

ISSUE 21 Summer 22/23
Brisbane

Place.  Advisory

Apartment.



CONSTRUCTION
COST INCREASES
IMPACT NEW
PROJECTS.

In this edition of Apartment, we examine how demographics and challenges for construction are actively influencing Brisbane's apartment market. We also offer our projections for 2023.



WHO IS PLACE ADVISORY?

AS SOUTH-EAST QUEENSLAND'S LEADING OFF-THE-PLAN APARTMENT MARKETING COMPANY, WE ARE CONSTANTLY MONITORING THE PROPERTY MARKET AND ANALYSING TRENDS, NEW PROPERTY DEVELOPMENTS AND ALMOST EVERYTHING PROPERTY RELATED.

At Place Advisory, we understand the importance of ongoing market research. We employ in-house full-time researchers, so we can retain and have easy access to all of the information we gather.

By providing our clients with accurate, up-to-date research, it ensures they can make informed, financially sound business decisions. It enables us to identify opportunities for our clients, provide advice on choosing the best available sites and create the optimal package for each project. We can then provide qualified recommendations on the product mix, positioning, design, finishes and price.

Access to such comprehensive buyer information also enables us to identify early market trends. Our in-depth local market knowledge can help you develop a product that will yield greater returns, experience faster sales, and achieve the best financial result.

Our main aim of "Apartment" is to continue to provide meaningful insights into the new apartment market and social trends throughout the Brisbane area.

A lot has changed in recent years. Approximately 84,000 apartments now exist across Brisbane's inner-city suburbs, twice as many as there were once ten years ago. Today, two-thirds of these apartments exist in buildings over nine stories in height. It wasn't that long ago when a high-rise apartment building was a rare sight.

Who lives in an inner Brisbane apartment?

SO, WHO LIVES IN AN INNER-BRISBANE APARTMENT? WE HAVE PROVIDED A DETAILED LIST OPPOSITE, BUT IN SUMMARY:

Most apartment residents rent. They live in one- or two-bedroom lodgings. The two largest household types are people living alone or couples without children. One in every eight apartments holds a group of residents sharing the accommodation.

On average there is just 1.8 people per apartment. Many apartments have only one car space.

Nearly a third of local residents work from home. Most apartment residents also work full-time. Many have university qualifications and one in seven are undertaking further tertiary studies.

A third of inner-Brisbane apartment households – by Queensland standards – are very well off, earning over \$200,000 per annum. Only 2.6% of these residents are looking for work or are currently unemployed.

As at late last year, about 85% of the Brisbane inner-city apartments held a permanent resident, whilst some 13,000 were locked up or only used occasionally.

Now things look set to continue to change.

Whilst families don't occupy many apartments at present, this lifecycle segment along with downsizing couples, is expected to grow the most across inner-Brisbane over the next five years.

A review of the 2021 Census results for inner Brisbane found 83,600 apartments, of which:

Occupation	<ul style="list-style-type: none">• 70,750 (85%) were occupied• 12,850 (15%) were unoccupied
Tenure	<ul style="list-style-type: none">• 13% fully owned• 17% owner residents have a mortgage• 70% held by investors
Bedrooms	<ul style="list-style-type: none">• 2% studios• 31% one-bedroom stock• 53% two-bedrooms• 13% three-bedrooms• 1% four+ bedrooms
Vehicles + travel to work	<ul style="list-style-type: none">• 23% no vehicle• 54% one vehicle• 18% two vehicles• 10% three+ vehicles• 43% drove to work• 28% worked from home• 18% used public transport to go to work• 11% walked/cycled to work
Household size + type	<ul style="list-style-type: none">• 1.8 average number of people per apartment• 42% typically hold one resident• 43% two residents• 10% three residents• 5% four+ residents• 9% typically hold couples with children at home• 30% couples with no children at home• 7% one parent families• 42% people living alone• 12% people living in unrelated groups
Employment	<ul style="list-style-type: none">• 59% local workforce are employed full-time• 28% work part-time• 9% work elsewhere, not returning home at night• 2.6% local unemployment rate (in late 2022)• 51% locals employed as managers or professionals• 36% other white-collar• 13% trade-related work
Education + household income	<ul style="list-style-type: none">• 37% locals have a university qualifications• 14% currently undertaking a tertiary qualification• \$155,000 median household income• 35% of households earn over \$200,000 per annum

CURRENT CONSTRUCTION COST

Trends & Resultant Impact on Residential Projects.



