Residential development site sales tallied $5.1 billion across Australia in the 2018-19 financial year, down 38.2% on the previous year. Over this time, offshore buyers purchased 33.9% of all development sites, by value.

Across Australia, high-density site sales ranged significantly from an indicative $40,000 to $184,200/per apartment in June 2019; with an average of $84,300/per apartment. New apartment prices ranged from an indicative $5,500 to $13,600/sqm at this time; with an average of $8,200/sqm.

By value, the proportion of Australian medium-density development sites sold compared to all sites remained steady at 6.0% in 2018-19.

Almost 47,700 new low-density residential land lots were released across the major Australian capital cities in 2018, down 13.8% on the previous year. The weighted median price for a land lot stood at $320,500 in 2018; an annual increase of 6.8%.

Overview

For most of 2019, land once earmarked for residential development has been challenged by increased demand in alternate asset classes (office, hotels, student living, aged care). In many cases, this has provided relief for developers with overcommitted landbanked sites and some have resorted to packaging off-the-plan bulk apartment sales in suburbs with pockets of oversupply. The strict lending criteria for buyers has now been loosened, but access to traditional finance is still difficult for many local and offshore developers. As a result of lack of construction starts, the pipeline of new apartments tapers back significantly over the next three years, potentially not supporting the population growth projected for major Australian cities.

In recent years, there has been substantially more land released for low-density in growth corridors. There has been an uptick in first home buyers coming through, although many renters are still opting to stay put, in order to live closer to work and play. There has recently been a pick-up in off-market development site activity with flight to quality sites. Many sales are being structured to be settled over 18-24 months, aligning with growth forecast in established capital values.

Site Sales Volume

The total volume of residential site sales was $5.1 billion in the 2018-19 financial year—this included sites suitable for low, medium and high-density development across Australia. Total residential site sales have fallen 38.2% with most states and territories recording similar, or less sales activity over the past year. An exception to this was South Australia (SA) with sale volume up four-fold to $77.6 million in this time.

In the year ending June 2019, New South Wales (NSW) recorded the highest volume with $2.7 billion of residential site sales (down 51% on the previous year), followed by Victoria with $1.9 billion (falling by 21%).

Residential site sales in Queensland totalled $569.95 million (down 25%), followed by Western Australia (WA) with $136.6 million (falling 35%) and the Australian Capital Territory (ACT) with $60.3 million (down 12%). Over this time, Tasmania and the Northern Territory (NT) didn’t record any major sites sales suitable for residential development.

FIGURE 1
National Key Economic Indicators

Source: Knight Frank Research, ABS, RBA

MICHELLE CIESIELSKI
Head of Residential Research
Follow at @MCiesielski_AU

Definitions and geographies are located on page 16.
Developer Nationalities

Offshore developers and investors continue to invest in Australia. In the year ending June 2019, by value, this group purchased approximately 36.9% of sites sold suitable for residential development. This was lower than the 47% share recorded in the previous year, with more local developers buying up sites. China made up 54.6%, by value, of the offshore countries purchasing Australian residential development sites in the 2018-19 financial year. This was followed by Singapore (with 21%), Hong Kong (15.1%) and Malaysia (2.7%).

Greater Melbourne was still the most popular capital city for investment by offshore developers and investors with a 68.2% share of disclosed total residential sites sold in the year ending June 2019, followed by Greater Sydney with 27.3%. Over this time, offshore purchasers across Australia preferred to buy sites suitable for low-density development.

Development Densities

Across the major Australian cities, development sites suitable for high-density continue to be the overall preferred option for development. In the 2018-19 financial year, high-density sites comprised 73.1% of all residential development site sales by volume; the highest proportions recorded in Greater Sydney and Greater Melbourne.

Low-density sites comprised a share of 20.9% in the year ending June 2019, while medium-density sites much suited to the downsizing population and those priced out of the single dwelling market, last recorded a 6.0% share of sites being sold for residential development. The distribution of sales to each type density has remained relatively stable over the past year.

Definitions

The definition of density ranges across Australia. For consistency in reporting, definitions adopted include:

High-density
Projects with more than 25+ apartments and more than four storeys; as defined by Knight Frank Research.

Medium-density
Projects with one and two storeys semi-detached, row or terrace houses; plus flats, units or apartments in a one, two or three storey block; as defined by the Australian Bureau of Statistics (ABS).

Low-density
Single residential allotments ‘land lots’ within the greenfield land market; as defined by UDIA National Land Survey Program.
Collective Site Sales

Sites sold collectively suitable for low, medium and high-density development across Australia made up 20.2% of total disclosed sales in 2018-19.

These collective sales include horizontal sites, with multiple homeowners banding together to form amalgamated residential super-lots; and vertically, with owners of individual apartments, office and industrial suites within a building.

Vertical site sales have been more prevalent in NSW with new legislation for strata properties coming into operation in late 2016—growing from a share of 0.4% in 2014-15, to 18.1% in 2018-19 of total site sales suitable for high-density.

This reform provides owners of NSW freehold strata lots with an alternative way to end their strata scheme. This can be done by agreeing to a plan allowing for the collective sale, or redevelopment, of their strata complex in circumstances where at least 75% of owners agree.

A similar strata reform is proposed for Western Australia (WA), with the Strata Titles Amendment Bill 2018 currently with the Standing Committee on Legislation for review. In WA, although coming off a lower base, 12.7% of potential high-density sites were sold vertically in a collective manner in 2018-19. By comparison, without any planned legislation reform, Victoria and Queensland recorded vertical sales share of 7.1% and 3.8% respectively.

