



Market Report | Inner Brisbane Apartments
September Quarter 2011



Image supplied by Artisan

NORTH OF THE RIVER

CBD

SOUTH OF THE RIVER

CBD

- 1 Skyline Apartments
- 2 Soleil
- 3 Infinity
- 4 The Macrossan

NORTH OF THE RIVER

- 5 Paragon
- 6 Edenvue Apartments
- 7 Promenade Hamilton Apartments
- 8 Theodore Apartments
- 9 Pier at Waterfront
- 10 Park at Waterfront
- 11 Hamilton Harbour One
- 12 Hamilton Harbour Two
- 13 Riverside Hamilton
- 14 Mosaic
- 15 Rive
- 16 Code
- 17 ARIS
- 18 M&A
- 19 Chelsea
- 20 Hyde Apartments
- 21 Richmond
- 22 Pulse Apartments
- 23 The Milton
- 24 Belise
- 25 Hamilton Reach
- 26 Binary Apartments
- 27 Madison Heights

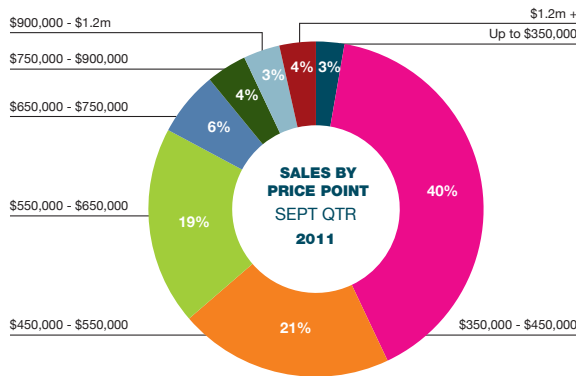
SOUTH OF THE RIVER

- 28 Waters Edge
- 29 Universal
- 30 Station 16
- 31 Dutton Place
- 32 The Capitol Apartments
- 33 Century
- 34 Castlebar Cove
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- 40 Artisan
- 41 Vivid
- 42 Eastwood

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Overview

Three years have passed since the impacts of the GFC were first strongly felt. A period where the Brisbane off-the-plan apartment market has undergone substantial change and re-evaluation. From the initial spike in sales recorded following the release of the first Brisbane tower to be extremely price pointed and heavily weighted toward one and two bedroom product mix, overall the Brisbane market has tracked sideways the past two and a half years. Sales have averaged at approximately 270 per quarter over the past three years and quarterly weighted average prices have varied between \$485,000 and \$650,000 depending upon project releases and sales rates during each period.



The market is entering a testing time as it prepares to absorb the settlement of the off-the-plan sales that have occurred across Brisbane's inner city post GFC. The Hamilton Harbour towers, Code, Richmond and Century are all approaching completion and will undergo the settlement process in the coming months. Underlying fundamentals such as very low historical vacancy rates, strong rental returns and a reasonably constant capital growth rate has generally seen the rapid absorption of new units. Early signs suggest that the settlement and absorption of new residential stock in the Inner City will run smoothly however, the valuer's pen will have the final say during the coming months.

Summary of the September 2011 Quarter

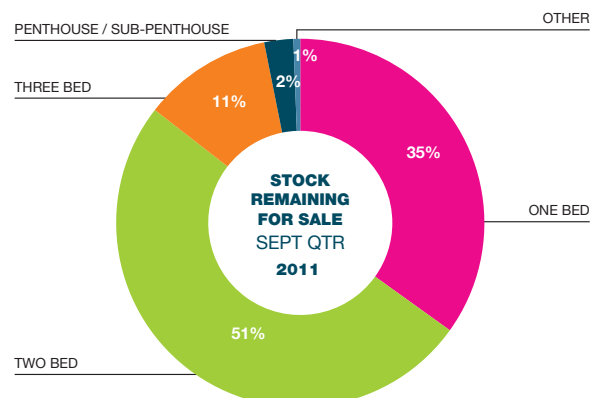
- The September 2011 quarter saw a total of 312 unconditional sales. This is a figure 30% above the 240 unconditional sales recorded during the June quarter however is 27% below the same period in 2010. The increase in sales is driven by new project launches (ongoing supply) in the Inner Ring.
- A weighted average of \$580,529 was recorded during the September 2011 quarter. Again, this is in line with the previous quarter, being only 2% above the weighted average recorded in June 2011. With reasonably consistent periods over the past 12 months, the longer term graph does suggest that the weighted average sale price has steadied.
- Again, almost 65% of the unconditional transactions during the three months to September 2011 were recorded under \$550,000. 90% of the quarter's sales were recorded under \$750,000.
- With an increase in unconditional sales, the total gross sales (in dollar terms) increased to approximately \$181million for the September quarter.