A RECENT STUDY BY THE NATIONAL HOUSING FINANCE AND INVESTMENT CORPORATION (NHFIC), WHICH COVERS THE 2022 FISCAL YEAR, INDICATED SUPPLY CONSTRAINTS HAVE PUSHED BUILDING MATERIALS AND LABOUR COST INFLATION TO RISE AT THEIR FASTEST PACE IN NEARLY 50 YEARS.

The Australian construction market has seen significant price pressures in the past 12-18 months for both materials and labour. Supply shortages have seen prices skyrocket, with steel prices increasing by 42%, and timber by over 25%.

In Queensland, there are also several major infrastructure projects underway at present, including the construction of the Cross-River Rail and the Queens Wharf precinct. These major projects are utilising construction capacity, creating further shortages and placing greater upward

pressure on build prices. Cost pressures have been further exacerbated by the repair efforts necessary after major flood events in Queensland. Effectively, an already stretched building industry has had to stretch even further.

The sheer volume of construction has put a great amount of pressure on the labour market, which was already suffering from a migration shortage. These labour shortages have triggered a competitiveness in the industry's job market which has naturally translated into a growth in real wages.

The current economic conditions, in particular the higher inflation rate, have further exaggerated the growth in wages.

As the single largest item of expenditure in most residential developments, construction costs have a significant ability to affect the ultimate feasibility of a project. 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 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, off-the-plan revenues in some projects for apartments are not covering costs and are threatening viability of projects yet to commence construction. Developers across SE QLD are reportedly negotiating price increases in contract variations of between 10% and 15%. Other developers are not proceeding and are returning deposits to buyers with a view to revisit the project when costs stabilise.

Projector.

INNER-CITY APARTMENTS MARKET REPORT JULY – SEPTEMBER 2022

There were 1,400 apartment sales across inner Brisbane over the past quarter. This is down by 800 or 36% since the market peak this time last year.

A raft of Higher interest rates, rising costs and lower consumer confidence is having an impact on sales. This is especially the case when it comes to investor interest.

On average, historically, an average of approximately two-thirds of inner-Brisbane's new apartments sell to investors each year.

Higher prices are somewhat to blame, with most new apartments selling for much more than older resale stock. As a result, apartment investors will be looking at resale apartments rather than buying off-plan or new. We expect this trend to continue.

Older resale apartments are often larger and are more likely to offer three-bedroom or larger sale offerings.

Over the last couple of years and given the record low interest rates and the rundown in apartment supply, there has been a wave of new apartment development applications across inner Brisbane.

We have recorded 56 major apartment projects currently active across inner-Brisbane. Excluding Build to Rent and student accommodation projects, there are just over 10,000 new apartments on the inner-city horizon.

Next year is shaping up to be another busy one, with some 1,700 new apartments set to be completed and a further 1,700 new apartments likely to be ready to start construction. Currently there is a stock shortage of larger owner-occupier apartments across the inner-city.

QUARTERLY SETTLED APARTMENT SALES

SEP 19 1,259

DEC 19 1,294

MAR 20 1,242

JUN 20 823

SEP 20 1,272

DEC 20 1,566

MAR 21 1,858

JUN 21 1,872

SEP 21 2,202

DEC 21 2,160

MAR 22 1,890

JUN 22 1,733

SEP 22 1,388

Source = Domain (Price Finder) + Place/Matusik survey

APARTMENT SALES BY PRICE RANGE

PRICE RANGE	NEW SALES	RESALES
UNDER \$500K	3%	45%
\$500K TO \$600K	20%	20%
\$600K TO \$750K	30%	10%
\$750K TO \$1M	15%	15%
\$1M TO \$1.5M	20%	5%
\$1.5M TO \$2M	6%	3%
\$2M TO \$3M	3%	1%
OVER \$3M	3%	1%

APARTMENT SALES BY CONFIGURATION

APARTMENT TYPE	NEW SALES	RESALES
STUDIO OR 1 BED	18%	15%
2 BEDROOMS	56%	45%
3 BEDROOMS	20%	33%
4 BEDROOMS	4%	5%
PENTHOUSE	2%	2%

Year ending September 2022. Source = Domain (Price Finder) + Place/Matusik survey.

APARTMENT STOCK TAKE

UNDER CONSTRUCTION

#3,644 | 35%

DEVELOPMENT APPROVAL

#2,498 | 24%

DEVELOPMENT APPLICATION

#2,571 | 25%

DESIGN/EARLY PLANNING

#1,607 | 16%

TOTAL

#10,320

Source = BCI Australia + Place/Matusik survey

Brisbane Inner City New Apartment Projects.



