



# Market Report | Inner Brisbane Apartments

December Quarter 2010



## NORTH OF THE RIVER

### CBD

## SOUTH OF THE RIVER

#### CBD

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

#### NORTH OF THE RIVER

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

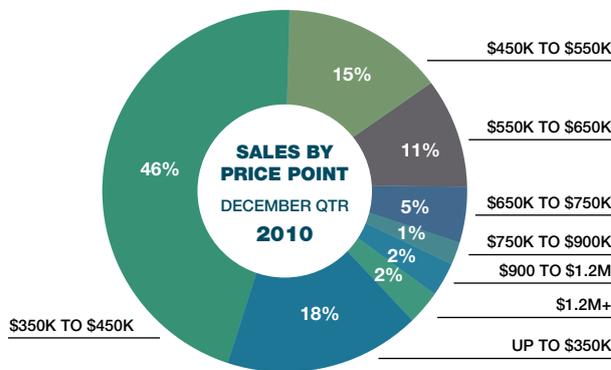
#### SOUTH OF THE RIVER

- 25 Gabba Central 1 & 2
- 26 Riverpoint
- 27 Waters Edge
- 28 Universal
- 29 Station 16
- 30 Dutton Place
- 31 Montague
- 32 The Capitol Apartments
- 33 Century
- 34 Castlebar Cove
- 35 Forty Park Avenue
- 36 Scott Street
- 37 Quartz Apartments
- 38 Yungaba
- 39 Aquata

# 1

## Overview

Place Research has undertaken an analysis of off-the-plan sales across the Inner Brisbane Ring. This Research has been undertaken in order to provide an accurate insight into the apartment market. Also this detailed Research ensures that the information delivered to the marketplace is qualified, correct and succinct. Ongoing emphasis will be placed upon the new off-the-plan apartment sales on a quarterly basis and the future supply trends of product likely to enter the market in both the short and longer terms.



The past 12 months have seen a mixed residential market of both growth and contraction, purely dependent upon location and price. 2010 for many, saw a market which began very strongly and ran out of puff in the latter half of the year. During this period there was very limited price growth recognised when compared to Melbourne and Sydney. On a positive note however Brisbane generally follows the trends identified in the southern states. For this reason this produces an opportunity for the market to capitalise upon opportunities before the market recognises considerable growth in the coming two years.

There is substantial depth in the market for competitive price driven product. Buyers of Brisbane apartments remain investment driven, heavily weighted by transactions under \$500,000. Affordability remains the focus.

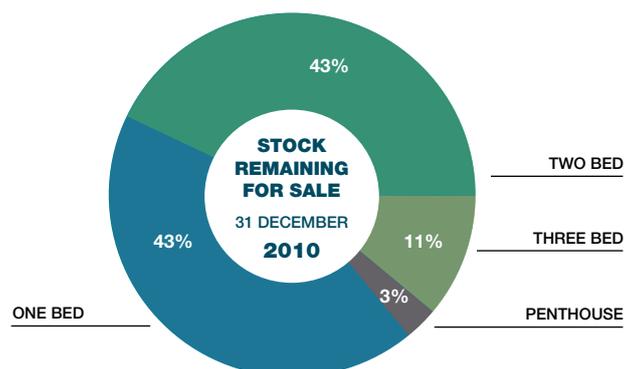
- 429 unconditional sales were recorded for the December 2010 quarter at a weighted average price of \$484,732. This is the highest volume of sales recorded in the Inner Brisbane Ring since the peak of the market in 2003/2004.
- A total of 79% of these sales transacted under \$550,000. This statement must however be qualified by saying that Brisbane residential apartments remain supply led. The majority of stock which remains for sale is focussed upon the sub \$650,000 market.

- At the close of the 2010 calendar year, 2,375 apartments were available for sale off the plan, a supply of 17.2 months. Approximately 70% of these can be purchased for less than \$650,000.
- Unrivalled sales success can be attributed to the new release of Chelsea in Bowen Hills which recorded 54% of its product unconditionally sold in its first quarter and Montague in West End which has recorded 52% or 131 sales in the December quarter.

### Trends in the Marketplace – Feedback from the market

The 2011 floods have seen many properties devastated and resulting questions have asked of the current council's planning regulations and flood mitigation strategies into the future. Following a recent Place survey, a total of 82% of respondents have said that if a residential tower was located in a flood zone, this would negatively impact their decision to purchase. Many suggested that ground floor apartments would be avoided, whilst rising body corporate fees and the impact on underground car parks were significant fears.

- Sales in multi-density environments are strengthening. The market has seen an average of 3.6 sales per month per building with above average rates associated with towers which can provide substantial amenity to the purchaser and are close to infrastructure. These regions will retain their value and register stronger capital growth.
- Demand remains focussed upon one bedroom stock totalling 72% of the quarter's sales.
- Economically, the 2011 floods are likely to produce an unpredicted stimulus to the Queensland economy. The long term affects will see the local economy bloom as all sectors will recognise growth inspired by a State forced to rebuild. The building and construction industry will expand for the first time in a number of years as homes, businesses, local roads and infrastructure will all need to be repaired and rebuilt. Wage growth is expected and the flow on effects for the real estate industry is expected to be positive.