- There were three new projects launched during the September 2011 quarter: Eastwood, Artisan and Vivid, bringing the total number of projects currently recording unconditional sales to 41 projects. Artisan was the top performer for the period selling 72% of its stock upon release. The next report (December QTR 2011) is likely to see a further six projects record unconditional sales for the first time.
- Inner Brisbane supply tightened slightly during the 2011 September period. At the close of the quarter, 2,059 new residential apartments remained for sale. Based upon the increased sales rate recorded during the three month period, this translates into a market supply of 20 months. Place Advisory does however expect this to increase over the next three to six months as a number of significant projects are released to the market.
- Of the apartments which remain for sale, 51% of the stock remains in two bedroom configurations. A further 35% are one bedroom apartments whilst 11% of stock are three bedroom configurations.

Settlement Time – Will Valuer's be Realistic?

The Brisbane residential apartment market has and will continue to battle through a period that some have acknowledged as being the hardest phase of residential sales that many property practitioners have witnessed in their careers. Place Advisory is however of the opinion that the Brisbane market is now at the bottom of its cycle. Considering the local market has been relatively quiet through the past 18 months the increasing local enquiry recognised recently is positive. The weighted average price appears to have stabilised and has trended slightly upward for the first time in 12 months.

The biggest threat to the market progressing further is the proposed supply. A recent study undertaken by Place Advisory recognises that up 1,000 apartments may enter the market in the coming 3-6 months. Although sales rates in Brisbane continue to increase this is a direct correlation with the continuing project releases. The increased supply proposed will, in a market which is showing the first signs of green shoots in three years, increase buying alternatives for purchasers and water down individual sales rates within projects.



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CBD

Unconditional sales recorded in Brisbane's CBD have again softened slightly from the June period prior.

There was an expectation that The Midtown, to be developed by the Chinese company Yanjian Group, would record its first unconditional sales during the period following its public launch however this has not yet occurred. Feedback to Place Advisory does however suggest that The Midtown will record its first sales during the Place December 2011 apartment report.

As the following bullet points suggest, Meriton Constructions is again clearly driving the unconditional sales in the Brisbane CBD. Citimark's Evolution, having sold out during the June 2011 quarter, has been removed from the Place Apartment report.

- The September quarter 2011 recorded 26 unconditional sales in the Brisbane CBD, again 32% less than the June quarter previously and 16% below the same period in 2010.
- There was very little change in the weighted average price recorded for the Brisbane CBD during the September quarter 2011. A weighted average price of \$614,423 was registered for the precinct, only 1% above the June quarter previously. This is however the second consecutive rise in weighted average price.
- The majority of transactions recorded in the CBD during the September quarter, almost 70% of transactions, were in two bedroom configurations. One bedroom sales totalled 23% whilst the remaining 7% of sales were three bedroom apartments.

- Meriton Constructions again dominated the number of unconditional sales recorded during the September 2011 quarter for the CBD residential apartment market. Infinity, which is currently under construction, recorded the most sales with 16 transactions, whilst the 74 storey/234m high tower, Soleil, totalled the remaining 10 unconditional sales.
- As at the end of September 2011 a total of 363 developer apartments remain for sale in the Brisbane CBD across the four different projects. The majority of stock, 60%, is in one bedroom apartments and two bedroom apartments total a further 22%. The remaining 18% is made up of three bedroom and penthouse configurations.

The Brisbane CBD must position itself for growth in coming years. With very little supply consistent with a lack of diversity, as the market turns, the Brisbane CBD is likely to benefit. Being the heart of the Brisbane LGA, the Brisbane CBD retains all the elements of true inner city living. Employment opportunities, infrastructure nodes and lifestyle aspects are already established.

