

ISSUE 16 Spring 2021
Brisbane

Place.  Advisory

Apartment.

BRISBANE RECORDS
HIGHEST OFF-THE-PLAN
SALES SINCE 2015.



In this edition of **Apartment**, our researchers analyse the numbers that have formed **Brisbane's highest off-the-plan sales figures since 2015**. We highlight the impact of Brisbane's one-sided boom, **unpack the impact of increasing construction costs** and offer insight into the **impact the 2032 Olympic games** will have on the residential property market.



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.

Brisbane's property market continues to strengthen as the city's housing supply struggles to keep up with intensified demand.

One-sided boom sets table for savvy investors.

The impact of Brisbane's house price boom is starting to be realised, as June figures show the gap between house and apartment values have widened to the highest level on record.

The disparity between values has increased to 52 per cent, nine per cent wider than the gap seen during the same period a year earlier.

Again, the one-sided house price surge amplified the gap, as values increased by 5.2 per cent over the quarter to \$795,000.

Meanwhile, Brisbane unit values remained stagnant, maintaining a median value of \$465,000.

However, positive consumer sentiment has persisted into the June quarter, as transaction levels for both dwelling types continue to reside well above 10-year averages.

Strong absorption rates have been evident in the new and off-the-plan market, with the quarterly sale volume reaching its highest level since the 2015 development boom.

Over 680 new and off-the-plan sales were made during the June quarter, more than the combined sales total of the last four quarters. A significant spike from the 219 sales recorded during the march quarter.

These heightened transaction figures can be attributed to a mass release of developments that were previously held from entering the market in the initial stages of the pandemic, that have now been strategically released amid more favourable economic conditions. Alongside the increasing consumer motivation to purchase off the plan now, before the increasing cost of construction is imminently passed onto buyers.

The value proposition and expectation that unit prices will begin to increase on the back of the monumental house price growth, particularly in Brisbane's inner ring, has also been a driving force behind the increased interest in the off-the-plan apartment market, triggering the return of investors following a period of activity dominated by owner-occupiers.

ABS lending data shows the value of investor loans surged 53.5% over the first five months of 2021 nationally, compared with a 17.2% rise in the value of owner occupier lending.

Both local and foreign investment into Brisbane is expected to continue to rise, especially now that Brisbane has been awarded the 2032 Olympics. The announcement is set to spark a mass infrastructure spending spree, boosting connectivity of many suburbs, and developing city-changing transport, retail and entertainment infrastructure, propelling

Brisbane's international notoriety and increasing the share of foreign investment that is currently dominated by the Sydney and Melbourne real estate markets.

Increasing internal migration, affordability and lifestyle factors are still the backbone of Brisbane's current property boom. However, a change to advantageous lending conditions that have underpinned the south-east's rapid growth in values may be actioned sooner than previously thought, pulling the handbrake on the intensified demand.

The RBA is continuing to monitor lending standards closely; any material lift in loans with high debt to income ratios could be a trigger for tighter credit conditions.

As is the case, many leading banks have reigned in previous predictions of a 2024 rate increase back to 2023.

Over the next quarter, it's expected that house values will continue to ascend, however, at a much steadier pace than what has transpired over the last year. We anticipate the growing disparity in affordability between dwelling types will continue to stimulate activity in the apartment market. Consequently, the increasing interest, affordability and increasing costs of construction will provoke a rise in apartment values, which have remained stagnant since 2015.

Brisbane

	10 YEAR ANNUAL AVERAGE GROWTH RATE	1 YEAR GROWTH	MEDIAN PRICE
APARTMENTS	1.1%	1.1%	\$465,000
HOUSES	4.6%	12.0%	\$795,000

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Projector.

INNER CITY APARTMENTS MARKET REPORT APRIL – JUNE 2021

OTP MARKET RECORDS RECORD SALES VOLUME

683 unconditional transactions were recorded for the June Quarter 2021, totalling approximately \$560 million worth of apartment sales.

A raft of project launches and a move to purchase completed stock has seen \$560 million worth of off-the-plan and new apartments sold in the June quarter.

The 683 sales represent the highest quarterly transaction level since the 2015 apartment boom, a period where considerably more projects were launched to market.

The rapid sales increase has left 53% of Brisbane's in-market projects either completely sold out or with fewer than 10 apartments remaining for sale.

At the current sales rate, only five months of off the plan stock remains throughout Brisbane.

