

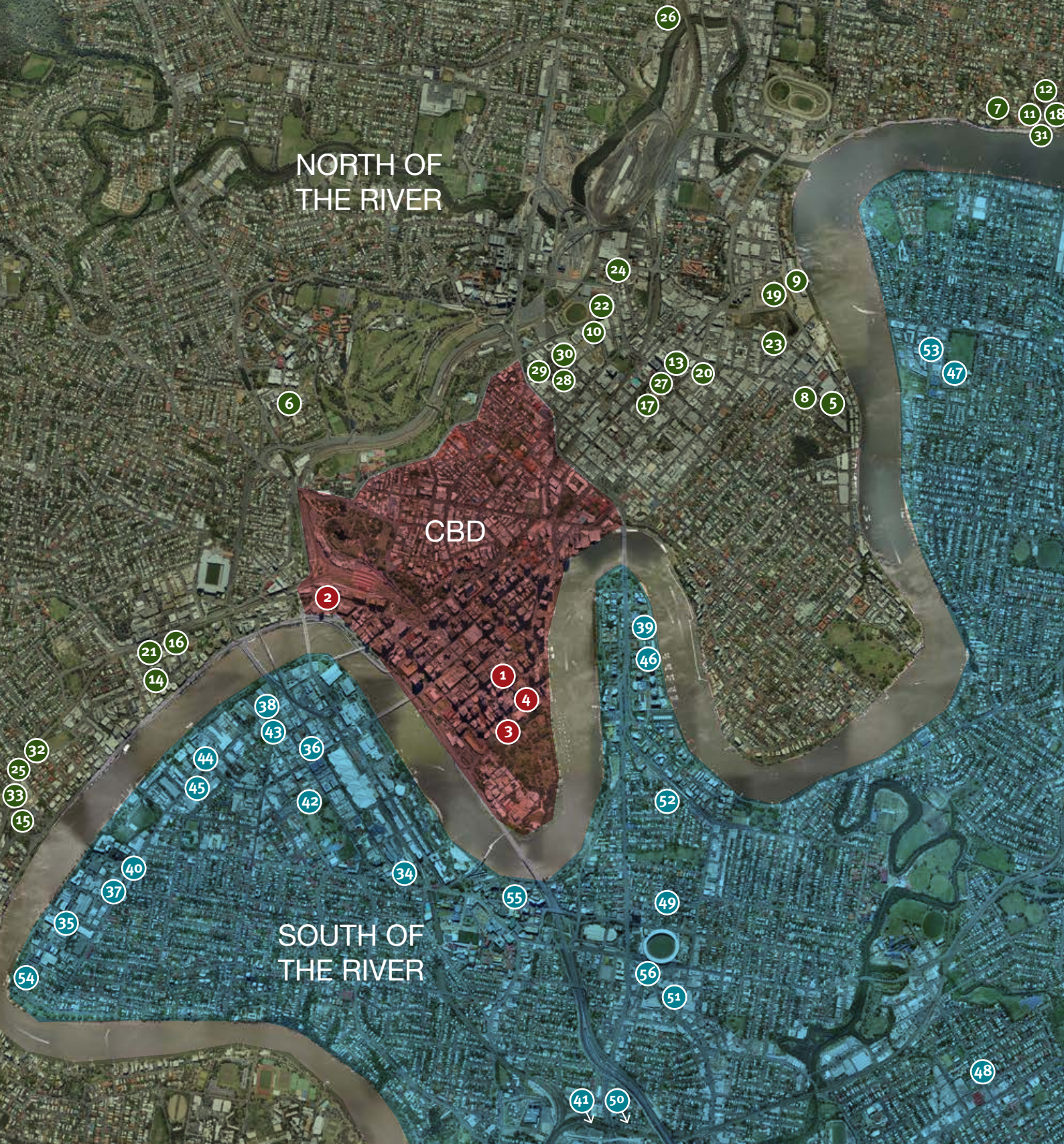


Market Report | Inner Brisbane Apartments

March Quarter 2015



Image supplied by Southpoint



NORTH OF THE RIVER

CBD

SOUTH OF THE RIVER

CBD

- 1 The Midtown
- 2 111 Quay Apartments
- 3 Abian Apartments
- 4 Skytower

NORTH OF THE RIVER

- 5 Double One 3
- 6 Zest
- 7 Promenade Hamilton Apartments
- 8 Mode
- 9 Pier at Waterfront
- 10 The Yards
- 11 Proximity
- 12 Hercules
- 13 Mosaic