With a number of high profile sites recently changing hands and applying for revised development applications, there are a number of projects which will capitalise upon demand in coming years. The challenge will be ensuring that these projects are competitive on price, considering the land cost associated with the CBD assets.

Development	Suburb	Status	Total Units	Sold Sept Qtr 2011	Sold to date	Available for sale
Skyline Apartments	CBD	Completed	192	0	191	1
Soleil	CBD	Under Construction	414	10	243	171
Infinity	CBD	Under Construction	548	16	373	175
The Macrossan	CBD	Completed	42	0	26	16
CBD TOTALS			1,196	26	833	363

Consistent Sales... Meriton Constructions are again the only performer as the Midtown enters its sales campaign

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North of the River

Development	Suburb	Status	Total Units	Sold June Qtr 2011	Sold to date	Available for sale
Paragon on Arthur	Fortitude Valley	Completed	39	0	33	6
Edenview Apartments	Kelvin Grove	Under Construction	65	0	42	23
Promenade Hamilton Apartments	Hamilton	Under Construction	172	0	144	28
Theodore Apartments	Kelvin Grove	Under Construction	69	6	44	25
Pier at Waterfront	Newstead	Completed	99	1	53	46
Park at Waterfront	Newstead	Under Construction	102	1	33	69
Hamilton Harbour - Harbour One	Hamilton	Under Construction	257	0	252	5
Hamilton Harbour - Harbour Two	Hamilton	Under Construction	212	0	181	31
Hamilton Hbr - Riverside Hamilton	Hamilton	Under Construction	189	14	100	89
Mosaic	Fortitude Valley	Awaiting Construction	212	4	119	93
Rive' Apartments - Stage 1 & 2	Hamilton	Under Construction	226	56	191	35
Pulse	Roma St	Awaiting Construction	46	0	26	20
The Milton	Milton	Awaiting Construction	298	20	110	188
Code	Bowen Hills	Under Construction	132	0	100	32
ARIS	Newstead	Completed	95	3	59	36
M & A	Fortitude Valley	Under Construction	234	0	162	72
Chelsea	Bowen Hills	Under Construction	195	22	172	23
The Hyde	Teneriffe	Awaiting Construction	44	0	24	20
Richmond	Bowen Hills	Under Construction	107	0	52	55
Belise	Bowen Hills	Awaiting Construction	199	0	38	161
Hamilton Reach	Hamilton	Awaiting Construction	78	8	33	45
Binary Apartments	Kelvin Grove	Awaiting Construction	38	10	30	8
Madison Heights	Bowen Hills	Awaiting Construction	296	21	90	206
NORTH OF THE RIVER TOTALS			3,404	166	2,088	1,316

Brisbane's apartment market, North of the River, again outperformed the other Inner City precincts during the three month period ending 30 September 2011, recording 166 unconditional transactions. It is the third consecutive quarter that the Inner North has recorded the majority of sales in the Brisbane City, and is a result of the region having a strong supply pipeline and a diversity of choice for the consumer.

- The North of the River precinct recorded the lowest weighted average sale price of any precinct during the September quarter 2011. Propelled by price driven purchasers, a weighted average price of \$574,699 was realised. This figure is directly in line with the weighted average of \$573,954 established in the three month period prior.
- A total of 166 unconditional sales were recorded across Brisbane's North of the River precinct during the September quarter 2011.
- Again the majority of stock sold during the September quarter was one bedroom apartment stock which totalled 59% of the regions sales for the period. Two bedroom sales totalled a further 38% of the period's unconditional transactions.
- 68% of the sales for the quarter transacted below \$550,000 in the Inner North, with 90% of the period's transactions occurring below \$650,000 which appears to be the upper limit for many residential investors.

- The precincts top performing project during the September quarter was Rive which recorded 56 unconditional sales. Having released its second stage of apartments, the project is now well under construction with Stage 1 now approaching completion. Metro Property Group's Chelsea and Madison Heights were again in the top three performers for the quarter registering 22 and 21 unconditional transactions
- 1,316 apartments remain for sale North of the River, easily the most of any precinct totalling 24 months supply. 55% of the remaining stock is one bedroom apartments whilst a further 34% are two bedroom apartments.

