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Brisbane

Place.  Advisory

Apartment.



BRISBANE
RESIDENTIAL
PROPERTY
MARKET
OVERVIEW

In this edition of **Apartment**, we examine how demographics and a range of challenges are actively influencing Brisbane's apartment market. We also offer our projections for 2024.

Apartment Trends.

There were 2,300 apartment sales across inner Brisbane over the past quarter.

This is up some 30% since the market trough late last year.

Higher interest rates have not had much negative impact, yet rising local population growth has helped fuel demand.

Most new apartments across inner Brisbane are now priced over \$750,000. Resales in older apartment blocks have a cheaper price profile.

We have counted 76 major apartment projects currently active across inner Brisbane.

Excluding 'Build to Rent' and student accommodation projects, there are just over 12,000 new apartments on the inner-city horizon.

Of these 76 new projects, some 12 are 'Build to Rent', totaling 4,350 apartments. This sector is gaining momentum across inner Brisbane.

Next year is shaping up to be another busy one, with some 2,600 new apartments (including BTR) set to be completed and a further 1,200 new apartments likely to be ready to start construction.

Much of this new apartment stock holds two bedrooms (45%) followed by three-bedroom (40%) apartments.

QUARTERLY SETTLED APARTMENT SALES

SEP 20	1,427
DEC 20	1,828
MAR 21	2,099
JUN 21	2,186
SEP 21	2,427
DEC 21	2,298
MAR 22	2,038
JUN 22	1,943
SEP 22	1,788
DEC 22	1,654
MAR 23	1,851
JUN 23	2,134
SEP 23	2,321

Source Domain (Price Finder), Matusik Property Insights.

APARTMENT SALES BY PRICE RANGE

PRICE RANGE	NEW SALES	RESALES
UNDER \$500K	1%	40%
\$500K - \$600K	18%	25%
\$600K - \$750K	32%	8%
\$750K - \$1M	14%	18%
\$1M - \$1.5M	21%	5%
\$1.5M - \$2M	7%	3%
\$2M - \$3M	4%	1%
OVER \$3M	3%	1%
TOTAL	100%	100%

Year ending September 2023. Source Domain (Price Finder), Matusik Property Insights.

APARTMENT SALES BY CONFIGURATION

APARTMENT TYPE	DISTRIBUTION
STUDIO	1%
1 BEDROOM	12%
2 BEDROOMS	45%
3 BEDROOMS	40%
4 BEDROOMS +	2%
TOTAL	100%

Source BCI Australia, Matusik Property Insights.

APARTMENT PROJECTS OVER 50 APARTMENTS, WITH A CHANGE IN DEVELOPMENT STATUS OVER THE PAST 12 MONTHS, ENDING LATE NOVEMBER 2023

STATUS	NO.	%
UNDER CONSTRUCTION	2,486	20%
DEVELOPMENT APPROVAL	4,961	41%
DEVELOPMENT APPLICATION	4,691	39%
TOTAL	12,138	100%

Source BCI Australia, Matusik Property Insights.

BUILD TO RENT APARTMENT PROJECTS OVER 50 APARTMENTS, WITH A CHANGE IN DEVELOPMENT STATUS OVER THE PAST 12 MONTHS, ENDING LATE NOVEMBER 2023.

STATUS	NO.	%
UNDER CONSTRUCTION	1,544	36%
DEVELOPMENT APPROVAL	955	22%
DEVELOPMENT APPLICATION	1,845	42%
TOTAL	4,344	100%

Source BCI Australia, Matusik Property Insights.



The 2032 Brisbane Olympics positive impact on the residential market

In June 2021, it was announced that Brisbane would host the 2032 Olympic Games. It is forecast that the 2032 Olympics will result in a range of positive impacts on the Brisbane economy and residential property market.

As the host city for the Olympics, Brisbane will experience a surge in visitors in the lead-up to and during the event. This process has the potential to drive an increased level of demand for short-term rental properties.