- 14 Savoir Faire Residences 1 & 2
- 15 38 High Street
- 16 Westmark
- 17 M&A
- 18 Hamilton Reach
- 19 Unison
- 20 Newstead Central
- 21 The Milton
- 22 Belise
- 23 Newstead Towers
- 24 Madison Heights
- 25 Alto
- 26 The Hudson at The Mill
- 27 Broadway on Ann
- 28 Oxford Towers
- 29 Cambridge Towers
- 30 Canterbury Towers

- 31 Pinnacle
- 32 Landmark
- 33 Sense

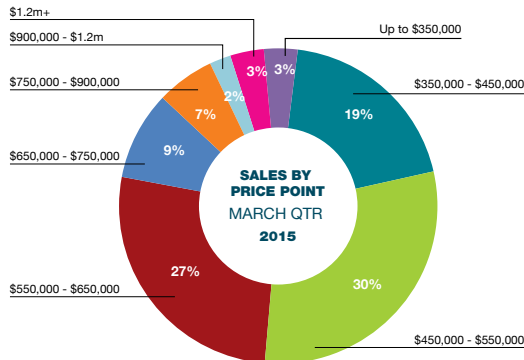
SOUTH OF THE RIVER

- 34 Southpoint
- 35 Riverpoint on Ferry
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- 53 Bloom
- 54 Habitat
- 55 Peak
- 56 Trafalgar Lane

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Overview

Inner Brisbane apartment sales remained strong through the first quarter of 2015, reinforcing the record breaking quarter realised in December 2014. A quarter which saw a State Election decided via an historical swing in the political sector, creating uncertainty for elements of our market where reliance upon key infrastructure and government spending, which is now back under the magnifying glass. Yet overall, Brisbane has powered on.



The weighted average price strengthened during the March 2015 quarter to \$606,469, an increase of 10% on last quarter's price. Sales across Inner Brisbane remain highly supply driven – dominated by affordable 1 and 2 bedroom transactions. We expect unconditional sales to remain strong through the coming years as residential development drives change and apartment living evolves and escalates throughout this new cycle.

Summary of the March 2015 Quarter

- The three months to March 2015 recorded 1,225 unconditional sales. Although this is not to the same level of transactions as the record breaking December Quarter prior, this is still a 92% growth on the same quarter 12 months prior and 200% above the 10 year average.
- A weighted average of \$606,469 was recorded during the March 2015 quarter. This is 10% above the December period previously.
- Total gross sales in dollar terms totalled over \$742.9 million for the March quarter.
- Transactions for the quarter were almost evenly split between one and two bedroom apartments, representing 45% and 49% respectively. Three bed sales remain the minority with only 4% of the quarterly figures.
- The distribution by price point was evenly spread up to the \$650,000 mark through the first quarter of 2015. The \$450,000 to \$550,000 price point however saw the market share with 30% of the quarter's sales.
- There were 2,455 apartments remaining for sale in Inner Brisbane at the end of the March 2015 quarter – this equates to a supply of 6 months.
- Overall, one bedroom apartments are the majority of current supply within Brisbane equating to 48% of the apartments remaining on the market. Two bedroom apartments total only 44% of the available apartments for sale, and 3 beds represent only 5%.
- There were four new projects which recorded unconditional sales during the March 2015 quarter. These included the Stage C of Southpoint, Ink and Highline (West End), Hercules (Hamilton) and Unison (Newstead).