AUSTRALIAN HIGH-DENSITY DEVELOPMENT

Site Sale Values

The average value for a high-density site across Australia was $84,300/per apartment (excluding the CBDs across the cities)—down 5.3% in the year ending June 2019. At this time, site values ranged from an indicative $40,000/per apartment in Greater Adelaide, to an indicative $184,200/per apartment in Greater Sydney. Greater Melbourne achieved an indicative rate of $120,400/per apartment while Greater Perth and Greater Brisbane recorded $50,200 and $40,100/per apartment respectively. Outside the major capital cities, Canberra recorded the highest indicative value at $92,500/per apartment for high-density sites, followed by Greater Hobart with $89,000/per apartment, the Gold Coast LGA ($71,700/per apartment) and Greater Darwin ($58,000/per apartment).

New Apartment Values

The price of a standard new apartment can range widely across Australian cities with the average value being $8,200/sqm at the end of June 2019. Starting from an indicative $5,500/sqm in Greater Darwin, to $9,800/sqm in Greater Melbourne; through to an indicative $13,600/sqm in Greater Sydney. The other cities indicative rates stretched between $7,000/sqm (Greater Adelaide) and $7,800/sqm (Gold Coast and Canberra). These being Greater Brisbane and Greater Hobart ($7,400/sqm) and Greater Perth ($7,700/sqm).
AUSTRALIAN MEDIUM-DENSITY DEVELOPMENT

Over the 2018-19 financial year, the volume of building approvals for medium-density development (semi-detached/terrace/townhouses and 1-3 storey apartments) and sites for medium-density development trended down across the major states of Australia.

Victoria recorded the highest number of building approvals for semi-detached/terrace/townhouses (10,950) in the year ending June 2019, although NSW saw the highest number of building approvals for 1-3 storey apartments (1,150).

Over this time, the highest volume of medium-density site sales was achieved in NSW ($118 million) followed by Queensland ($92 million).

![Figure 6: Medium-Density Building Approvals & Development Site Sales, Major Australian States](image)

All medium-density site sales represented were $2m+ except for NSW & VIC site sales being $5m+.

Source: Knight Frank Research, ABS

AUSTRALIAN LOW-DENSITY DEVELOPMENT

There were 47,670 new residential land lots were released in 2018 across the major metropolitan areas of Australia. This was down 13.8% on the previous year, according to the UDIA State of the Land National Land Survey Program.

The median land lot size was 420 sqm in 2018; 16% smaller than recorded in 2014. Lots ranged from a size of 375 sqm in Greater Perth, to 507 sqm in Canberra. Across Australia, the median price for a single land lot stood at $320,500 in 2018; up 6.8% when compared to 2017. Greater Sydney continued to command the highest lot price of the major capital cities by the end of 2018, at a median of $489,000, whilst Greater Adelaide was the most affordable at $176,000.

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Newly Released Lots (No.)</th>
<th>Annual Net Lot Sales (No.)</th>
<th>Median Lot Size (sqm)</th>
<th>Annual Change in Median Lot Size (%)</th>
<th>Median Lot Price ($)</th>
<th>Annual Change in Median Lot Price (%)</th>
<th>Median Lot Price ($/sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Sydney</td>
<td>7,187</td>
<td>5,708</td>
<td>379</td>
<td>-4.3</td>
<td>489,000</td>
<td>2.7</td>
<td>1,290</td>
</tr>
<tr>
<td>Greater Melbourne</td>
<td>18,466</td>
<td>15,811</td>
<td>400</td>
<td>-1.5</td>
<td>339,000</td>
<td>21.1</td>
<td>848</td>
</tr>
<tr>
<td>South East Queensland</td>
<td>11,148</td>
<td>10,609</td>
<td>433</td>
<td>-3.3</td>
<td>267,000</td>
<td>1.1</td>
<td>618</td>
</tr>
<tr>
<td>Greater Perth (incl. Peel)</td>
<td>6,674</td>
<td>4,811</td>
<td>375</td>
<td>0.0</td>
<td>222,000</td>
<td>-1.8</td>
<td>591</td>
</tr>
<tr>
<td>Greater Adelaide</td>
<td>3,114</td>
<td>2,392</td>
<td>426</td>
<td>-5.3</td>
<td>176,000</td>
<td>5.4</td>
<td>412</td>
</tr>
<tr>
<td>Canberra</td>
<td>1,080</td>
<td>790</td>
<td>507</td>
<td>1.4</td>
<td>462,000</td>
<td>4.8</td>
<td>911</td>
</tr>
<tr>
<td>Total</td>
<td>47,669</td>
<td>420</td>
<td>-0.5</td>
<td>320,500^</td>
<td>8.8</td>
<td>798^</td>
<td></td>
</tr>
</tbody>
</table>

Source: Knight Frank Research, UDIA National Land Survey Program

*^weighted average

Definitions and geographies are located on page 16.
Population in Greater Sydney was estimated at 5.1 million persons in June 2018, with annual population growth of 2.0%. The population projection is forecast at 1.6% per annum until 2041 (ABS).

New South Wales (NSW) economic growth was 3.4% in 2018 with a similar forecast of 3.4% in 2022 (Oxford Economics). Greater Sydney unemployment stood at 4.0% as at August 2019, trending 30 bps lower than a year earlier (ABS).

The value of NSW housing finance commitments fell by 19.6% in the year ending August 2019; down from -7.9% recorded for the previous year (ABS).