A looming price rise for projects yet to be constructed has begun to have a noticeable impact on Brisbane's residential development market, as comparatively affordable completed stock, most of which has laid dormant since 2015, has been absorbed over the quarter.

Triggered by the increase in the cost of materials and labour, the heightened costs of construction are placing pressure on the feasibility of many approved developments that are yet to hit the market.

This has prompted savvy investors to purchase into completed developments or those under construction with undisrupted prices, in an effort to avoid the impending hike.

However, modern investors are purchasing apartments of the same quality level that owner-occupiers are buying. They are seeking value in quality configurations, inclusions, and reputable locations, while capitalising on the affordability pressure the Brisbane house market presents.

There is an increasingly prominent trend, particularly evident within Brisbane's inner ring, where house values have increased by 17 per cent over the year, bumping the median price to \$1.15 million, pushing many prospective buyers out of the inner ring house market.

We expect the strengthened OTP market to progress from the record quarterly sales results and again transact at a high level within the September quarter, as more projects held back at the beginning of the pandemic are released to market.

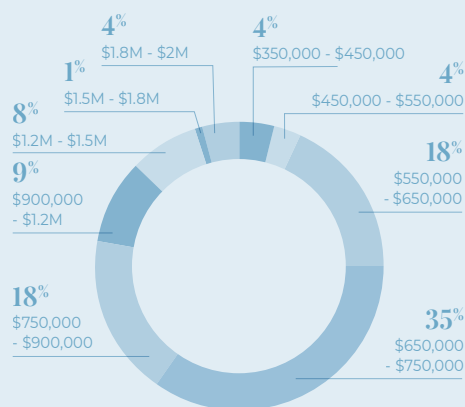
Opportunities exist for new projects entering the market that can serve the underlying demand. We expect anything that launches over the next quarter to sell well and elevate sales statistics again.

SUMMARY

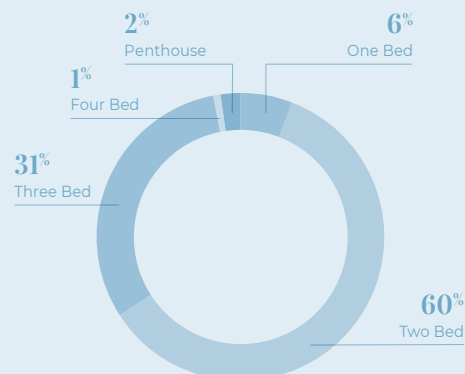
- 683 unconditional sales occurred during the June quarter 2021. There are 576 sales more than the same period 12 months prior.
- The weighted average sale price for the June quarter 2021 was recorded at \$840,000.
- "The Enclave (Orleigh Residences)" in West End and "Trellis" in South Brisbane were the standout performers for the quarter, each recording 99 unconditional apartment sales, the highest result of all developments.
- During the June quarter 2021, the majority of apartments sold unconditionally were in two-bedroom configurations, accounting for 60% of all sales. Three-bedroom apartments accounted for 31% of sales, while one-bedroom apartments accounted for a further 6% of new apartment sales. The remaining consisted of four-bedroom and penthouse apartments.

- The \$650,000 to \$750,000 price bracket was the most common for new apartment sales during the June quarter 2021, accounting for 35% of sales.
- There are currently 1,028 new apartments available for sale throughout Inner Brisbane.
- The proportion of new apartments that have now completed construction is at 55%. Lower compared to the 79% development completion status at same period 12 months prior.
- Remaining supply consists primarily of two-bedroom apartments, which accounts for 51% of all remaining new apartments. One-bedroom apartments account for a further 30%, whilst three-bedroom apartments account for a further 15% of remaining new apartments. The remaining are four-bedroom and penthouse apartments.

UNCONDITIONAL SALES BY PRICE POINT



UNCONDITIONAL SALES BY CONFIGURATION



CBD PRECINCT

Developments in the CBD precinct are 91% sold.

A total of 21 unconditional new apartment sales were made in the June quarter. Demand was primarily for two-bedroom apartments in the \$650,000-\$750,000 price bracket.

- Mary Lane was the strongest performer within the CBD precinct, recording 14

unconditional new apartment sales.

- Most of the remaining supply is in two-bedroom configurations, accounting for 85% of all new apartment supply in the CBD precinct. Three-bedroom configurations account for 12% of remaining stock. The remaining is made up of one-bedroom and four-bedroom apartments.

