35,500 new apartments were built in the five years to June 2023. An average 6,400 new apartments were built each year, while this is forecast to average 3,200 in the next 3 years.
- The average price for new apartments ranged from \$8,000/sqm to \$16,500/sqm in June 2023, with an indicative rate of \$10,900/sqm.
- New apartment prices rose 0.9% in the June 2023 quarter and were 2.8% higher over the past year.
- Average new apartment prices are forecast to change by 3% at the end of 2023, 2% in 2024 and 1% in 2025 according to Knight Frank Research.

Brisbane Inner Ring Pipeline & Prices

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



Source: Knight Frank Research

New apartments in Brisbane middle suburbs

■ Despite a very slim number of new apartments being built, the middle suburbs of Brisbane have experienced a significant price correction for new apartments since mortgage rates started to rise halfway through 2022.

-76%

Brisbane middle suburbs annual change in high-density residential development site sales volume at the end of June 2023

10.5%

The change in Brisbane's middle suburbs high-density development site prices in the year to June 2023

0%

Brisbane's middle suburbs annual price change in June 2023 for new apartments

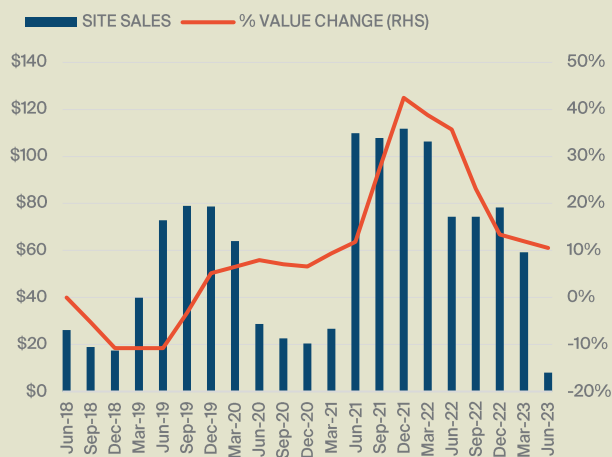
New apartments in the middle suburbs of Brisbane are located between a 5-kilometre and 20-kilometre radius from the Central Business District.

SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$18 million in the year to June 2023, 75.8% lower than the year earlier.
- For a raw apartment site, average values ranged from \$45,000/apartment to \$60,000/per apartment in June 2023, with an indicative rate of \$52,500/apartment.
- Site values for apartment developments rose 10.5% over the past year, although with no change recorded in the June 2023 quarter.

Brisbane Middle Ring Site Sales & Values

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



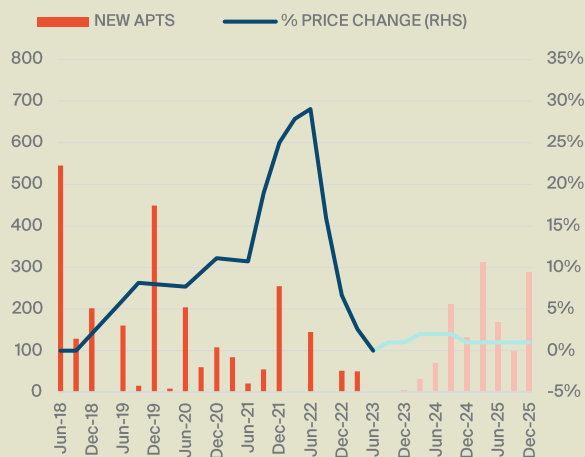
Source: Knight Frank Research

NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Almost 2,550 new apartments were built in the five years to June 2023. An average 400 new apartments were built each year, while this is forecast to average 600 in the next 3 years.
- The average price for a new apartment ranged from \$7,500/sqm to \$9,000/sqm in June 2023, with an indicative rate of \$8,000/sqm.
- New apartment prices were stable in the June 2023 quarter and over the past year.
- Average new apartment prices are forecast to change by 1% at the end of 2023, 1% in 2024 and 1% in 2025 according to Knight Frank Research.