The Olympics is a major international event that attracts media coverage from around the world. Brisbane is likely to receive increased exposure as a result, which could drive strong interest from international property purchasers. An increased level of demand from overseas, especially for high-end property, bodes well for the overall residential market.

Hosting the Olympics will require a significant investment in infrastructure, including transportation, accommodation, and sports facilities. Brisbane is expected to benefit from this investment in the lead-up to the event. The legacy of hosting the Olympic Games is also often felt long after the event has ended. Brisbane is therefore likely to benefit from improved infrastructure, increased tourism, and a higher profile following the 2032 Olympic Games.

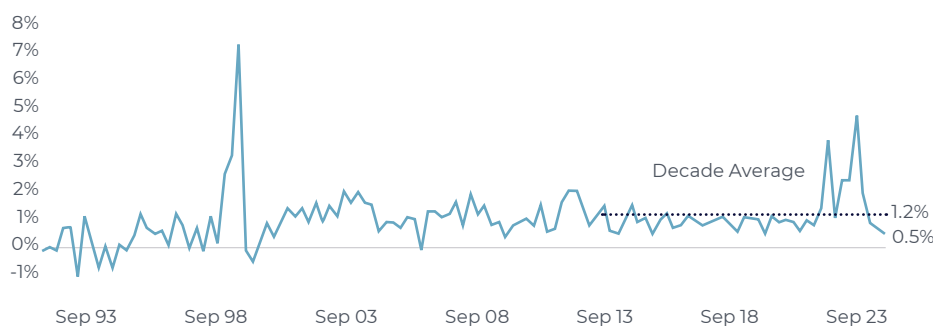
Brisbane's major projects, and investment into infrastructure precincts, set to drive future growth

Major investment into infrastructure projects and various precincts in Brisbane has contributed vastly to the recent economic growth experienced by the region. Many believe Brisbane is currently experiencing a once-in-a-generation infrastructure boom. As this investment is set to continue into the future, it will further contribute to the ongoing growth of the region, of which the residential property market is well positioned to be a major beneficiary.



Current Construction Costs

The Cordell Construction Cost Index (CCCI) rose 0.5% through the September 2023 quarter. The trend in the CCCI suggests growth in construction costs have now normalised.



As per the chart above from Cordells/ CoreLogic, despite the fact that the cost of construction has now stabilised somewhat (albeit still high), it remains a significant challenge to get a new project out of the ground. This is expected to be a hurdle that developers face for longer, especially in Brisbane, as new infrastructure projects in Queensland create ongoing competition for skilled labour.

Construction costs have a significant ability to affect the ultimate feasibility of a project, being the single largest item of expenditure in most residential developments. Increased construction costs, combined with a higher cost of funding and no real backward movement in site values, has ensured that only a very limited number of residential apartment projects remain viable under these current conditions.

In simple terms, projects that have remained viable can pass on the construction cost uplift to the end user. Such projects possess the ability to attain a higher value from the end user given their unique location, quality product offering and primary target market. The most viable primary target market in the current environment appears to be downsizer and rightsizer owner-occupiers.

These target markets have significant equity in their family home and are therefore less impacted by rising interest rates. Furthermore, many of these households have also seen the prices of their existing dwelling increase by up to 30% during COVID-19 alone.

As a result of this, revenues/values for particular types of apartment product, mainly those at the higher end of the value spectrum, with a unique location, and targeted towards owner-occupiers, have already adjusted quickly to reflect this new normal construction cost environment.

What is on an apartment buyers' wish list?

Our research has shown that when owner residents are looking to buy an apartment, their strong preference is for a safe, clean, and well-presented locale which has adequate 'lifestyle' attractions and events to attract their friends and relatives – in other words, local things to do.