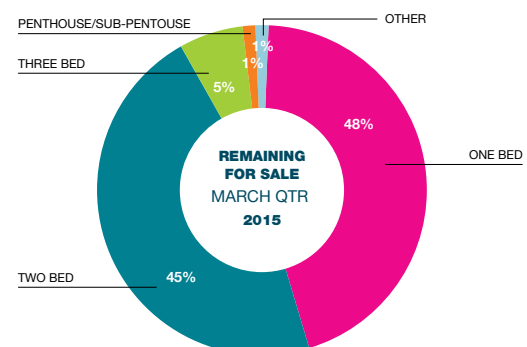
- The best performing projects in Brisbane during the quarter were Skytower (170 transactions), Southpoint Stage C (130 transactions), Unison (124 transactions), Hercules (112 transactions) and Canterbury Towers (77 transactions).
- The North of the River precinct, totalled the majority of unconditional sales during the March 2015 quarter, recording 635 unconditional sales. The South of the River precinct recorded 412 unconditional sales and the CBD saw 178.

Brisbane has undoubtedly benefitted from the high levels of demand in recent years – capitalising upon affordability and high yields. Delivery of this product to the market combined with a historically low interest rate environment has seen yields soften slightly in recent months. Vacancy rates have however remained stable if owners adjust to market rents – remaining in the 2-3% spread overall. Capital growth will be the determining factor that will provide longevity to the Brisbane marketplace. As and when the Queensland economy strengthens, so will employment opportunities and spending, and inevitably Brisbane's property market will begin its long catch up to sales prices being achieved in a buoyant Sydney real estate market.

Future supply is one topic which has been top of mind for many looking to enter the Brisbane market. With some statistics implying that the Brisbane market is likely to be oversupplied in the near term. Place Advisory directly challenges these statements and is of the belief that Brisbane is, and will remain undersupplied in the near term. Apartment take-up and demand is at its highest ever levels and yes this is expected to contract as sales at this height are unsustainable – however the cycle will enter a new era. An era of higher quality, larger product in the more developed Inner City regions whilst the traditional fringe suburbs will for the first time see higher density development along the core transit corridors.

Whilst there does appear to be a lull in the marketplace currently, it must be noted that many projects are preparing for significant launches in the coming six months. Place Advisory expects the current levels of unconditional sales to remain strong in the near term as the Brisbane market continues its growth phase. Exciting times ahead.

Powerful sales rates recorded in consecutive quarters reflecting high demand for apartment product



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CBD

The Brisbane CBD has again recorded strong levels of unconditional sales. Results are however dominated by the sales success within Skytower.

- 178 unconditional sales were recorded in the Brisbane CBD during the March 2015 quarter. This is a slightly higher result than the December quarter prior.
- A weighted sale price of \$680,758 was recorded for the quarter. This is the highest weighted average of all precincts and is a direct result of higher end owner occupier transactions in Abian and higher prices achieved at Skytower. These recorded sales in this precinct had a substantial impact on the weighted average sale price across this market.
- Skytower clearly recorded the majority of unconditional transactions through the most recent three month period. A total of 170 unconditional transactions were recorded throughout this building.
- 111 Quay Apartments and Abian recorded the balance 8 unconditional sales during the three months within the Brisbane CBD.
- The majority of transactions recorded in the CBD during the March quarter were in one and two bedroom configurations.
- As at the end of March 2015, the Brisbane CBD remains the most limited in terms of new projects, new buying opportunities and residential supply.
- A total of only 601 developer apartments remain for sale in the Brisbane CBD across the four different projects.
- Of the majority of stock remaining for sale, 66% is one bedroom apartments and 25% is made up of two bedroom apartments.

178
sales
weighted
average of
\$680,758

Development	Suburb	Status	Total Units	Sold March Qtr	Sold to Date	Available for Sale
The Midtown	CBD	Completed	144	0	120	24
111 Quay Apartments	CBD	Under Construction	78	3	50	28
Abian Apartments	CBD	Under Construction	147	5	132	15
Skytower	CBD	Under Construction	1,119	170	585	534
CBD TOTALS			1,488	178	887	601

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North of the River

A total of 635 unconditional transactions were recorded - the highest levels of unconditional sales across the Inner Brisbane precincts. The North of the River apartment market spans 30 projects which recorded unconditional sales in the March 2015 Qtr and are actively selling new and off the plan apartments.