Brisbane Middle Ring Pipeline & Prices

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



Source: Knight Frank Research

New apartments in Brisbane outer suburbs

Recent high-density residential development site sales in the outer suburbs will lead to a modest uptick in new apartments beyond 2025, but until this time, very little new product will be delivered keeping prices elevated.

-45%

Brisbane outer suburbs annual change in high-density residential development site sales volume at the end of June 2023

0%

The change in Brisbane's outer suburbs high-density development site prices in the year to June 2023

10.0%

Brisbane's outer suburbs annual price change in June 2023 for new apartments

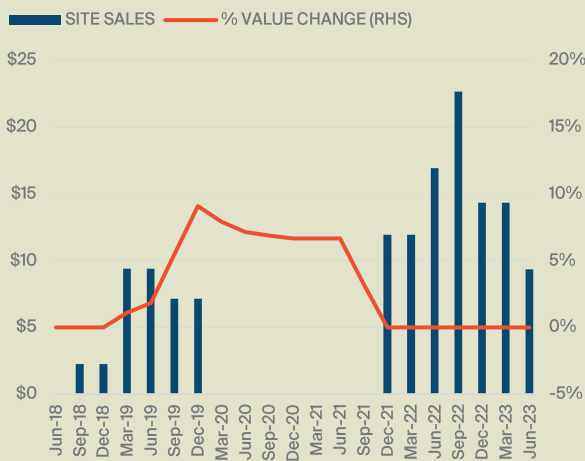
New apartments in the outer suburbs of Brisbane are located outside a 20-kilometre radius from the Central Business District.

SITES: SALES & PRICE PERFORMANCE

- Total volume of high-density residential sites sold was \$9.4 million in the year to June 2023, 44.8% lower than a year ago.
- For a raw apartment site, average values ranged from \$30,000/apartment to \$37,500/per apartment in June 2023, with an indicative rate of \$32,000/apartment.
- Site values for apartment developments remained stable over the past year, and in the June 2023 quarter.

Brisbane Outer Ring Site Sales & Values

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



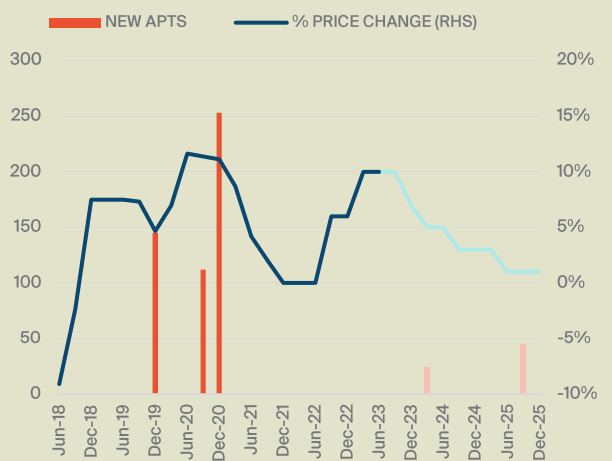
Source: Knight Frank Research

NEW APARTMENTS: PIPELINE & PRICE PERFORMANCE

- Around 510 new apartments were built in the five years to June 2023. An average 125 new apartments were built each year, while this is forecast to average 45 new apartments in the next 3 years.
- The average price for new apartments ranged from \$5,000/sqm to \$6,500/sqm in June 2023, with an indicative rate of \$5,500/sqm.
- New apartment prices were steady in the June 2023 quarter despite 10% higher over the past year.
- Average new apartment prices are forecast to change by 7% at the end of 2023, 3% in 2024 and 1% in 2025 according to Knight Frank Research.

Brisbane Outer Ring Pipeline & Prices

No. of new apartments built or due each quarter & % annual change and forecast of new 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 in Inner Brisbane: 4000, 4005-4011, 4151; Inner South: 4074-4075, 4101, 4105, 4153-4155, 4169-4173, 4178-4179; Inner West: 4051, 4059-4061, 4064-4069.

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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