When it comes to top-end apartment product, our buyer preference work has found that there are several apartment fundamentals that increase buyer demand. Michael Matusik from Matusik Property Insights offers the following comments:

These include:

Prime position – with long-range views, preferably, that cannot be built out.

Location – as part of, or adjacent to, an active ground plane and within close proximity of (better still a part of) quality open space.

Security – a secure building which offers both visual and acoustic privacy.

Most top-end apartment buyers want to live in a project with other owner residents, rather than share a similar demographic and psychographic shape.

Important top-end apartment project parameters include:

Overall

- Pedigree architect and well-credentialed developer/builder.
- Pet-friendly estate/buildings.
- Well-manicured and private grounds.
- Car wash areas and/or service.
- Adequate visitor parking spaces.

Apartment buildings

- Limited number of apartments per level.
- High lift-to-apartment ratio.
- Cross-ventilated apartments, if possible.
- Impressive foyers (with quality artwork, private meeting space/s and hidden letterboxes).
- Private entertainment space/s per building – rooftop gardens are preferred.
- Video security intercom system in building basements and lobbies.
- Secure basement carparking, each with secondary basement storage for secured provision for bikes and other sports equipment.
- Basement parking with direct lift access to each apartment level.

Apartments

- Private/public zonal segmentation.
- Open-plan living, with seamless integration between internal and private outdoor space/s, including fully folding doors to balconies.
- High perception of space - high ceiling heights/high ratio of glass to walls.
- Doubled-glazed floor-to-ceiling glass windows.
- Galley kitchen with butler enclave/storage and five-plate gas or induction stove, two ovens, and integrated microwave and two-draw door dishwashers.

- Generous separate laundry with ironing area and built-in storage options and room to wash small pets (large tub with bench).
- WC near kitchen/living area.
- Entry foyers, hallway/s, and generous storage throughout the apartment.
- Five-piece ensuites with overhead heat.
- A walk-in robe in each bedroom.
- King-sized master bedroom with own balcony, away from other bedrooms.
- Study room, or private area, with built-in desk and storage/cupboards.
- Fully ducted air-conditioning with zonal control for each main room, including bedrooms.
- Ceiling fans to bedrooms and main balcony.
- Useable sized and proportioned balcony with sliding panels for all-year-round entertaining and without air-conditioning condensers.
- Tiles or timber floors throughout the apartment which meet 5-star acoustic rating, with full wool carpet in bedrooms.
- Individually auto-controlled electronics for lighting etc.
- Plantation blinds.
- High level of finish, fixtures, and fittings and, in particular, the joinery.

In addition, a recent global survey of top-end apartment buyers found they want the following things in a new housing development

- Service provision and amenities.
- Lock-up-and-leave options.
- Brand identity.
- Expressive architecture, building maintenance and management.
- Yield and investment potential.

We expect a continuation of the recent interstate and overseas buyer trends, if not a heightened level of buyer interest from expats and interstate residents who view southeast Queensland, as a 'bolthole' against increasing geopolitical tensions and domestic civil unrest.

When it comes to investors, those with experience like to keep their options open, so their purchase should have strong enough design parameters to appeal to owner residents on resale and/or if they (or a family member) want to occupy the apartment in the future.

There is an increasing investment trend to buy now, rent out and then potentially - when downsizing or retiring - move into that dwelling.

Catering for this buyer, and promoting the product, accordingly, can help enhance a projects success!

Brisbane Inner City Build to Rent Apartments.

The Queensland Government is partnering with the development sector to deliver affordable rental housing through new Build-to-Rent developments.

BUILD-TO-RENT FAST FACTS

Build-to-Rent developments are usually large-scale residential properties specifically designed, built and managed for long-term rental.

Build-to-Rent developments generate long-term rental income for developers, rather than up-front sales or capital growth, targeting the growing renter market seeking secure, long-term rentals.

Build-to-Rent provides an opportunity for government to partner with the private sector to deliver discount-to-market affordable rental homes which can help workers find a home closer to their job.