UNDER CONSTRUCTION

#	PROJECT	SUBURB	DEVELOPER	TOTAL APARTMENTS
1	The Ambrose	Milton	Kokoda Property	181
2	Kensington	Toowong	Mosaic Property Group	63
3	Tatts Group Building	Albion	Alceon Qld	77
4	Ascot Aurora	Ascot	Poly	234
5	433 Queen Street	CBD	Cbus Property	264
6	Bide	Newstead	Dibcorp	89
7	Croft + Cremorne on Fish Lane	South Brisbane	Stockwell	124
8	Trellis Apartments	South Brisbane	Aria Property Group	110
9	Lugano Residences	West End	CS Development Group	88
10	West Village - Altura	West End	Sekisui House	156
11	Enclave	West End	Pradella Developments	180
12	Communa	Woolloongabba	Augustine Property	110
13	Ascot Green - Charlton House	Ascot	Mirvac/Brisbane Racing Club	115
14	Quay Waterfront	Newstead	Mirvac	143
15	Monarch	Toowong	Consolidated Property Group	291
16	River Reach - Buildings 1 to 3	West End	R+F Property Australia	405
17	Skye Residences	Kangaroo Point	Pikos Group	70
18	The Lanes + Montague Markets - Wave Residences	West End	Pradella Developments	138
19	Brickworks	Alderley	CDL Australia	226
20	South City Square	Woolloongabba	Perri Projects	580
				3,644

DEVELOPMENT APPROVAL

#	PROJECT	SUBURB	DEVELOPER	TOTAL APARTMENTS
21	31 Wellington Road	East Brisbane	Libbit Holdings	181
22	156 Alfred Street	Fortitude Valley	Gurner	184
23	Portside East - Building 19	Hamilton	Brookfield Residences	186
24	58 Leopard Street	Kangaroo Point	Aria Property Group	105
25	La Storia	Kangaroo Point	Pikos Group	74
26	29 Manning Street	Milton	Goldfields Group	130
27	The Manning	Milton	Mosaic Property Group	113
28	Isle Waterfront	Newstead	Mirvac	135
29	West Village - Allere	West End	Sekisui House	203
30	Nuage	Woolloongabba	Sarazin Property Group	368
31	Queens Wharf Tower	CBD	Destination Brisbane Consortium	819
				1,679

DEVELOPMENT APPLICATION

#	PROJECT	SUBURB	DEVELOPER	TOTAL APARTMENTS
32	Euroa	Albion	Arden Property Group	76
33	Brickworks	Alderley	CDL Australia	125
34	Valley Bread Factory	Fortitude Valley	RG Property	118
35	The Cullen	Hamilton	Limitless Australia	100
36	Trilogy	Kangaroo Point	Arden Property Group	517
37	The Italian Club	Newstead	Cavcorp	129
38	11 Chester Street	Newstead	Frasers Property Australia	142
39	157 Leichhardt Street	Spring Hill	Grace Civil + Development	112
40	The Lanes + Montague Markets - Wave Residences	West End	Pradella Developments	190
41	117 Victoria Street	West End	Crown Group	473
42	Callista on Park	West End	Sekisui House	74
43	Bailey Street Apartments	West End	Stockwell	78
44	South City Square	Woolloongabba	Perri Projects	150
45	Park Central	Buranda	Wee Hur Holdings	287
				2,510

DESIGN/EARLY PLANNING

#	PROJECT	SUBURB	DEVELOPER	TOTAL APARTMENTS
46	Bulimba Barracks	Bulimba	Shayher Group	855
47	151 Edward Street	CBD	The Hour Glass Australia	642
48	363 Main Street	Kangaroo Point	St. Vincent Private Hospital	110
				1,607

BUILD TO RENT + STUDENT ACCOMMODATION

#	PROJECT	SUBURB	DEVELOPER	TOTAL APARTMENTS
49	Number One (Under construction)	Bowen Hills	CFMME Union	380
50	Brunswick + Co (Under construction)	Fortitude Valley	Frasers Property Australia	323
51	Arklife Cordelia (Under construction)	South Brisbane	Qualitas Australia	265
52	The Peel (Development Approval)	South Brisbane	New Urban Villages	358
53	Story House (Development application)	Kangaroo Point	Pellicano Group	86
54	Buranda (Development application)	Woolloongabba	Wee Hur Holdings	450
				1,862

Market Overview.

Whilst the number of apartment sales across inner-Brisbane have fallen over the past year, they still remain somewhat elevated, especially on an annual basis. More importantly local apartment supply remains tight, so too does the rental market. Remember, real estate is all about supply versus demand.