Greater Sydney apartment capital values decreased 7.2% over the past year ending June 2019, down 0.4% in the last quarter to a median of $688,500. The average apartment was on the market for 92 days in June 2019, up from 63 days one year earlier. The volume of sales tallied 22,029 apartments (down 31.8%) in the year ending June 2019 (APM).

In the inner suburbs of Sydney, the range of development site values extended from $175,000 to $600,000/per apartment with an indicative rate of $353,300/per apartment in June 2019. At this time, middle suburbs ranged from $125,000 to $280,000/per apartment, with an indicative rate of $167,000. Site values in the outer suburbs ranged from $40,000 to $180,000/per apartment (indicative of $78,800).

SYDNEY APARTMENTS

Site Sales Volume
The volume of sales for development sites suitable for high-density apartments in Greater Sydney was 50% lower in the year ending June 2019, with a total of $1.97 billion.

Developer Nationalities
Analysing the disclosed purchasers of high-density developments sites by value, resulted with offshore buyers making up 11.1% of the mix in the 2018-19 financial year. The most prominent nationalities of offshore developers were from China (68%) and Singapore (28%).

Site Values
Across Greater Sydney, the average sales rate for high-density residential sites was an indicative $184,200/per apartment at the end of June 2019, excluding CBD sites. This indicative rate has decreased 12% over the past year.

In the inner suburbs of Sydney, the range of development site values extended from $175,000 to $600,000/per apartment with an indicative rate of $353,300/per apartment in June 2019. At this time, middle suburbs ranged from $125,000 to $280,000/per apartment, with an indicative rate of $167,000. Site values in the outer suburbs ranged from $40,000 to $180,000/per apartment (indicative of $78,800).

Apartment Pipeline
In mid-2019, there had been 40,100 new apartments added to Sydney’s housing supply since the start of 2018, with a further 46,700 apartments currently under construction due by the end of 2022. There are a further 11,200 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The inner suburbs saw 14,100 new apartments completed in 2018 and H1 2019 with a further 19,250 under construction and 1,800 being marketed due for completion by the end of 2022. By mid-2019, the middle suburbs saw the number of new apartments grow by 17,350 since January 2018. By the end of 2022, this is forecast to grow by another 18,800 apartments at construction stage, and another 4,750 being marketed. In the outer suburbs, 8,650 new apartments completed in the eighteen months ending June 2019, and by the end of 2022, another 12,250 currently under construction or being marketed.

FIGURE 7
New Apartment Pipeline & Total Residential Vacancy, Greater Sydney
Number of potential apartments each year, includes projects with 4+ storeys with 25+ apartments & % total residential vacancy [RHS], as at 30 Jun 2019

Source: Knight Frank Research, REINSW
Bedroom Split
In Greater Sydney, the distribution of bedrooms in apartments completed since 2015 have been weighted towards 2-bedrooms with 46% of the total share, followed by 1-bedrooms (36%), 3+ bedrooms (10%) and studios (8%).

Currently under construction and due by the end of 2022, there is a trend towards a lesser share of studios (2%) and 1-bedrooms (28%) being built and more 2-bedrooms (57%) and 3+ bedrooms (13%).

Construction Costs
The cost of construction in Greater Sydney increased by an estimated 2.0% in the year ending June 2019. In 2019, it’s estimated the cost to build an apartment to a medium standard (with a balcony) ranges from $2,970/sqm to $3,515/sqm (plus GST), according to Rawlinsons.

New Apartment Values
Prices for new mainstream apartments in Greater Sydney have fallen from an indicative $14,100/sqm in June 2018 to $13,600/sqm in June 2019, to currently range between an average of $5,500 and $27,000/sqm (excludes prime and CBD projects). Prices vary significantly across Greater Sydney; ranging from $14,000 to $27,000/sqm in the inner suburbs (indicative $17,000/sqm) as at June 2019.

New apartments in the middle suburbs of Sydney, were priced at an indicative $10,900/sqm (ranging from $8,000 to $15,000/sqm), whilst in the outer suburbs, an apartment could be purchased for an indicative $7,000/sqm (ranging from $5,500 to $11,000/sqm).

Offshore Buyers
Offshore buyers pay a duty surcharge for NSW apartments. This equates to 8% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.

FIGURE 8
One Year Outlook, 18 Key Development Drivers, Greater Sydney

| Population growth to exceed annual projection   | LOW | LIKELIHOOD | HIGH |
| Infrastructure project pipeline stronger than past year |     |           |      |
| Employment opportunities grow                  |     |           |      |
| Mortgage lending rates are reduced              |     |           |      |
| Lending to buyers remains responsible, but relaxed |     |           |      |
| Capital growth for apartments exceeds past year performance |     |           |      |
| Number of days on market falls for established apartments |     |           |      |
| Sales volume picks up for established apartments |     |           |      |
| Gross rental yields for apartments strengthen   |     |           |      |
| Weekly rents increase for apartments            |     |           |      |
| Total vacancy to trend lower than market equilibrium of 3 percent |     |           |      |
| New apartment buyer demand outweighs completions |     |           |      |
| Finance for developers remains responsible, but relaxed |     |           |      |
| Planning approval timeframe is reduced          |     |           |      |
| Construction cost annual growth trends lower than inflation |     |           |      |
| Site sales volume for residential development exceeds past year |     |           |      |
| Site values for residential development exceeds past year |     |           |      |
| Offshore developers increase investment in residential sites |     |           |      |

Source: Knight Frank Research

Definitions and geographies are located on page 16.
Population in Greater Melbourne was estimated at 4.8 million persons in June 2018, with annual population growth of 2.7%. The population projection is forecast at 1.9% per annum until 2041 (ABS).