- A total of 635 unconditional sales were recorded at a weighted average price of \$575,197, representing approximately 52% of all sales recorded across Inner Brisbane during the period.
- The weighted average price rose slightly from the December quarter prior to \$575,197 – a strengthening of 19%.
- Apartment sales in the precinct are reflective of the higher percentage of 2 bedroom transactions with 41% of the sales for the quarter transacting between \$550,000 and \$650,000 in the Inner North. A further 29% transacted between \$450,000 and \$550,000 and 23% transacted between \$350,000 and \$450,000.
- There was only two new project releases in the region which recorded their first unconditional sales during the past three months – Hercules at Hamilton to be developed by Citimark, and Unison at Newstead developed by Mirvac.
- Apartment sales were dominated by two bedroom transactions in the Inner North during the March quarter 2015, totalling 58% of sales. A further 40% of sales were attributed to one bedroom transactions. Only 1% of the quarter's sales were three bedroom transactions.
- Four projects outperformed all their North of the River competition during the three months to March 2015. The new release of Unison recorded 124 sales, and was the North of the River's top performer. This was closely followed by Hercules with 112 sales, Canterbury Towers (77 unconditional transactions), and South Yards (69 unconditional transactions).
- 956 apartments remain for sale in the North of the River precinct, the majority of supply in Inner Brisbane. We do however expect this to expand with new project releases in the coming six months.
- 59% of the stock remaining stock available for sale is two bedroom apartments whilst a further 35% are one bedroom apartments.
- Sense, Promenade, Cambridge and Oxford Towers have now sold out of their stock and will be removed from future reports

The highest unconditional sales across the Brisbane market

Development	Suburb	Status	Total Units	Sold Dec 14 Qtr	Sold to Date	Available for Sale
Promenade Hamilton Apartments	Hamilton	Completed	172	1	172	0
Pier at Waterfront	Newstead	Completed	99	3	84	15
Mosaic	Fortitude Valley	Completed	212	8	210	2
M&A	Fortitude Valley	Completed	234	11	229	5
Belise	Bowen Hills	Under Construction	228	15	213	15
The Hudson at The Mill	Albion	Under Construction	140	0	81	59
Double One 3	Teneriffe	Completed	111	2	107	4
Hamilton Reach - Atria North	Hamilton	Under Construction	81	0	21	60
Cambridge Towers	Fortitude Valley	Completed	165	3	165	0
Oxford Towers	Fortitude Valley	Completed	160	1	160	0
Pinnacle Apartments	Hamilton	Completed	168	2	104	64
Broadway on Ann	Fortitude Valley	Under Construction	247	2	226	21
Proximity	Hamilton	Under Construction	126	5	95	31
Newport	Hamilton	Under Construction	34	0	18	16
Newstead Towers	Newstead	Under Construction	314	9	251	63
North Yards	Bowen Hills	Under Construction	208	23	195	13
South Yards	Bowen Hills	Under Construction	182	69	163	19
Canterbury Towers	Fortitude Valley	Under Construction	200	77	132	68
Zest	Kelvin Grove	Under Construction	144	25	111	33
Newstead Central - Aqua	Newstead	Under Construction	149	62	80	69
Mode	Newstead	Under Construction	157	7	117	40
Hercules	Hamilton	Awaiting Construction	228	112	112	116
Unison	Newstead	Awaiting Construction	144	124	124	20
The Milton	Milton	Under Construction	298	0	240	58
Westmark - Stage 1 and 2	Milton	Under Construction	277	0	258	19
38 High St	Toowong	Under Construction	136	2	104	32
Savoir Faire Residences II	Milton	Under Construction	65	8	35	30
Alto	Toowong	Under Construction	154	37	130	24
Landmark	Toowong	Awaiting Construction	119	14	59	60
Sense	Toowong	Under Construction	36	13	36	0
NORTH OF THE RIVER TOTALS			4,844	511	3,908	936

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South of the River

The Inner South apartment market (represented by 26 projects) again recorded higher than average unconditional apartment transactions. A total of 412 apartment sales were totalled during the March 2015 Qtr. With substantial new precincts to be released in coming months, it is expected that the Inner South will dominate transaction levels through 2015.