Substantial supply matched with continued sales success

In coming months, the Inner North will face its first hurdle. The very successful Hamilton Harbour precinct, Code and Richmond at Bowen Hills will begin settling. Three projects which saw their first buyers recognise value and purchase during some of the worst market conditions post GFC. There is hope that valuers will undertake the correct research in justifying apartment values in these towers, however, given the direction provided by lenders in recent months, the potential under-valuing remains a threat to the wider market. The Valex system will be tested as direct comparables for the first high rise, high density, price pointed apartments to settle post GFC may be hard to establish given the policy to compare the existing "old" stock in these under developed areas with brand new product in the same precinct.

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South of the river

Brisbane's South of the River precinct has produced strong sales results during the September quarter 2011. With three new projects being released (Artisan, Vivid and Eastwood) recording solid unconditional sales and Capitol Apartments selling out the majority of their stock, the Inner South results were very positive for the market.

- New stock releases and a focus on well-priced apartments has seen a substantial uplift in the number of new unconditional sales during the September 2011 quarter. 120 transactions were recorded during the three months to September 2011, a figure three times more than the June 2011 period.
- A weighted average sale price of \$581,250 was produced for the three month period to September 2011. This is a figure 10% below the weighted average seen in the June 2011 quarter prior and is representative of the higher percentage of price pointed stock sold during the quarter.
- Artisan, developed by Aria Property Group, was the top performing project for the South of the River precinct totalling 48 unconditional sales for the period. Capitol Apartments, was the next highest performer recording 28 unconditional sales.
- 67% of the sales recorded during the quarter transacted under \$550,000.
- The majority of stock sold during the June 2011 quarter was one bedroom apartments, totalling 50% of the period's transactions within the South of the River precinct. A further 38% of the sales were two bedroom apartment sales.

- 380 apartments remain for sale in the South of the River precinct, 51% of which is in two bedroom configurations. Only 20% are one bedroom apartments. Based upon the sales rate recorded during the September quarter, the Inner South has only 10 months' supply remaining, suggesting this region is undersupplied.

In summary, Place Advisory believes that the South of the River represents a very good opportunity for developers and buyers. Much of the region has seen very little development in the past five years, particularly the Inner South East. Place Advisory are of the opinion that this area is undersupplied, and as the results show, there is an underlying demand.

The Inner South precinct has been identified as one of Brisbane's foremost developing precincts. Its proximity to schools, universities, hospitals, major entertainment arenas, as well as direct access to major transport infrastructure nodes, will unduly accelerate this growth. Featuring Southbank, GOMA and the surrounding Arts district, prolific bars, restaurants and retail alternatives, from the perspective of residential projects, the area's location and surrounding amenity will drive demand.

There are a significant number of projects entering the Inner South apartment market in coming periods, possibly buoyed by the recent project successes and the quickly developing infrastructure nodes within the inner city precinct. This will be the region to watch closely over the next 12 months.

An area on the brink of entering its next growth phase as increased levels of Development Application's are lodged

Development	Suburb	Status	Total Units	Sold June Qtr 2011	Sold to date	Available for sale
Riverpoint	West End	Completed	129	10	112	17
Waters Edge	West End	Completed	234	4	112	122
Universal	South Brisbane	Under Construction	69	0	68	1
Station 16	South Brisbane	Under Construction	65	2	64	1
Dutton Place	Annerley	Awaiting Construction	100	5	71	29
Capitol Apartments	South Brisbane	Under Construction	77	28	68	9
Century	Woollongabba	Under Construction	73	0	44	29
Castlebar Cove	Kangaroo Point	Completed	38	2	38	0
Scott Street	Kangaroo Point	Completed	12	0	5	7
Quartz Apartments	Bulimba	Completed	52	1	46	6
Yungaba - Promontory	Kangaroo Point	Under Construction	68	3	36	32
Aqua'ta	Bulimba	Under Construction	42	1	23	19
Eastwood	Woollongabba	Awaiting Construction	87	11	11	76
Artisan	South Brisbane	Awaiting Construction	66	48	48	18
Vivid	Kangaroo Point	Awaiting Construction	19	5	5	14
SOUTH OF THE RIVER TOTALS			1,131	120	751	380

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Site sales & future pipelines

The future supply pipeline remains one of the most interesting variables which will influence the new apartment market in coming years. Some regions will face oversupply constraints whilst others will be undoubtedly undersupplied.