Victoria economic growth was 4.6% in 2018 with a forecast of 3.5% in 2022 (Oxford Economics). Greater Melbourne unemployment stood at 5.2% as at August 2019, trending 30 bps higher than a year earlier (ABS).

Population in Greater Melbourne was estimated at 4.8 million persons in June 2018, with annual population growth of 2.7%. The population projection is forecast at 1.9% per annum until 2041 (ABS).

The value of Victorian housing finance commitments fell by 16.9% in the year ending August 2019; down from 2.5% recorded for the previous year (ABS).

Greater Melbourne apartment capital values decreased 0.7% over the past year ending June 2019, but rose 2.0% in the last quarter to a median of $501,000. The average apartment was on the market for 81 days in June 2019, up from 74 days one year earlier. The volume of sales tallied 13,622 apartments (down 36.6%) in the year ending June 2019 (APM).

Apartment gross rental yields remained steady at 4.60% for the June 2019 quarter. Median rents stood at $420 per week, increasing 2.4% over the year ending June 2019 (APM).

Total vacancy was 2.2% in Greater Melbourne, as at June 2019; recording 1.9% in the Inner Suburbs (0-10km from the CBD), 3.4% in the Middle Suburbs (10-25km) and 1.7% in the Outer Suburbs (25km+) (REIV).

**Site Values**

The average sales rate for Greater Melbourne high-density residential sites was an indicative $120,400/per apartment at the end of June 2019, excluding CBD sites. This indicative rate has decreased 5.1% over the past year. The range of development site values extended from $50,000 to $225,000/per apartment in Melbourne’s inner suburbs with an indicative rate of $139,400/per apartment in June 2019. At this time, middle suburbs ranged from $70,000 to $193,300/per apartment, with an indicative rate of $90,000. Site values in the outer suburbs ranged from $25,000 to $50,000/per apartment (indicative of $40,000).

**Apartment Pipeline**

By mid-2019, there had been 20,050 new apartments added to Melbourne’s housing supply since the start of 2018, with a further 36,550 apartments currently under construction due by the end of 2022. There are a further 15,700 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The inner suburbs saw 14,950 new apartments completed in 2018 and H1 2019 with a further 29,800 under construction and 11,050 being marketed due for completion by the end of 2022. In mid-2019, the middle suburbs saw the number of new apartments grow by 6,250 apartments at construction stage, and another 3,200 being marketed. In the outer suburbs, 1,050 new apartments completed in the eighteen months ending June 2019 and by the end of 2022, another 1,900 currently under construction or being marketed.

**New Apartment Pipeline & Total Residential Vacancy, Greater Melbourne**

Number of potential apartments each year, includes projects with 4+ storeys with 25+ apartments & % total residential vacancy [RHS], as at 30 Jun 2019

![Graph of New Apartment Pipeline & Total Residential Vacancy, Greater Melbourne](image)

**Site Sales Volume**

In the year ending June 2019, the volume of sales for development sites suitable for high-density apartments in Greater Melbourne was 1.6% higher, with a total of $1.37 billion.

**Developer Nationalities**

Analysing the disclosed purchasers of high-density developments sites, by value, resulted with offshore buyers making up 41.8% of the mix in the 2018-19 financial year. The most prominent nationalities of offshore developers were from Hong Kong (57%), China (19%) and Malaysia (15%).

**Site Values**

The average sales rate for Greater Melbourne high-density residential sites was an indicative $120,400/per apartment at the end of June 2019, excluding CBD sites. This indicative rate has decreased 5.1% over the past year. The range of development site values extended from $50,000 to $225,000/per apartment in Melbourne’s inner suburbs with an indicative rate of $139,400/per apartment in June 2019. At this time, middle suburbs ranged from $70,000 to $193,300/per apartment, with an indicative rate of $90,000. Site values in the outer suburbs ranged from $25,000 to $50,000/per apartment (indicative of $40,000).

**Apartment Pipeline**

By mid-2019, there had been 20,050 new apartments added to Melbourne’s housing supply since the start of 2018, with a further 36,550 apartments currently under construction due by the end of 2022. There are a further 15,700 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The inner suburbs saw 14,950 new apartments completed in 2018 and H1 2019 with a further 29,800 under construction and 11,050 being marketed due for completion by the end of 2022. In mid-2019, the middle suburbs saw the number of new apartments grow by 6,250 apartments at construction stage, and another 3,200 being marketed. In the outer suburbs, 1,050 new apartments completed in the eighteen months ending June 2019 and by the end of 2022, another 1,900 currently under construction or being marketed.

**Site Sales Volume**

In the year ending June 2019, the volume of sales for development sites suitable for high-density apartments in Greater Melbourne was 1.6% higher, with a total of $1.37 billion.

**Developer Nationalities**

Analysing the disclosed purchasers of high-density developments sites, by value, resulted with offshore buyers making up 41.8% of the mix in the 2018-19 financial year. The most prominent nationalities of offshore developers were from Hong Kong (57%), China (19%) and Malaysia (15%).