UNDER CONSTRUCTION

PROJECT	SUBURB	TOTAL APARTMENTS	BUILDING HEIGHT
Story House	Kangaroo Point	75	10
Arklife Cordelia	South Brisbane	265	35
Liv Anura	Newstead	395	27
Brunswick and Co	Fortitude Valley	366	30
Exhibition Quarter	Bowen Hills	443	37
		1,544	36%

DEVELOPMENT APPROVAL

PROJECT	SUBURB	TOTAL APARTMENTS	BUILDING HEIGHT
301-311 Wickham Street	Fortitude Valley	327	33
168 Wickham Street	Fortitude Valley	628	33
		955	22%

DEVELOPMENT APPLICATION

PROJECT	SUBURB	TOTAL APARTMENTS	BUILDING HEIGHT
15 Brereton Street	South Brisbane	320	29
50 Quay Street	Brisbane	454	31
Icon Milton	Milton	349	28
58-60 High Street	Toowong	326	29
Winn Street	Fortitude Valley	396	28
Total/market share		1,845	42%
TOTAL/MARKET SHARE		4,344	100%

Build to Rent apartment projects over 50 apartments, with a change in development status over past 12 months, ending late November 2023. Excludes deferred and abandoned projects plus development sites for sale. Building height includes basements. Source BCI Australia + Place Advisory, Matusik Property Insights.

Brisbane Inner City New Apartment Projects.



UNDER CONSTRUCTION

#	PROJECT	SUBURB	TOTAL APARTMENTS	BUILDING HEIGHT
1	Lugano Residences	West End	88	7
2	Alouette Residences	Newstead	57	7
3	Ascot Aurora	Ascot	230	3
4	Trellis Apartments	South Brisbane	110	13
5	Newstead Park Apartments	Albion	104	9
6	Bide Newstead (West Tower) - Stage 2	Newstead	89	14
7	232 Junction Road	Clayfield	55	4
8	Akin Residences	South Brisbane	187	30
9	Quay Waterfront	Newstead	278	25
10	Rivello - Portside East - Building 17	Hamilton	150	21
11	Brickworks Park - Precinct 1	Alderley	158	6
12	One Earle Lane	Toowong	94	8
13	Allere - Towers 4 + 5A	West End	205	20
14	The Prescott	Toowong	101	14
15	The Manning	Milton	113	21
16	Isle - Sky Precinct - Stage 2	Newstead	163	8
17	Skye	Kangaroo Point	69	15
18	33 Manning	Milton	113	21
19	Ascot Green - Buildings C + D	Ascot	256	17
			2,620	21%

DEVELOPMENT APPROVAL

#	PROJECT	SUBURB	TOTAL APARTMENTS	BUILDING HEIGHT
20	66 Hope Street	South Brisbane	128	20
21	240 Margaret Street	Brisbane	930	31
22	The Lanes and Montague Markets	West End	530	16
23	Casamia	West End	135	14
24	Trilogy	Kangaroo Point	525	30
25	Bankside	West End	96	10
26	Euroa	Albion	76	9
27	Callista on Park	West End	74	15
28	167-185 Wharf Street	Spring Hill	125	30
29	10-12 Cordelia Street	South Brisbane	256	30
30	Murcia Residences	East Brisbane	240	27
31	44-100 Barry Parade	Fortitude Valley	492	37
32	River Reach	West End	982	15
33	Ruby Ruby	Milton	144	22
34	11-19 Chester Street	Newstead	152	17
35	Canopy House	Kangaroo Point	105	24
			4,990	41%