- There are currently only 143 new apartments available for purchase throughout the CBD precinct.

- Of all new apartment buildings in the CBD precinct, only 443 Queen is yet to complete construction. This development is due to for completion in December 2021.

DEVELOPMENT	SUBURB	STATUS	TOTAL UNITS	SOLD	AVAILABLE FOR SALE	JUN QTR 2021
The Midtown	CBD	Completed	144	132	12	0
Skytower	CBD	Completed	1,092	1,017	75	2
443 Queen	CBD	Under Construction	264	222	42	5
Mary Lane	CBD	Completed	184	170	14	14
OVERALL			1,684	1,541	143	21

NORTH OF THE RIVER

Only four months of apartment supply remains north of the river.

The North of the River precinct has recorded 243 unconditional new apartment sales for the June 2021 quarter at an average weighted sale price of \$895,000.

- “Quay Waterfront” in Newstead recorded the most unconditional sales for the quarter with 72 transactions.

- The majority of the 243 sales were within the \$650,000 to \$750,000 price bracket, accounting for 29% of sales.
- Demand was for two-bedroom configurations, which accounted for 54% of sales. This was followed by three-bedroom at 33%, and one-bedroom at 10%.
- At the end of the June 2021 quarter, there were 279 new apartments remaining

available for sale throughout the North of the River precinct.

- At present, 47% of new supply in the precinct has completed construction.
- Only 11% of the total new apartment supply to the North of the River Precinct remains available for purchase.

DEVELOPMENT	SUBURB	STATUS	TOTAL UNITS	SOLD	AVAILABLE FOR SALE	JUN QTR 2021
Belise	Bowen Hills	Completed	230	213	17	1
The Yards	Bowen Hills	Completed	401	336	65	1
Omega	Bowen Hills	Completed	130	120	10	8
Utopia Space	Fortitude Valley	Completed	300	275	25	2
Alcyone Residences	Hamilton	Completed	228	211	17	2
Gallery House - Stage 1	Hamilton	Completed	167	167	0	1
Gallery House - Stage 2	Hamilton	Completed	148	148	0	3
Latitude	Indooroopilly	Awaiting Construction	35	11	24	2
The Chaussy	Lutwyche	Under Construction	68	65	3	5
Bloom on Wesley	Lutwyche	Under Construction	36	29	7	8
The Oxlade	New Farm	Under Construction	30	26	4	5
Botanic	New Farm	Under Construction	16	16	0	4
Anthology	New Farm	Under Construction	26	25	1	1
Chester Apartments	Newstead	Completed	170	170	0	12
Allouette	Newstead	Awaiting Construction	57	17	40	17
Quay Waterfront	Newstead	Awaiting Construction	143	72	71	72
Luminare	Newstead	Under Construction	109	95	14	12
Ella Apartments	Newstead	Completed	149	144	5	6
160 Macquarie	St Lucia	Awaiting Construction	34	27	7	5
38 High St	Toowong	Completed	136	128	8	1
White Dawn	Toowong	Completed	60	59	1	2
The Kensington	Toowong	Awaiting Construction	63	61	2	61
Talgai Residences	Windsor	Under Construction	29	29	0	12
OVERALL			2,765	2,444	321	243

SOUTH OF THE RIVER

Two-bedroom and three-bedroom apartments both accounted for 90% of sales.

The south of the river precinct recorded 419 sales. Demand primarily sat in the \$650,000 to \$750,000 range, as a weighted average price of \$800,000.

- Both 'The Enclave' and 'Trellis' recorded 99 unconditional sales, the most of any south of the river project.

- Remaining stock is mostly made up of two-bedroom apartments, making up 50% of availability. One-bedroom apartments account for a further 32%, as three-bedroom configurations make up 16% of remaining supply.
- Of all new apartments in the south of the river precinct, approximately 57% have now completed construction.

- There are currently 564 new apartments remaining for sale south of the river.
- There are currently 25 new apartment buildings in the south of the river precinct with apartments available for purchase. Of these, 13 developments are close to selling out with 10 apartments or less available for sale.