APARTMENT DEMAND V SUPPLY

YEAR	SOLD	FOR SALE	SUPPLY IN MONTHS
2018	5,163	2,825	6.6
2019	4,545	2,477	6.5
2020	4,631	2,926	7.6
2021	7,498	2,653	4.2
2022	7,171	2,348	3.9

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

There were about 7,200 apartment sales across inner-Brisbane over the past twelve months and yet there are only 2,350 apartments currently listed for sale. This rate of supply is very low – being under four months – which is placing a floor under local apartment prices.

As a result, the average asking price for an inner Brisbane apartment are up 13% on this time last year and up 2% when compared to three months ago.

Furthermore, the current inner Brisbane vacancy rate is just 0.9%. There are under 400 dwellings for rent across the area.

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

Again, a lot has changed in recent years.

Consequently, asking rents are up 23% on this time last year and continue to rise approximately 5% per quarter.

One of the challenges facing the inner Brisbane apartment market, especially during a period of reduced investor interest, is providing new rental stock that deliver attractive rental yields.

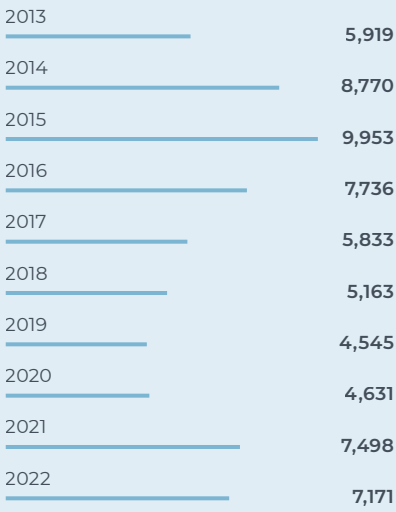
Brisbane's inner-city apartments already hold a high proportion of tenants sharing accommodation. This is only set to increase given group living is expected to almost double across Australia over the next decade.

Investors are increasingly looking for a strong and growing rental yield. The best way to achieve this is with apartment designs that facilitate tenants sharing accommodation.

We know that many local two-bedroom apartments already hold two unrelated tenants.

Experienced apartment investors also like to keep their options open, so their investment purchase should have strong enough design parameters to appeal to owner occupiers on resale and/or if they, or a family member want to occupy the apartment in the future.

ANNUAL SETTLED APARTMENT SALES



Years ending September.
Source = Domain (Price Finder) + Matusik estimates.

There is a growing investment trend to buy now, rent out, and then potentially - when downsizing or retiring - moving into that dwelling.

Catering for this buyer and promoting the product, accordingly, can help make sales.

Also, of importance is catering for pets. A quick search on realestate.com.au found that just 22% of the rental properties available for lease across inner Brisbane allow pets.

Our research has found that tenants will pay between 10% and 20% more in rent to legally share their abode with their cat or dog. Our investigations have also found that buyers will pay up to 5% more for a dwelling in an apartment complex that allows pets when compared to those that don't.

In any case, many would-be owner occupiers would not consider buying unless they can have a pet at home.

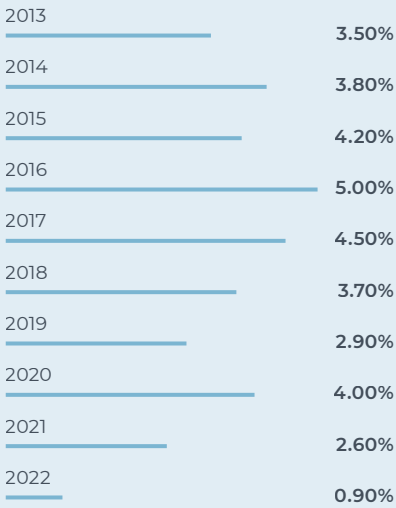
Living in inner-Brisbane remains a popular choice for many. During the Covid period - and despite the restrictions placed on overseas migration - twice as many people moved into the area then would be expected based on previous periods.

Whilst interstate migration remains strong, unlike what many commentators claim, most moves are local.