**Site Values**

The average sales rate for Greater Melbourne high-density residential sites was an indicative $120,400/per apartment at the end of June 2019, excluding CBD sites. This indicative rate has decreased 5.1% over the past year. The range of development site values extended from $50,000 to $225,000/per apartment in Melbourne’s inner suburbs with an indicative rate of $139,400/per apartment in June 2019. At this time, middle suburbs ranged from $70,000 to $193,300/per apartment, with an indicative rate of $90,000. Site values in the outer suburbs ranged from $25,000 to $50,000/per apartment (indicative of $40,000).

**Apartment Pipeline**

By mid-2019, there had been 20,050 new apartments added to Melbourne’s housing supply since the start of 2018, with a further 36,550 apartments currently under construction due by the end of 2022. There are a further 15,700 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The inner suburbs saw 14,950 new apartments completed in 2018 and H1 2019 with a further 29,800 under construction and 11,050 being marketed due for completion by the end of 2022. In mid-2019, the middle suburbs saw the number of new apartments grow by 6,250 apartments at construction stage, and another 3,200 being marketed. In the outer suburbs, 1,050 new apartments completed in the eighteen months ending June 2019 and by the end of 2022, another 1,900 currently under construction or being marketed.

**Site Values**

The average sales rate for Greater Melbourne high-density residential sites was an indicative $120,400/per apartment at the end of June 2019, excluding CBD sites. This indicative rate has decreased 5.1% over the past year. The range of development site values extended from $50,000 to $225,000/per apartment in Melbourne’s inner suburbs with an indicative rate of $139,400/per apartment in June 2019. At this time, middle suburbs ranged from $70,000 to $193,300/per apartment, with an indicative rate of $90,000. Site values in the outer suburbs ranged from $25,000 to $50,000/per apartment (indicative of $40,000).

**Apartment Pipeline**

By mid-2019, there had been 20,050 new apartments added to Melbourne’s housing supply since the start of 2018, with a further 36,550 apartments currently under construction due by the end of 2022. There are a further 15,700 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The inner suburbs saw 14,950 new apartments completed in 2018 and H1 2019 with a further 29,800 under construction and 11,050 being marketed due for completion by the end of 2022. In mid-2019, the middle suburbs saw the number of new apartments grow by 6,250 apartments at construction stage, and another 3,200 being marketed. In the outer suburbs, 1,050 new apartments completed in the eighteen months ending June 2019 and by the end of 2022, another 1,900 currently under construction or being marketed.

**New Apartment Pipeline & Total Residential Vacancy, Greater Melbourne**

Number of potential apartments each year, includes projects with 4+ storeys with 25+ apartments & % total residential vacancy [RHS], as at 30 Jun 2019

![Graph of New Apartment Pipeline & Total Residential Vacancy, Greater Melbourne](image)

Source: Knight Frank Research, REIV

Definitions and geographies are located on page 16.
Bedroom Split
The distribution of bedrooms in Greater Melbourne apartments completed since 2015 have been weighted towards 1-bedrooms with 40% of the total share, followed by 2-bedrooms (39%), 3+ bedrooms (18%) and studios (2%). Currently under construction and due by the end of 2022, there is a trend towards a lesser share of 1-bedrooms (35%) and 3+ bedrooms (17%) being built, and more 2-bedrooms (41%) and studios (7%).

New Apartment Values
Greater Melbourne new mainstream apartment prices have increased from an indicative $9,700/sqm in June 2018 to $9,800/sqm in June 2019, to currently range between an average of $6,500 and $15,000/sqm (excludes prime and CBD projects).

Prices across Greater Melbourne range from $8,300 to $14,500/sqm in the inner suburbs (indicative $10,000/sqm) as at June 2019.

New apartments in the middle suburbs of Melbourne, were priced similarly given access still possible to Port Phillip Bay, at an indicative $10,000/sqm (ranging from $8,000 to $15,000/sqm), whilst in the outer suburbs, an apartment could be purchased for an indicative $7,500/sqm (ranging from $6,500 to $8,000/sqm).

Offshore Buyers
Offshore buyers pay a duty surcharge for apartments in Victoria. This equates to 7% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.

Population growth to exceed annual projection
Infrastructure project pipeline stronger than past year
Employment opportunities grow
Mortgage lending rates remain responsible, but relaxed
Lending to buyers remains responsible, but relaxed
Capital growth for apartments exceeds past year performance
Number of days on market falls for established apartments
Sales volume picks up for established apartments
Gross rental yields for apartments strengthen
Weekly rents increase for apartments
Total vacancy to trend lower than market equilibrium of 3 percent
New apartment buyer demand outweighs completions
Finance for developers remains responsible, but relaxed
Planning approval timeframe is reduced
Construction cost annual growth trends lower than inflation
Site sales volume for residential development exceeds past year
Site values for residential development exceeds past year
Offshore developers increase investment in residential sites

Source: Knight Frank Research

Definitions and geographies are located on page 15.
Population in Greater Brisbane was estimated at 2.4 million persons in June 2018, with annual population growth of 2.0%. The population projection is forecast at 1.7% per annum until 2041 (ABS).

Queensland economic growth was 3.6% in 2018 with a forecast of 4.0% in 2022 (Oxford Economics). Greater Brisbane unemployment stood at 6.1% as at August 2019, trending 40 bps lower than a year earlier (ABS).

The value of Queensland housing finance commitments fell by 13.3% in the year ending August 2019; down from –7.0% recorded for the previous year (ABS).

Greater Brisbane apartment capital values decreased 8.9% over the past year ending June 2019, down 3.1% in the last quarter to a median of $368,500. The average apartment was on the market for 130 days in June 2019, up from 126 days one year earlier. The volume of sales tallied 9,541 apartments (down 29.6%) in the year ending June 2019 (APM).