- A total of 412 new unconditional sales were recorded during the three months to March 2015. This is 162 less transactions than the quarter previous and reflective of the lower levels of available stock and the lack of new project releases compared to the period prior.
- A weighted average sale price of \$549,347 was recorded for the March 2015 quarter in the Inner South. This is a figure 13% above the December 2014 quarter.
- 47% of the stock sold during the quarter were two bedroom apartments. A further 46% of the quarter's sales were one bedroom apartments whilst the three bedroom market accounted for 5% of all transactions.
- There were three new releases in the Inner South of the River precinct the March 2015 quarter – Southpoint Stage C, Ink and Highline.
- Southpoint Stage C, was the top performing project in the Inner South recording 130 unconditional transactions.

- 898 new and off the plan apartments remain for sale in the South of the River precinct.
- Of these apartments which remain for sale, 48% are two bedroom apartments, 44% are one bedrooms apartments and only 6% are three bedroom apartments.
- Regents Lane, Riverpoint, Veritas, Archive and The Melbourne are now all sold out and will be removed from future apartment reports

This market will expand through 2015

Development	Suburb	Status	Total Units	Sold Dec 14 Qtr	Sold to Date	Available for Sale
Southpoint	South Brisbane	Under Construction	217	10	207	10
Southpoint - Stage C	South Brisbane	Under Construction	196	130	130	66
Regents Lane	Woolloongabba	Under Construction	57	1	57	0
Riverpoint on Ferry	West End	Under Construction	50	3	50	0
Veritas	Woolloongabba	Under Construction	41	9	41	0
Basse	South Brisbane	Awaiting Construction	68	0	43	25
Habitat	West End	Awaiting Construction	148	0	77	71
Peak	South Brisbane	Under Construction	46	3	41	5
Spice South Tower	South Brisbane	Under Construction	124	0	37	87
Spice North Tower	South Brisbane	Under Construction	150	0	111	39
Trafalgar Lane	Woolloongabba	Under Construction	147	0	137	10
Citro	West End	Awaiting Construction	106	10	40	66
Archive	Woolloongabba	Awaiting Construction	69	8	69	0
The Melbourne	South Brisbane	Under Construction	180	4	180	0
Light & Co	West End	Awaiting Construction	139	21	111	28
Opera Apartments	South Brisbane	Under Construction	180	50	110	70
INK	West End	Awaiting Construction	107	32	32	75
Highline	West End	Awaiting Construction	142	52	72	70
Linc	Kangaroo Point	Under Construction	45	0	41	4
Parkside Bulimba Stage 1	Bulimba	Under Construction	22	0	20	2
Parkside Bulimba Stage 2	Bulimba	Under Construction	23	3	21	2
Affinity	Kangaroo Point	Under Construction	44	0	22	22
Bloom	Bulimba	Under Construction	32	0	14	18
Liberte	Kangaroo Point	Under Construction	112	2	110	2
Willow	Kangaroo Point	Awaiting Construction	89	18	36	53
Orion	Coorparoo	Under Construction	186	56	13	173
SOUTH OF THE RIVER TOTALS			2,720	412	1,822	898

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Site Sales

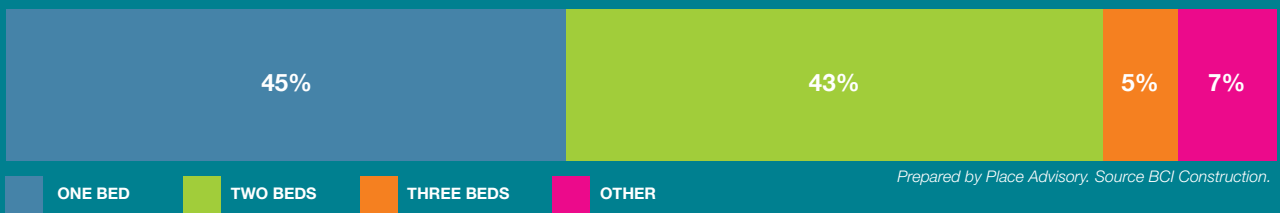
Brisbane residential site sales have gone through considerable growth the past 12 months. As competition for development sales heats up – driving premium prices for the land. Comparing transactions, and calculating site values on a ‘per door’ value, Brisbane residential apartment sites have doubled in price the past 12 months.