The current focus for Brisbane development emphasises renewing those Inner City precincts which have been neglected and those which will become future Inner City villages. Considering the significant commitment to new major infrastructure upgrades and the creation of new transport routes in Inner Brisbane, areas which were previously avoided for multi residential development now have appeal.

Competition for purchasers will increase over the coming 12 months. As new stock is released those potential buyers who are not committed to their purchase may be influenced toward other alternatives and therefore commitment to purchase may continue to be extended. The creation of urgency will become critical to ensuring buyers do not become serial apartment shoppers. Confidence in the developer's brand, delivery of quality product at a realistic price and early incentives is being demanded and will be necessary.

- As at the 30th of September 2011, there were 12,301 apartments (at various stages of approval) proposed to be developed in Brisbane's Inner Ring.
- There are a further 1,301 Inner Brisbane apartments which are actively being marketed but which have not yet publicly released and therefore have not recorded unconditional transactions at the close of the period.

- The Inner North East and Inner South West has the majority of future apartments planned for development. 66% of the total inner city residential supply is destined for these two precincts.
- The majority of apartment stock planned is in two bedroom configurations, totalling 47% of the total inner city supply. With new project releases reducing the pipeline, the total one bedrooms planned has decreased during the September quarter to 40% of future stock.
- Brisbane Inner Ring projects at various stages of planning have been categorised by development application, development approval and deferred pending market conditions. There were a number of new applications and new development approvals recorded during the September Quarter 2011. The number of approved apartments, not in a marketing campaign, totals 25% of the development pipeline, whilst the deferred apartments have increased to 38%.
- The average cost per apartment of high density Inner City Brisbane site is approximately \$63,000. Those sites currently with an approval have an average cost per apartment of approximately \$74,000.

With a number of sites recently transacted and a number of sites still on the market, Place Advisory predict the supply pipeline to continue to increase. The scale of residential projects in Brisbane is ever increasing as developers try to balance affordability, apartment size and costs to deliver. Inner city density is expected to increase as Brisbane's busy work/life balance demands low maintenance and well located apartment living.

Future Supply Pipeline - Breakdown by stock type



Future Supply Pipeline - Stage of Development



The future supply pipeline will be the variable which will have the **greatest influence on the new apartment market in coming years**

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Special Report

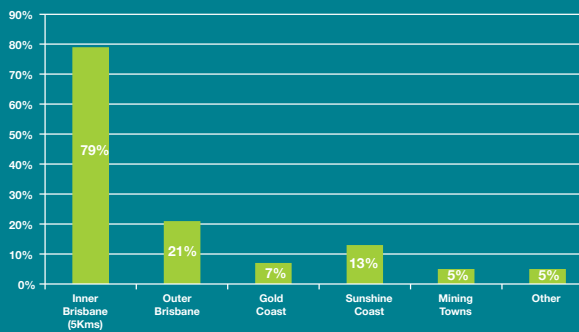
What do investors want?

It's a question which has been asked by many, particularly in a market which today is dominated by them. Are our buyers striving for capital growth or rental returns? Where do they want to buy? What are the biggest locational drivers? Place Advisory attempted to answer the questions everyone is demanding to know. What drives an investor to purchase a residential asset in today's market?

To provide an idea of the demographic who responded to the survey, the following must be noted: 95% of the respondents were aged between 25 and 65 years of age with an even break up by 10 year age groups; 69% of respondents were male; the majority of the respondents (38%) earned over \$180,000 per annum and 84% of the respondents have purchased a residential property previously. 81% of the population sampled are looking to purchase a property within the next two years.