DEVELOPMENT APPLICATION

#	PROJECT	SUBURB	TOTAL APARTMENTS	BUILDING HEIGHT
36	91 Lytton Road	Balmoral	181	6
37	26-30 Mcdougall Street	Milton	50	25
38	281 Montague	West End	349	19
39	Skyring Residences	Newstead	381	30
40	19 Eagle Terrace	Brisbane	179	33
41	26 Cairns Street	Kangaroo Point	232	30
42	193-195 Lutwyche Road	Windsor	212	13
43	11 Sandgate Road	Albion	199	17
44	Dover Street Residences	Albion	218	11
45	Bulimba Barracks	Bulimba	855	5
46	Skyhold	Balmoral	181	6
47	37-39 Boundary Street	South Brisbane	154	25
48	Bank and Mollison	West End	101	18
49	92 Kingsford Smith Drive	Hamilton	62	14
50	77-85 Linton Street	Kangaroo Point	99	17
51	Hampton Street Precinct	East Brisbane	787	42
52	La Storia	Kangaroo Point	205	15
53	Bread Factory	Fortitude Valley	118	15
54	The Italian Club - Stage 2	Newstead	129	19
			4,692	38%
TOTAL/MARKET SHARE			12,302	100%

Apartment projects over 50 apartments, with a change in development status over past 12 months, ending late November 2023
 Excludes deferred and abandoned projects plus development sites for sale. Building height includes basements.
 Source BCI Australia + Place Advisory, Matusik Property Insights.

Market Overview.

The Brisbane apartment market is in the stagnation phase of the property cycle.

This stage of the cycle is characterised by:

- Flat sales when looking at annual totals ¹
- Tight rental vacancies ²
- Falling listings for resale ³
- Rising asking prices
- Increasing asking rents

We believe the inner Brisbane apartment market will be in upward phase of the cycle from early to mid-next year, seeing a lift in sale volumes and further increases in both asking prices and weekly rents.

There were about 8,000 apartment sales across inner Brisbane over the past twelve months, yet there are just 940 apartments currently listed for sale. This rate of supply is very low – being under 1.5 months – which is placing a sturdy floor under local apartment prices.

As a result, asking prices for inner Brisbane apartments are up 8% on this time last year and up 2% when compared to three months ago. Expectations in 2024 for price growth of apartments both in the resale and off-the-plan market will exceed 2023.

Furthermore, the current inner Brisbane vacancy rate remains a tight 0.9%. There are under 400 dwellings for rent across the local area.

In late 2016, there were over 2,500 properties to rent across inner Brisbane. The vacancy rate at that time was 6.8%.

Asking rents – as a consequence – are up 15% on this time last year and continue to rise around 5% per quarter.

Living in inner Brisbane remains a popular choice for many, with annual population growth reaching new highs this year.

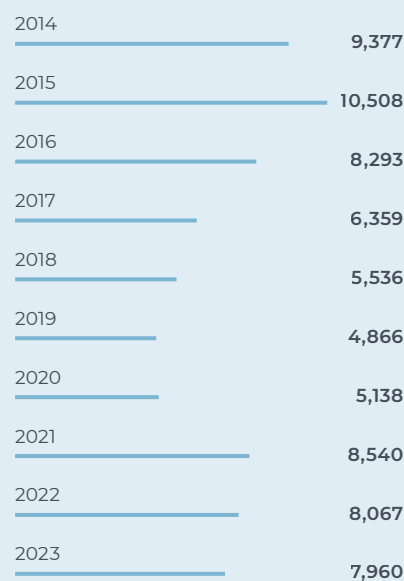
The area now holds 315,000 permanent residents and has seen this population increase by 70,000 or 30% over the past decade.

One of the reasons for the strong attraction to the area – apart from the obvious amenity and convenience – is the local job market.

Over the past ten years there have been some 55,000 new jobs created across inner Brisbane. The area current holds 205,000 workers.