The following points summarise the approval changes for Inner Brisbane sites through the past 3 months.

- 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, approvals and only a limited number of new deferrals recorded during the March Quarter 2015.
- In total, at the end of March 2015, approximately 24,800 apartments are planned/proposed to be developed in Inner Brisbane over 168 buildings. These sites are in various stages of planning or have been deferred pending market conditions. This is an 18% growth from 2014.
- Following a number of projects entering the sales cycle, the total number of approved apartments which are yet to begin selling now totals 37% of all pipeline apartments in the Inner Brisbane Development pipeline.
- 41% of the pipeline remain awaiting approval, an increase from the December quarter. Only 22% of this pipeline is currently deferred.
- There has been a clear shift in the apartment stock planned to be delivered in the Brisbane market. Historically, dominated by two bedroom configurations the majority of apartment stock planned is now one bedroom configurations - increasing to now represent 45% of the total inner city supply. The total two bedrooms planned now total 43% of future stock.
- The Inner South West remains the region with the majority of planned apartment stock (45%). The Inner North East follows closely with a further 37% of proposed apartments in the Inner Brisbane market.
- The South East and North West precincts total only 5% and 3% of the development pipeline respectively.

There is a development squeeze coming as construction prices start to rise

Future Supply Pipeline - Breakdown by Stock Type



Future Supply Pipeline - Stage of Development



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Special Report

The Supply Debate - Inner Brisbane

Apartment supply and oversupply is a controversial and topical issue across the Brisbane real estate industry currently. With continued record breaking quarterly sales rates being achieved for off the plan projects, multiple cranes in the air and development driving change in the Brisbane market – Brisbane has been put under the national spotlight.

Buyers and developers alike query when this cycle will turn. Our opinion remains clear – the opportunity for growth in the Brisbane market is high. Although there is a wide array of choice across Inner Brisbane, uptake remains strong, at levels almost 200% higher than the 10 year average. Regarding price, the Brisbane apartment market is yet to recognise any significant price growth, which is inevitable in the near term given Brisbane medians are now 57% below the Sydney marketplace.

The most sensitive investment statistic however, centres on yields and vacancy. As development is delivered, these are the ratios to watch. Vacancy in Brisbane today rests at 2.3% (SQM Research). A normal market is considered to be up to 2 weeks vacant a year ($2/52 = 3.8\%$). To this end, Place Advisory believe that vacancy rates are currently still low – however this is expected to rise further in the coming 24 months as further stock is delivered. Yields however have begun to soften as tenants either enter the real estate market in this historically low interest rate environment (ie are now buyers), or shop around various rental opportunities.

For new projects, the greatest risk on occupation and vacancy is in the initial letting period following settlement, where large volumes of stock are released to the market. However as these are leased and the building relaxes the rental rates begin to recover. The greatest risk for investment property long term is the older suburban walk up and the mature lower quality/low amenity buildings outside of core infrastructure nodes. It is undoubtedly the case that there is a flight to quality in this space and if easily substitutable on weekly cost, new buildings will always win out.

Tying all this back to supply and oversupply – there are regions in Brisbane where it could be argued that there is an oversupply of certain investment stock and pressure will be placed on rents and vacancy. These are areas where significant apartment settlements have occurred in the past 2 years and are planned to occur in the coming two years, and this is not reflective of the market overall. What also needs to be identified is that there is a clear undersupply of good to high quality owner occupier apartments. This is the opportunity arising through the next cycle.

The following charts demonstrate regions where apartment supply has been focussed and how this translates into density and delivery of apartments to Inner Brisbane.