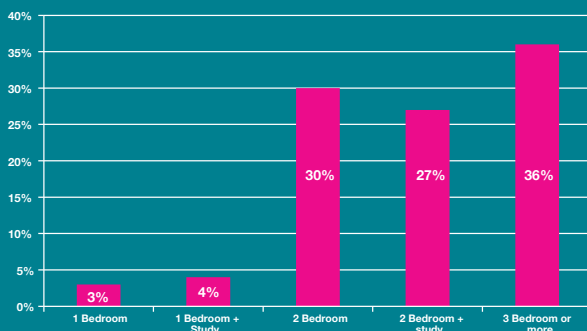
Overall, the results of the survey were very positive, however there were some very interesting comments made and some very consistent trends recognised regarding consumer confidence, drivers of purchase and buyer criteria for Investment. The following questions a summary of Place Advisory's 2011 Investment Survey which encompasses 411 responses from the Place database.

If you were to purchase a property within the next two years, where would you prefer to buy?

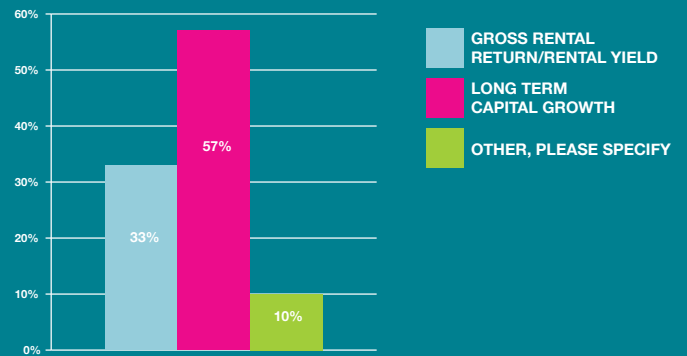


"The current property market is stagnant and there is significant value in the market because of it..."

If you were to purchase an investment property, how many bedrooms would you prefer?

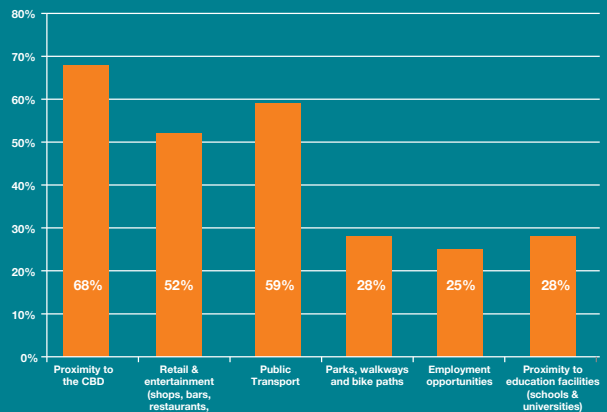


As a property investor, what do you find to be the most important financial driver in selecting an investment property?



- 35% of respondents were seeking a gross rental return of between 5 and 6% with a further 23% expecting 6%+.
- 33% of investors expect an annual capital growth of 8%+

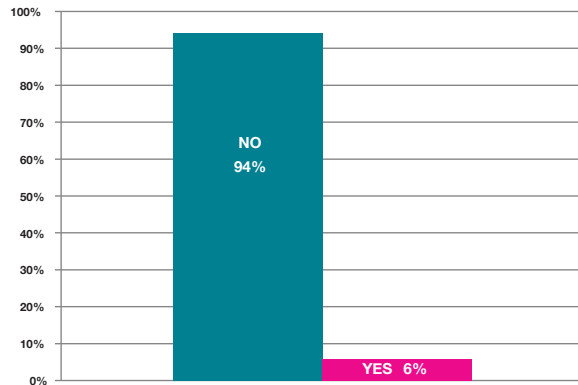
What are the most important locational drivers when selecting residential property?



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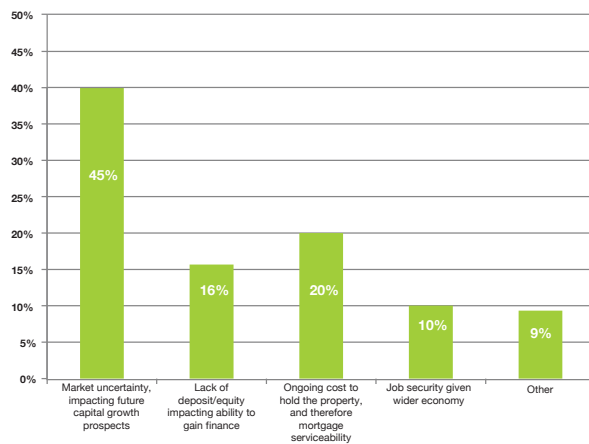
Special Report (Cont'd)

Would you buy an inner city investment property without a car space if it was close to public transport?