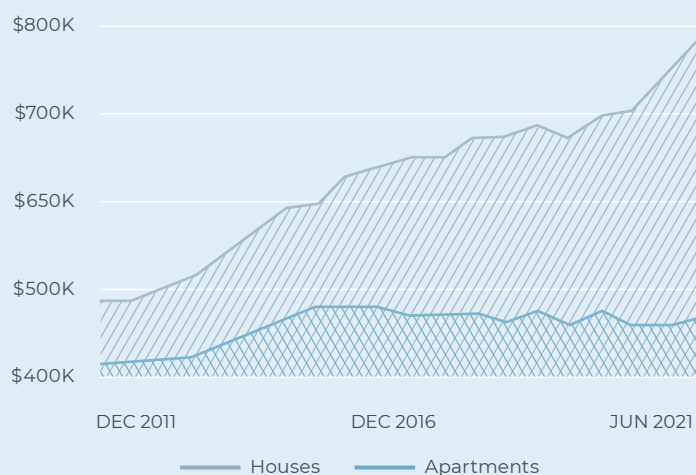
DEVELOPMENT	SUBURB	STATUS	TOTAL UNITS	SOLD	AVAILABLE FOR SALE	JUN QTR 2021
Maarsa	Coorparoo	Under Construction	102	81	21	12
The Sinclair	East Brisbane	Under Construction	122	122	0	1
Lincoln on the Park	Greenslopes	Completed	93	85	8	4
Oxy	Greenslopes	Completed	60	60	0	7
Linton Apartments	Kangaroo Point	Completed	154	129	25	0
Thornton	Kangaroo Point	Awaiting Construction	13	7	13	2
M Apartments	Kangaroo Point	Under Construction	46	21	25	0
Thorncliffe	Kangaroo Point	Under Construction	21	11	10	1
Riviere	Kangaroo Point	Awaiting Construction	124	123	1	25
Monterey	Kangaroo Point	Completed	42	21	21	4
Atlas	South Brisbane	Completed	210	183	27	4
Trellis	South Brisbane	Awaiting Construction	110	99	11	99
Akin	South Brisbane	Awaiting Construction	190	95	95	80
Brisbane 1	South Brisbane	Completed	608	387	221	20
Olympia on Russell	South Brisbane	Completed	65	65	0	2
The Standard	South Brisbane	Under Construction	268	265	3	5
Amersham	West End	Under Construction	29	27	2	16
Montague Markets & Residences	West End	Completed	90	90	0	6
Enclave (Orleigh Residences)	West End	Under Construction	110	99	11	99
Citro	West End	Completed	106	81	25	2
INK	West End	Completed	107	98	9	0
Light & Co - Illuminate	West End	Completed	90	90	0	3
Light & Co - Radiance	West End	Completed	139	139	0	1
The One West End	West End	Completed	61	41	20	0
The Mews	Woolloongabba	Completed	139	123	16	0
Silk One	Woolloongabba	Under Construction	173	173	0	26
OVERALL			3,272	2,715	564	419

SPECIAL REPORT

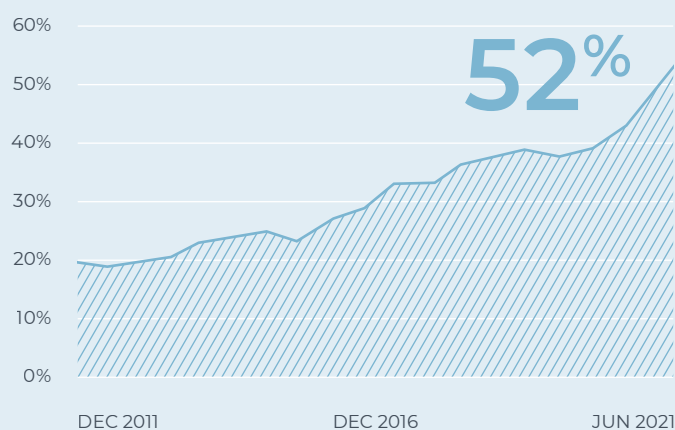
Brisbane by the numbers.

	10 YEAR ANNUAL AVERAGE GROWTH RATE	1 YEAR GROWTH	MEDIAN PRICE
MIDDLE RING (5-10KM)			
APARTMENTS	0.8%	-1.5%	\$450,000
HOUSES	5.2%	13.2%	\$900,000
INNER RING (0-5KM)			
APARTMENTS	1.3%	-2.2%	\$520,000
HOUSES	5.2%	16.2%	\$1,100,000