Site Values

Across Greater Brisbane, the average sales rate for high-density residential sites was an indicative $40,100/per apartment at the end of June 2019, excluding CBD sites. This has decreased 0.5% compared to one year earlier.

In Brisbane’s inner suburbs, the range of site values extended from $32,500 to $75,000/per apartment with an indicative rate of $44,400/per apartment in June 2019. At this time, middle suburbs recorded $20,000 to $32,500/per apartment, with an indicative rate of $29,000. Site values in the outer suburbs ranged from $25,000 to $32,500/per apartment (indicative of $27,500/per apartment).

Developer Nationalities

Analysing the disclosed purchasers of high-density development sites by value, resulted with offshore buyers making up 18% of the mix in the 2018-19 year. The most prominent nationalities of offshore developers were from China (78.8%) and Singapore (9.2%).

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 30 Jun 2019

Source: Knight Frank Research, REIQ
Bedroom Split
In Greater Brisbane, the distribution of bedrooms in apartments completed since 2015 have been weighted towards 1-bedrooms with 40% of the total share, followed by 2-bedrooms (39%), 3+ bedrooms (11%) and studios (10%).

Currently under construction and due by the end of 2022, there is a trend towards a lesser share of studios (5%) and 1-bedrooms (34%) being built and more 2-bedrooms (39%) and 3+ bedrooms (22%).

Construction Costs
The cost of construction in Greater Brisbane increased by an estimated 3.5% in the year ending June 2019. In 2019, it’s estimated the cost to build an apartment to a medium standard (with a balcony) ranges from $2,910/sqm to $3,480/sqm (plus GST), according to Rawlinsons.

New Apartment Values
Prices for new mainstream apartments in Greater Brisbane have increased from an indicative $7,300/sqm in June 2018 to $7,400/sqm in June 2019, to currently range between an average of $3,900 and $9,400/sqm (excludes prime and CBD projects). Greater Brisbane prices range from $6,400 to $9,400/sqm in the inner suburbs (indicative $8,400/sqm) as at June 2019. New apartments in the middle suburbs of Brisbane, were priced at an indicative $4,900/sqm (ranging from $4,800 to $5,200/sqm), whilst in the outer suburbs, an apartment could be purchased for an indicative $4,000/sqm (ranging from $3,900 to $5,050/sqm).

Offshore Buyers
Offshore buyers pay a duty surcharge for Queensland apartments. This equates to 7% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.

FIGURE 12
One Year Outlook, 18 Key Development Drivers, Greater Brisbane

<table>
<thead>
<tr>
<th>Driver</th>
<th>LOW</th>
<th>LIKELIHOOD</th>
<th>HIGH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to exceed annual projection</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure project pipeline stronger</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>than past year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment opportunities grow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage lending rates are reduced</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lending to buyers remains responsible, but</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>relaxed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital growth for apartments exceeds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>past year performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of days on market falls for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>established apartments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales volume picks up for established</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>apartments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross rental yields for apartments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strengthen</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly rents increase for apartments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total vacancy to trend lower than</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>market equilibrium of 3 percent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New apartment buyer demand</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>outweighs completions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance for developers remains responsible</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>but relaxed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning approval timeframe is reduced</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction cost annual growth trends</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>lower than inflation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site sales volume for residential</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>development exceeds past year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site values for residential development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>exceeds past year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offshore developers increase investment in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>residential sites</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Knight Frank Research

Definitions and geographies are located on page 16.
Population in Greater Perth was estimated at 2.1 million persons in June 2018, with annual population growth of 1.0%. The population projection is forecast at 1.6% per annum until 2041 (ABS).

Western Australia (WA) economic growth was 0.9% in 2018 although with a forecast of 4.5% in 2022 (Oxford Economics). Greater Perth unemployment stood at 5.8% as at August 2019, 50 bps lower than a year earlier (ABS).

The value of WA housing finance commitments fell by 13.2% in the year ending August 2019; down from –10.3% recorded for the previous year (ABS).

Greater Perth apartment capital values decreased 7.7% over the past year ending June 2019, down 1.6% in the last quarter to a median of $343,000. The average apartment was on the market for 146 days in June 2019, up from 131 days one year earlier. The volume of sales tallied 2,656 apartments (down 26.5%) in the year ending June 2019 (APM).

Apartment gross rental yields rose 20 bps to 5.10% for the June 2019 quarter. Median rents stood at $310 per week, rising 3.3% over the year ending June 2019 (APM).

Total vacancy was 2.9% in Greater Perth, as at June 2019; falling from 5.0% recorded one year earlier (REIWA).

**PERTH APARTMENTS**

**Site Sales Volume**

The volume of sales for development sites suitable for high-density apartments in Greater Perth was 1.3% lower in the year ending June 2019, with a total of $60.6 million.

**Developer Nationalities**

Analysing the disclosed purchasers of high-density developments sites by value, resulted with offshore buyers making up 19.9% of the mix over the two years ending June 2019. The most prominent nationality of offshore developers were from Malaysia (68.5%).

**Site Values**

The average sales rate for Greater Perth high-density residential sites was an indicative $50,200/per apartment at the end of June 2019, excluding CBD sites. This indicative rate has decreased 0.2% over the past year.