Consumers have a preference for carparks. Comments surrounded the added value and increased returns which result.

What is your biggest concern impacting your property investment decision today?



Top Reasons to Commit

- Recognise value in the stock. Must be competitively priced and have a point of difference. Often lifestyle orientated and can see themselves enjoying the space.
- Simply have to make a life decision. Driven by employment or for tax purposes during the next 12 months.
- Capital growth in the long term is the biggest driver.
- Rents are very strong at the moment. As prices have come back slightly the investment opportunity is strong in some areas.
- Must have the combination of location, price and the lifestyle associated.

Top Reasons not to Commit

- Nervousness and uncertainty around the current property market. Fear that we are not yet at the bottom of the market and prices will fall further.
- Media, research and agents are confusing buyers. Often conflicting statements which change weekly.

- Too much choice. Want to do more research.
- Local buyers are questioning value for money. There are cash buyers around but want to get more “bang for their buck”.
- Valuation problems. Valuations of the properties are sometimes coming in well under the contract price (the price people are willing to pay).

Above all else, buyers are currently seeking value for money in the Brisbane market

Outside of this, comments surrounded the need for a change in government, and a lack of quality for asking prices.

Above all else, buyers are currently seeking value for money in the Brisbane market. Uncertainty surrounding the future of the property market is a concern, however this will be overcome as the Brisbane residential space improves moving forward. For a full copy of this report please email research@eplace.com.au or log onto www.placeprojects.com.au.

An intimate knowledge of potential buyers and the marketplace can minimise risk and give your development the edge over competitors.



place projects

At Place Projects, we understand the importance of ongoing market research. In fact, we have our own full-time researchers, so we're able to retain and have easy access to all of the information we gather. We know that 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 very best site and create the optimal package for each project. We can then make qualified recommendations on the product mix, positioning, design, finishes and even price. Access to such comprehensive buyer information also helps us pick early market trends. We believe that 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.



The Place Project Marketing Team is lead by some of the most experienced and high achieving sales consultants in the industry.

for pedigree



LACHLAN WALKER

As a Place Researcher, Lachlan's role is to gather both internal and external market intelligence to gain a comprehensive understanding of residential projects and provide product specific advice to our clients.

This reduces the associated risk and provides the information necessary for them to make an informed decision. He has worked closely with a number of developers, from site conception through to product delivery. Lachlan has also provided professional consultancy and advisory services to leading property clients, including Valad Property Group, Lend Lease, Australand, Stockland, Laing O'Rourke, Kenlynn Properties Australia, Anthony John Group, FKP, Leighton Property, Devine and Rankellor Developments.



BRUCE GODDARD

Bruce has close to 30 years experience successfully marketing and selling major project developments from the Whitsundays to Cairns and now Brisbane.

In that time, he and the award-winning offices that he has led have been market leaders in residential, waterfront and mixed-use project marketing. His services have been consistently sought out by leading developers, including Consolidated Properties, Hamilton Island Enterprises and Thakral, to mention just a few. With around \$1 billion worth of residential property sold, Bruce brings to the Place Projects team a wealth of experience and expertise.



SYD WALKER

After a successful career in marketing rural commodities, Syd moved into Real Estate and Project Marketing on the Sunshine Coast in 1992 before a move to Brisbane in 2010.

Over an 18-year period, he has been involved in site acquisition, project consultancy and the sale of a number of landmark residential and mixed-use buildings. Syd has worked closely with a number of major developers, including Lend Lease, Sunshine Coast Reed Property Group and Australand. Collectively he has sold over \$1 billion in residential sales. Most recently, he has worked on a variety of projects targeted to lifestyle investors and owner/occupiers in resort settings, including The Duporth Riverside on the Maroochydoore River, The Moorings at Caloundra, North Shore Apartments at Twin Waters and the 5 stage Seaforth Resort at Alexandra Headland.

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