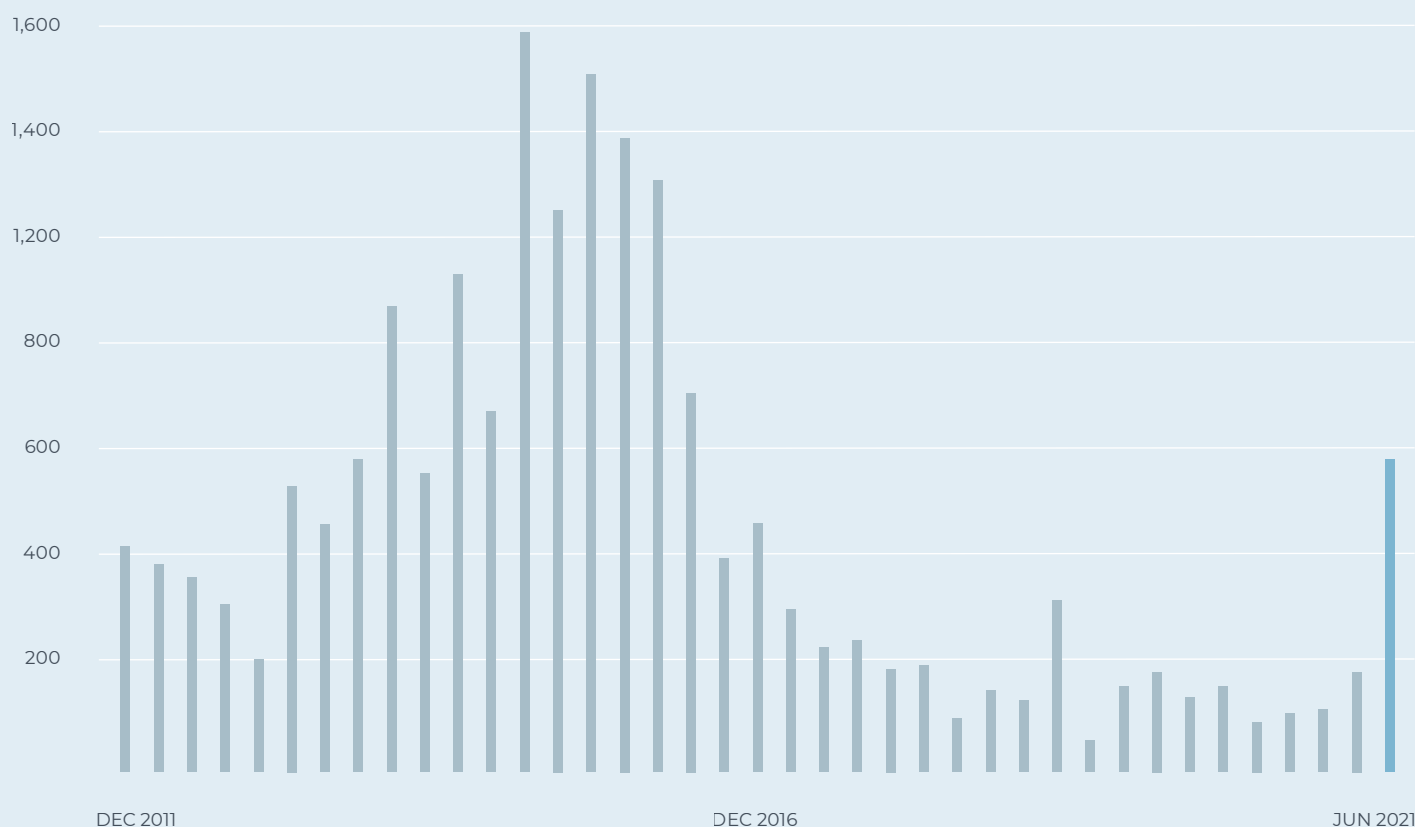
BRISBANE HOUSE AND APARTMENT VALUES
(DECEMBER 2011- JUNE 2021)



DWELLING VALUE GAP
(DECEMBER 2011- JUNE 2021)



OFF-THE-PLAN APARTMENT SALES (BRISBANE)





Thorncllyffe
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Brisbane 2032 Olympics to transform South-East Queensland.



AS THE SMALLEST CITY TO HOST THE OLYMPIC GAMES SINCE MONTREAL IN 1976, BRISBANE IS SET TO REAP THE BENEFITS OF A CITY-CHANGING INFRASTRUCTURE SPENDING SPREE AND NEWFOUND GLOBAL RECOGNITION AS A FUTURE OLYMPIC HOST.

The economic and social benefits of the 2032 games are set to reinvent Brisbane over the next 12 years, transforming the region into the state government's intended 'world city' status.