The Supply Debate - Inner Brisbane

the past

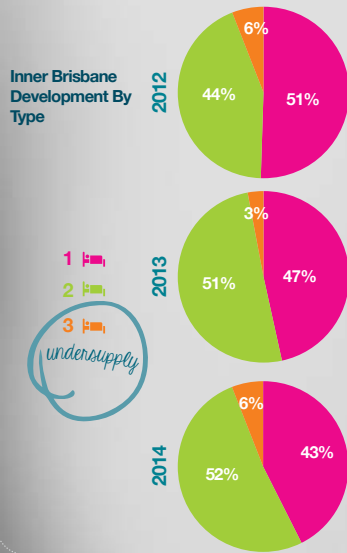
(2012-2014)

Approx. 8,600 apartments have been sold, developed and occupied

Yields reached 6%

Strong rental returns - increasing at approx 4-5% per annum

No capital growth



Inner Brisbane Development By Suburb

South Brisbane	16%
Fortitude Valley	10%
Brisbane	9%
Bowen Hills	8%
Hamilton	8%
West End	7%
Kelvin Grove	6%
Newstead	5%
Milton	5%
Woolloongabba	4%
Toowong	3%
Bulimba	2%
Dutton Park	2%
Kangaroo Point	2%
Albion	2%
New Farm	2%
Windsor	1%
Teneriffe	1%
Murarie	1%
Cannon Hill	1%
Annerley	1%
Mount Gravatt	1%
Morningside	1%
Coorparoo	1%
East Brisbane	1%

the future

(2015-2017)

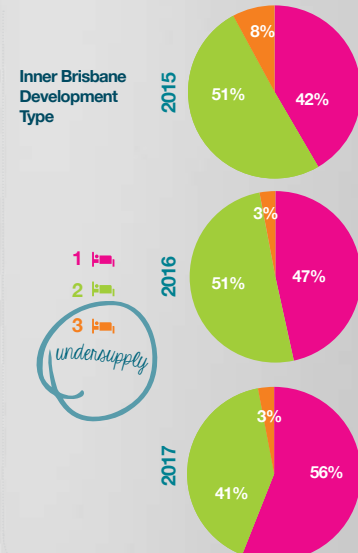
Approx. 13,500 apartments will settle

Demand for sites hit fever pitch during 2014

Rental demand is softening

Yields expected to average 4-5%

Brisbane will recognise capital growth



Inner Brisbane Development By Suburb

Newstead	24%
Fortitude Valley	12%
South Brisbane	10%
West End	6%
Bowen Hills	6%
Albion	5%
Toowong	5%
Kelvin Grove	5%
Woolloongabba	5%
Brisbane	4%
Milton	4%
Spring Hill	4%
Hamilton	3%
Coorparoo	3%
Kangaroo Point	2%
New Farm	1%
Herston	1%

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 Properties and Devine.

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BRUCE GODDARD

Bruce Goddard has a reputation as a prominent leader in the field of Residential Project Marketing, which has led to numerous major appointments for some of Australia's most prominent institutions and banks.

As licensee of Place Projects, Place now holds appointments for a number of Brisbane's major residential projects, supplying advisory, sales and marketing services to various Public as well as smaller Private Companies. Often sought after by property developers through reputation, Bruce's offices have been involved in the setting, marketing and selling of numerous residential projects. Bruce was also recognised by the REIQ as Queensland's Agent of the Year in 1994. Bruce's Project Marketing career spanning over 25 years has resulted in sales in excess of 1 Billion dollars.

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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 a 20 year period Syd has been involved in site acquisitions, project consultancy and the sale of a number of landmark residential and mixed use buildings. During this period his agency has won the prestigious REIQ Sunshine Coast Real Estate agency of the year, seen his staff take out awards for REIQ salesperson of the year and the Sunshine Coast business employee of the year. At Place Projects Syd is responsible for managing project sales teams, identifying new project opportunities and servicing various investment channels throughout Australia. Syd works closely with the management team in project marketing to meet developers required rates of sale and the overarching project objectives.

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