The range of development site values extended from $45,000 to $95,000/per apartment in Perth’s inner suburbs with an indicative rate of $60,100/per apartment in June 2019. At this time, middle suburbs recorded $15,000 to $75,000/per apartment, with an indicative rate of $46,700. Site values in the outer suburbs ranged from $10,500 to $28,000/per apartment (indicative of $20,800/per apartment).

**Apartment Pipeline**

By mid-2019, there had been 3,100 new apartments added to Perth’s housing supply since the start of 2018, with a further 2,025 apartments currently under construction due by the end of 2022. There are a further 3,800 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The inner suburbs saw 2,430 apartments completed in 2018 and H1 2019 with a further 1,170 under construction and another 1,400 being sold off-the-plan. In the outer suburbs, 200 apartments completed in the eighteen months ending June 2019 and by the end of 2022, another 590 currently under construction or being marketed.

**FIGURE 13**

**New Apartment Pipeline & Total Residential Vacancy, Greater Perth**

Number of potential apartments each year, includes projects with 4+ storeys with 25+ apartments & % total residential vacancy [RHS], as at 30 Jun 2019

Source: Knight Frank Research, REIWA
Bedroom Split

The distribution of bedrooms in Greater Perth apartments completed since 2015 have been weighted towards 2-bedrooms with 52% of the total share, followed by 1-bedrooms (35%), 3+ bedrooms (12%) and studios (1%).

Under construction and due by the end of 2022, there has been a trend towards a lesser share of 3+ bedrooms (11%) and studios (0%) being built and more 1-bedrooms (37%) and similar share of 2-bedrooms (52%).

Construction Costs

The cost of construction in Greater Perth increased by an estimated 1.5% in the year ending June 2019. In 2019, it’s estimated the cost to build an apartment to a medium standard (with a balcony) ranges from $3,080/sqm to $3,655/sqm (plus GST), according to Rawlinsons.

New Apartment Values

Greater Perth new mainstream apartments have remained steady over the year ending June 2019 at an indicative $7,700/sqm, currently ranging between an average of $5,900 and $11,300/sqm (excludes prime and CBD projects).

Prices range from $6,000 to $11,300/sqm in the inner suburbs (indicative $8,300/sqm) as at June 2019. New apartments in the middle suburbs, were priced at an indicative $7,200/sqm (ranging from $6,300 to $8,900/sqm), whilst in the outer suburbs, an apartment could be purchased for an indicative $6,100/sqm (ranging from $5,900 to $6,400/sqm).

Offshore Buyers

Offshore buyers pay a duty surcharge for Western Australian apartments. This equates to 7% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.
High-density development sites located in the Gold Coast suburban area achieved closer to an indicative of $42,500/per apartment; a range from $20,000 to $50,000/per apartment.

**Developer Nationalities**

Analysing the disclosed purchasers of high-density developments sites, resulted with offshore buyers making up 73.5% of the mix over the two years ending June 2019, by value. China was the most prominent nationality of offshore developers, represented in every offshore sale.

**Site Values**

The average sales rate for a high-density residential site in the Gold Coast LGA was an indicative $71,700/per apartment at the end of June 2019. This indicative rate has remained steady over the past year.

The range of development site values extended from $70,000 to $175,000/per apartment for a site with a beachfront or was beachside along the light rail spine, with an indicative rate of $130,000/per apartment in June 2019.

**Site Sales Volume**

In the year ending June 2019, the volume of sales for development sites suitable for high-density apartments in the Gold Coast LGA was 81.3% lower, with a total of $54.8 million.

**Apartment Pipeline**

By mid-2019, there had been 3,900 new apartments added to the Gold Coast LGA’s housing supply since the start of 2018, with a further 3,300 apartments currently under construction due by the end of 2022.

There are a further 1,905 apartments with DA approval currently being marketed, also forecast to be delivered within this timeframe.

The suburbs along the light rail spine saw 1,750 new apartments completed in 2018 and H1 2019 with a further 2,250 under construction and 1,350 being marketed due for completion by the end of 2022.

In mid-2019, the remainder suburbs in the Gold Coast LGA saw the number of new apartments grow by 2,125 since January 2018. By the end of 2022, this is forecast to grow by another 1,025 apartments at construction stage and another 550 being marketed.

**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 30 Jun 2019

**Population** in the Gold Coast LGA was estimated at 576,900 persons in June 2018, with annual population growth of 2.4%. The population projection is forecast at 2.1% per annum until 2041 (ABS).

Queensland economic growth was 3.6% in 2018 with forecast of 4.0% in 2022 (Oxford Economics). Gold Coast LGA unemployment stood at 4.7% as at March 2019, trending 10 bps higher than a year earlier (ABS).

The value of Queensland housing finance commitments fell by 13.3% in the year ending August 2019; down from –7.0% recorded for the previous year (ABS).

Gold Coast LGA apartment capital values remained stable over the past year ending June 2019, although down 0.7% in the last quarter to a median of $427,000. The average apartment was on the market for 134 days in June 2019, up from 100 days one year earlier. The volume of sales tallied 6,833 apartments (down 19.6%) in the year ending June 2019 (APM).

Apartment gross rental yields rose 4 bps to 5.90% for the June 2019 quarter. Median rents were $430 per week, remaining stable over the year ending June 2019 (APM).

Total vacancy was 2.8% in the Gold Coast LGA, as at June 2019. This was up from 2.0% one year earlier (REIQ).

**FIGURE 15**

New Apartment Pipeline & Total Residential Vacancy, Gold Coast LGA

Definitions and geographies are located on page 16.
Bedroom Split

In the Gold Coast LGA, the distribution of bedrooms in apartments completed since 2015 have been weighted towards 2-bedrooms with 49% of the total share, followed by 1-bedrooms (32%), 3+ bedrooms (15%) and studios (4%).