South-East Queensland has blossomed into one of the strongest-performing residential markets in Australia over the past 18 months, owing to the relative affordability and lifestyle offered by Brisbane, the Sunshine and Gold Coast.

Now, extensive capital works associated with the games are likely to act as a key catalyst to rapid increases to home values during the lead-up to the games, increasing connectivity, livability and transforming the landscape of the city.

The most significant positive influence on the housing market is likely to be seen in the years leading up to the Olympics, rather than during the four weeks of the Olympic and Paralympic Games themselves.

Following the announcement of the Sydney 2000 Olympics in September 1993 up until the event, Sydney was the best performing residential market of all the capital cities in Australia, averaging 8.4% growth per year.

Brisbane, which is remarkably more affordable than the larger capitals and has attracted the highest rate of interstate migration nationwide since late 2003, will see the benefits of the 2032 Olympics add further fuel to what is already a major growth region.

OLYMPIC GAMES

23 Jul – 8 Aug 2032

PARALYMPIC GAMES

24 Aug – 5 Sep 2032

BUDGET AND PROJECTED REVENUE

AU\$4.94 Billion

AUSTRALIAN ECONOMIC BENEFIT

US\$13.4 Billion

QUEENSLAND ECONOMIC BENEFIT

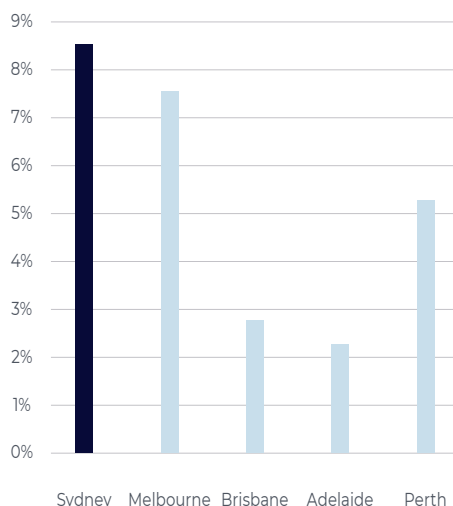
US\$6.1 Billion

TOTAL JOB CREATIONS

Queensland: 91,600

Australia: 122,900

HOUSE PRICE GROWTH FROM SYDNEY 2000 ANNOUNCEMENT (SEP 93) TO OLYMPICS (SEP 00)



Source: REIA

INTERNATIONAL SUPPLY ISSUES FOR STEEL, REINFORCEMENT, AND
TIMBER HAVE TRIGGERED AN ABRUPT INCREASE IN CONSTRUCTION
COSTS NATIONWIDE, PARTICULARLY DURING THE LAST QUARTER.

Buyers make a move as construction costs skyrocket.

Government stimulus and incentive packages employed to combat the economic impacts of COVID-19 through the construction industry, alongside record-low interest rates, have provoked a sharp spike in demand for domestic dwellings over the last year.

As such, subcontract packages such as carpentry, ceilings, partitions, tiling, and joinery have all increased.

Additionally, as other countries look to offset the impact of COVID-19 through construction, steel, reinforcement, and timber prices have continued to escalate since September 2020 as worldwide demand intensifies.

The cumulative impact of the material and labour shortages are expected to continue for the next 6-12 months, placing pressure on the feasibility of many off-the-plan apartment developments nationwide.

With price rises imminent for forthcoming apartment developments and many that are currently under construction, buyers have chosen to make a move, buying now instead of later to avoid feeling the brunt of the construction price hikes.

This shift has seen much of Brisbane's remaining apartment stock absorbed, with many completed developments that have residual stock lying dormant for years suddenly selling out.

It's expected that the value disparity between Brisbane houses and apartment prices, in conjunction with the increasing cost of construction, will see apartment owners begin to realise an increase to their investments' value as the median price of apartments is set to rise for the first time since 2015.

INCREASES IN BRISBANE MATERIAL COSTS

*Rawlinsons Reported Materials Cost Increases
(December 2020 - March 2021)*

↑
LVL,
LAMINATED
BEAMS
15%

↑
TIMBER
FRAMING
15%

↑
MESH
REINFORCEMENT
10%

↑
BAR
REINFORCEMENT
\$150/T

↑
ROOFING /
PURLINS
10%

↑
STRUCTURAL
STEEL
10%

↑
CONCRETE
\$10/CUM



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