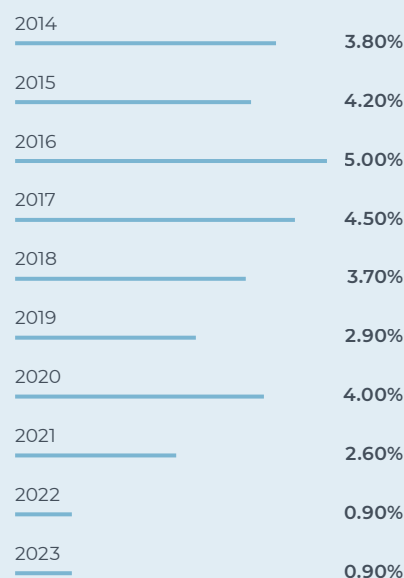
Last year, three out of five apartments across inner Brisbane sold to owner residents. The table below outlines the origins of both owner resident and investor buyers over the twelve months to September 2023.

ANNUAL SETTLED APARTMENT SALES ¹



Years ending September.
Source Domain (Price Finder),
Matusik Property Insights.

RENTAL VACANCY RATE ²



October each year.
Source SQM Research, Matusik Property Insights.

APARTMENTS SOLD VERSUS STOCK LISTED FOR SALE ³

YEAR	SOLD	FOR SALE	SUPPLY IN MONTHS
2019	4,866	1,189	2.9
2020	5,138	1,351	3.2
2021	8,540	1,247	1.8
2022	8,067	1,100	1.6
2023	7,960	939	1.4

Years ending September. Supply as of October each year.
Source Domain (Price Finder), SQM Research, Matusik Property Insights.

BRISBANE INNER CITY ANNUAL RESIDENT POPULATION GROWTH

2014	5,378
2015	5,415
2016	6,215
2017	8,755
2018	8,781
2019	8,607
2020	7,155
2021	-594
2022	7,861
2023	9,500

Source ABS, Matusik Property Insights.

BRISBANE INNER CITY ANNUAL JOB CREATION

2014	8,164
2015	3,536
2016	3,835
2017	3,089
2018	1,563
2019	11,191
2020	8,209
2021	8,531
2022	2,226
2023	3,158

Financial years.
Source Jobs and Skills Australia, Small Area Labour Markets, Matusik Property Insights.

APARTMENT BUYER TYPE + ORIGINS

BUYER TYPE + ORIGINS	DISTRIBUTION
Buyer type	
Investor	38%
Owner resident	62%
Investor origins	
Inner Brisbane	5%
Other SEQld	10%
Other Qld	15%
New South Wales	35%
Victoria	15%
Other Australia	10%
Overseas	10%
Owner resident origins	
Inner Brisbane	20%
Other SEQld	25%
Other Qld	15%
New South Wales	25%
Victoria	10%
Other Australia	5%
Overseas	0%

Years ending September.
Source Domain (Price Finder), SQM Research, Matusik Property Insights.

2024 Outlook.

STRONG POPULATION GROWTH HAS RETURNED TO INNER BRISBANE.

Looking forward, there is a need to build about 3,000 new dwellings across the area each year. Most of these new digs will be apartments and many of these will hold two or three bedrooms.

There are three large growth markets being young renters, first-home buyers and downsizers.

Most of the recent additions - over the past two to three years - to the new local apartment supply have been tightly dimensioned two-bedroom apartments. These cater well for people living alone and young couples.

Yet there remains an undersupply of well-proportioned two-bedroom apartments, and well-designed three- and four-bedroom product.

Such product caters best for downsizers, young families and tenants who wish to share.

Rising apartment construction costs – which currently average over \$7,500/m² gross across inner Brisbane - has made the provision of traditional apartments very difficult to develop and sell.