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

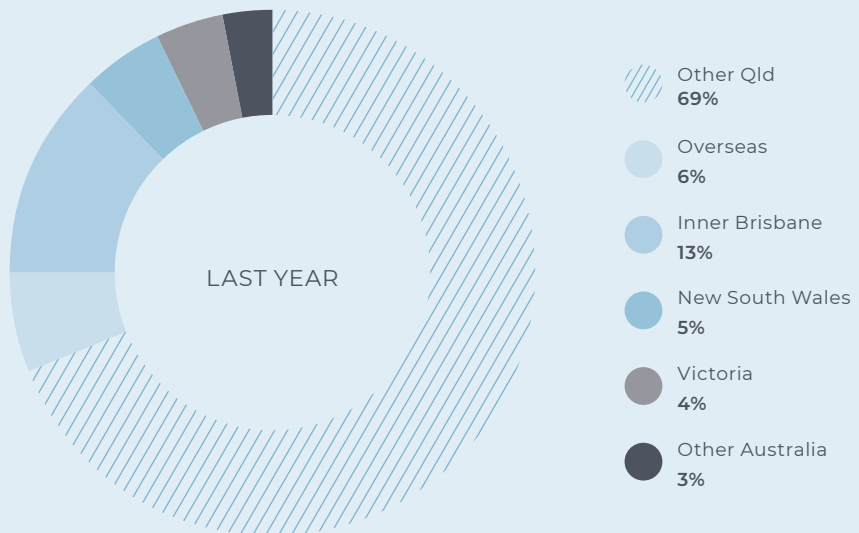
Over the past ten years there have been some 65,000 new jobs created across inner Brisbane.

RENTAL VACANCY RATE

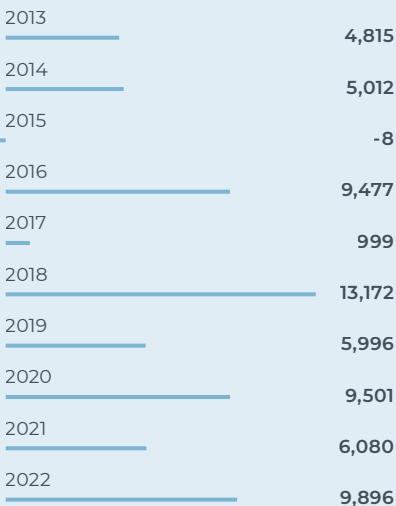


October each year.
Source = SQM Research.

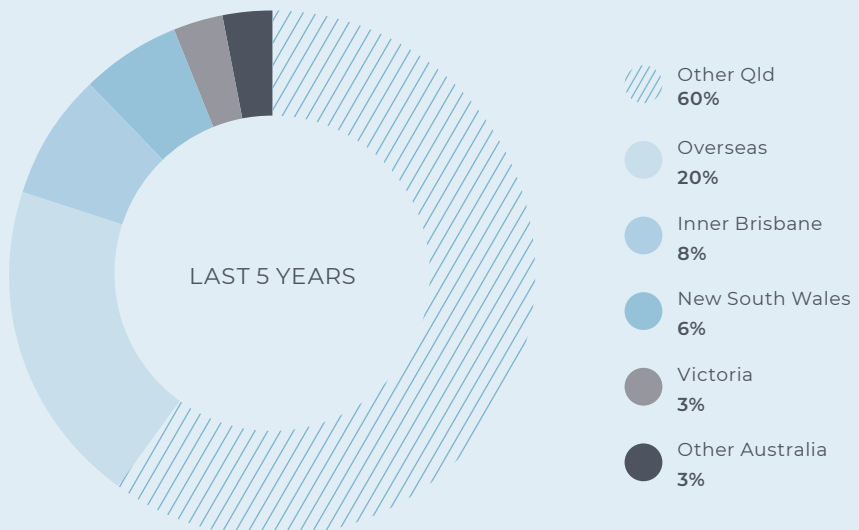
NET MIGRATION



ANNUAL JOB CREATION



Employed residents. Years ending September.
Source = ABS.



Five years, between 2016 and 2021. Last year, between 2020 and 2021
Source = ABS Census.

2023 Outlook.



POPULATION GROWTH IS SET TO RETURN TO INNER BRISBANE.

LOOKING FORWARD THERE IS A NEED TO BUILD ABOUT 2,800 NEW DWELLINGS ACROSS THE AREA EACH YEAR. MOST OF THESE NEW DWELLINGS WILL BE APARTMENTS.

There are three large growth markets: families, first-home buyers and downsizers.

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

There is an undersupply of three-bedroom and four-bedroom apartments.

Rising apartment construction costs – which currently average over \$7,100/m² across Australia - has made the provision of traditional apartments very difficult to develop and sell.

Next year is likely to see interest rates rise further. In addition, building costs should continue to increase albeit at not the same rate as we have seen over recent years.

Furthermore, there is a considerable amount of new apartment stock about to settle, increasing the supply of rental accommodation and potentially softening rental growth.

Many new apartment projects are unlikely to proceed. Those developers that understand the changing market redesign to suite market conditions and cater best for the emerging demand should meet with success.

Being ahead of the curve is more important now than it has been for a long time.



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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ONGOING MANAGEMENT

REVIEW TARGET MARKET
REVIEW STRATEGY & FEEDBACK
CONTRACT MANAGEMENT
REVIEW MARKETING INITIATIVES



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