Currently under construction and due by the end of 2022, there is a trend towards a lesser share of 1-bedrooms (27%) and studios (0%) being built and more 2-bedrooms (51%) and 3+ bedrooms (22%).

Construction Costs

Drawing comparison to the closest capital city, the cost of construction in Greater Brisbane increased by an estimated 3.5% in the year ending June 2019. In 2019, it’s estimated the cost to build an apartment to a medium standard (with a balcony) ranges from $2,910/sqm to $3,480/sqm (plus GST), according to Rawlinsons.

New Apartment Values

Gold Coast new mainstream apartment prices have increased from an indicative $7,600/sqm in June 2018 to $7,800/sqm in June 2019, to currently range between an average of $5,200 and $15,000/sqm (excludes prime and CBD projects).

Gold Coast new apartment prices ranged from $9,000 to $15,000/sqm along the beachfront; with an indicative of $13,000/sqm in June 2019. 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/or beach walk had a wider range from $6,500 to $11,000/sqm (indicative of $8,000/sqm).

Offshore Buyers

Offshore buyers pay a duty surcharge for Queensland apartments. This equates to 7% of the purchase price, in addition to standard state-based stamp duties and FIRB application fees.

FIGURE 16
One Year Outlook, 18 Key Development Drivers, Gold Coast LGA

<table>
<thead>
<tr>
<th>Driver</th>
<th>LOW</th>
<th>LIKELIHOOD</th>
<th>HIGH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population growth</td>
<td>to exceed annual projection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure project pipeline stronger than past year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment opportunities grow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage lending rates</td>
<td>are reduced</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lending to buyers</td>
<td>remains responsible, but relaxed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital growth</td>
<td>for apartments exceeds past year performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of days on market</td>
<td>falls for established apartments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales volume</td>
<td>picks up for established apartments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross rental yields</td>
<td>for apartments strengthen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly rents</td>
<td>increase for apartments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total vacancy</td>
<td>to trend lower than market equilibrium of 3 percent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New apartment buyer demand</td>
<td>outweighs completions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance for developers</td>
<td>remains responsible, but relaxed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning approval</td>
<td>timeframe is reduced</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction cost</td>
<td>annual growth trends lower than inflation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site sales volume</td>
<td>for residential development exceeds past year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site values</td>
<td>for residential development exceeds past year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offshore developers</td>
<td>increase investment in residential sites</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Knight Frank Research
Definitions
The definition of density ranges across Australia. For consistency in reporting, definitions adopted include:
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.
Medium-density covers projects with one and two storeys semi-detached, row or terrace houses; plus flats, units or apartments in a one, two or three storey block; as defined by the Australian Bureau of Statistics (ABS).
Low-density covers single residential allotments ‘land lots’ within the greenfield land market; as defined by UDA National Land Survey Program.
Collective site sales have the potential for residential development and include more than one vendor coming together to form a group in order to sell their property, in one line, to a purchaser. This includes properties with Strata title (and with potential to meet requirements for Strata subdivision), Torrens title, Community title or state equivalent. Vertical examples include the sale of an entire complex with two or more levels, comprising multiple owners of residential, office or industrial suites with the intention for redevelopment. Vertical examples include the sale of an entire complex with two or more levels, comprising multiple owners of residential, office or industrial suites with the intention for redevelopment.

Geographies
Sydney draws a radius from the Sydney CBD; Inner Suburbs are located within 10km, Middle Suburbs are within a 10 -25km ring and Outer Suburbs are located beyond 25km but within the Greater Sydney boundary. Melbourne draws a radius from the Melbourne CBD; Inner Suburbs are located within 10km, Middle Suburbs are within a 10 -25km ring and Outer Suburbs are located beyond 25km but within the Greater Melbourne boundary. Brisbane draws a radius from the Brisbane CBD; Inner Suburbs are located within 10km, Middle Suburbs are within a 5 -20km ring and Outer Suburbs are located beyond 20km but within the Greater Brisbane boundary. Perth cover the Inner Suburbs being within the LGAs of Perth, South Perth, Victoria Park, Vincent, Subiaco, Cambridge, Nedlands, Claremont, Cottesloe, Peppermint Grove, Mosman Park, Fremantle and East Fremantle. Middle Suburbs are within the LGAs of Stirling, Bayswater, Bassendean, Belmont, Canning and Melville. Outer Suburbs are those remaining but located within the Greater Perth boundary.
Gold Coast Development Sites cover 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.
Gold Coast New Apartments cover Beachfront from Main Beach to Burleigh Heads. Riverfront from Southport to Burleigh Waters. Ocean View/Beach Walk from Main Beach to Burleigh Heads; both sides of Gold Coast Highway. Gold Coast Suburban are all remaining areas within the LGA boundary.

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

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

RECENT MARKET-LEADING RESEARCH PUBLICATIONS

Insights on Co-living: An Asia-Pacific Perspective 2019
Australian Prime Residential Review 2019
Australian Residential Review Q3 2019
Chinese Developers in Australia 2019

arin Frank Research Reports are available at KnightFrank.com.au/Research

Important Notice
© Knight Frank Australia Pty Ltd 2019 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank Australia Pty Ltd for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank Australia Pty Ltd in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank Australia Pty Ltd to the form and content within which it appears.