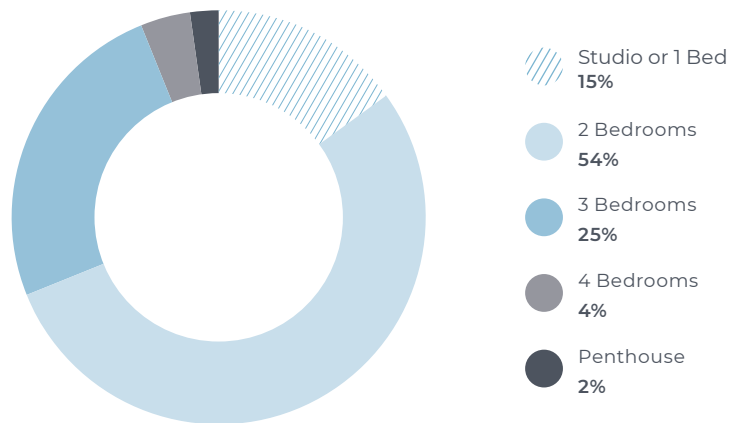
However, local building costs have eased over the past twelve months, making it a bit easier, looking forward, to provide new apartments.

Next year is likely to see interest rates stabilise and maybe even fall in the second half of calendar 2024. This could further increase demand.

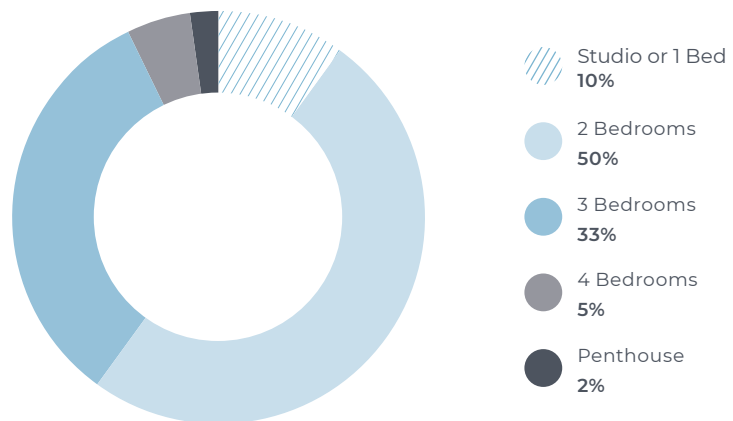
We believe that many of the proposed new apartment projects are unlikely to proceed. Those developers that understand the current market conditions and cater best for the underlying demand should meet with success.

Being ahead of the curve is important, if not vital, to development success

NEW SALES



RESALES



Years ending September 2023.
Source Domain (Price Finder),
Matusik Property Insights.

ANNUAL CHANGE IN THE COST TO BUY A NEW DWELLING IN BRISBANE

	2018	2019	2020	2021	2022	2023
QTR 1	3.00%	0.20%	-0.40%	0.80%	22.80%	12.70%
QTR 2	1.70%	-0.70%	0.60%	1.40%	30.20%	6.50%
QTR 3	2.50%	-0.80%	-0.20%	9.90%	24.80%	3.40%
QTR 4	1.30%	0.20%	1.10%	14.60%	19.30%	

Quarterly change of owner occupier purchase price for a new dwelling in Brisbane as at QTR 3 2023
Source ABS, Matusik Property Insights.



WHY CHOOSE US? We are leaders in the creation and delivery of individually considered and specifically designed sales and marketing strategies for well-located Queensland residential projects.

We take pride in offering a full-service project marketing approach to your development. At Place Projects, we actively engage with our developers to provide advisory information in relation to site acquisition through to settlement. We provide tailor-made strategic marketing campaigns to promote your project's unique selling points and influence specific target markets.

This holistic approach, combined with our experience, local knowledge and research by Place Advisory means we can minimize the risk while maximizing the return on your development.

Place Projects has applied this formula with continued success with major developments, boutique projects, master planned communities, investment sales, residential sales as well as DHA mid-lease and surplus sales. We also have our property management team who provides rental appraisals, advice and oversees a boutique portfolio.

The Place Projects Team is led by some of the most experienced and high achieving sales and marketing professionals in the industry. If you are interested in discussing how Place Projects can work with you, and your next project, please contact our Team.



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