# 2

## CBD

**Place Research understands that the Brisbane CBD remains a residential market separate to the rest of the Brisbane Inner Ring. To this end, the CBD will be analysed separately.**

- The three month period ending December 2010 recorded 90 unconditional sales transact in the CBD to produce a weighted average figure of \$553,333. This is the highest weighted average sale price across all Inner Ring precincts.
- Meriton Constructions dominated the unconditional sales recorded during the December 2010 quarter for the CBD residential market. Infinity, Meriton Construction's new CBD project located on Herschel Street recorded its first 60 unconditional sales. This project was the top performing residential tower in the CBD and will become the highest Brisbane tower upon completion reaching 77 storeys.
- 72% of the 90 transactions were one bedroom sales for those who purchased in the CBD for the December quarter.
- As at the 31st of December 2010 a total of 743 apartments were available for sale off the plan across five different projects. The majority of stock, 65%, are in one bedroom apartments and two bedroom apartments total a further 21%.

When discussing volumes of unconditional sales, the Brisbane CBD is the underdog in the apartment market. The region is however likely to become an ever competitive landscape, with a number of high profile site sales transacting and relevant residential development applications being lodged with the city council. As Brisbane's only true established multi-density environment the benchmark has been set for those residential projects which follow. New product in this precinct will be directly compared with that which already exists. With this in mind, new residential must therefore display value adding proponents for the potential purchaser. Whether that be in the form of a superior location, better quality, stronger yields or a mixture of all.

It is inevitable that smaller, tighter, denser residential projects will continue to be delivered to the CBD market targeting the younger inner city renters and the more affluent owner occupiers who are seeking the CBD lifestyle. There will remain a depth of market for this product and unconditional sales will be achievable within reasonable timeframes. The majority of the current CBD residents spend little time at home and are therefore open to the prospect of a smaller residence if it provides other advantages. Strong project amenity, direct access to infrastructure and a variety of employment opportunities.

Development	Suburb	Status	Total Units	Sold December Quarter 2010	Sold to Date	Available for sale
Evolution	CBD	Completed	178	0	174	4
Skyline Apartments	CBD	Completed	192	0	191	1
Soleil	CBD	Under Construction	414	30	180	234
Infinity	CBD	Under Construction	548	60	60	488
The Macrossan	CBD	Completed	42	0	26	16
<b>CDB Totals</b>			<b>1,374</b>	<b>90</b>	<b>631</b>	<b>743</b>

The majority of the current CBD residents spend little time at home and are therefore open to the prospect of a smaller residence if it provides other advantages.

# 3

## North of the River

Development	Suburb	Status	Total Units	Sold December Quarter 2010	Sold to Date	Available for sale
Paragon on Arthur	Fortitude Valley	Completed	39	0	33	6
Edenview Apartments	Kelvin Grove	Under Construction	65	1	39	26
Promenade Hamilton Apartments	Hamilton	Under Construction	172	3	143	29
Theodore Apartments	Kelvin Grove	Under Construction	69	0	61	8
Pier at Waterfront	Newstead	Under Construction	99	0	56	43
Park at Waterfront	Newstead	Awaiting Construction	102	0	32	70
Hamilton Harbour - Harbour One	Hamilton	Under Construction	257	2	253	4
Hamilton Harbour - Harbour Two	Hamilton	Under Construction	212	0	180	32
Hamilton Harbour - Riverside Hamilton	Hamilton	Awaiting Construction	191	17	82	109
Mosaic	Fortitude Valley	Awaiting Construction	210	4	106	104
Rive' Apartments - Stage 1	Hamilton	Under Construction	95	0	65	30
Code	Bowen Hills	Under Construction	132	0	100	32
ARIS	Newstead	Completed	39	1	22	17
M&A	Fortitude Valley	Under Construction	234	10	145	89
Chelsea	Bowen Hills	Awaiting Construction	191	103	103	88
Ava Apartments	Teneriffe	Awaiting Construction	44	4	4	40
Richmond	Bowen Hills	Awaiting Construction	107	2	55	52
Pulse	Roma Street	Awaiting Construction	46	0	22	24
The Milton	Milton	Awaiting Construction	298	12	80	218
<b>North of the River Totals</b>			<b>2,602</b>	<b>159</b>	<b>1,581</b>	<b>1,021</b>

**The North of the River continues to satisfy the demands of the consumer and over recent quarters has recognised the strongest volume of consumer sales; however, this quarter South of the River enjoyed the highest volume. Urban renewal, affordability and location have been the three main drivers which have success for this region in 2010, attracting purchasers and establishing new future multi-density environments.**

- A total of 159 unconditional sales were recorded across 19 new residential projects for Brisbane's North of the River precinct.
- A weighted average price of \$480,346 was established for the three months to December 2010, a figure representative of the demand for price pointed residential and competitive with the wider general apartment market.
- Demand for apartment product in the region is focussed around one bedroom stock. Of the 159 unconditional sales, 67% was in one bedroom sales. Only 1% of sales were in three bedroom configurations.
- Chelsea, a new project in Bowen Hills and the first development by the newly formed Metro Property Group lead by David Devine, have recorded their first unconditional sales. A total of 103 transactions were recorded totalling an enormous 65% of the quarter's unconditional sales.

- 1,021 apartments remain for sale North of the River. 53% of this stock is two bedroom configurations whilst a further 37% are one bedroom stock.

There is little argument that Brisbane's North of the River has capitalised upon market demand and delivered residential product which is both saleable and appeals to the current buying demographic. A combination which is rare in many situations and as such has resulted in more than positive results.

The region is likely to witness the predominance of residential development in coming years, particularly centred around the ULDA urban renewal precincts of Hamilton and Bowen Hills. The ULDA has created a streamlined approval process which has facilitated development opportunities. The outcome will be new residential communities designed for the end user.

The North of the River has embraced change in recent years and concluded that residential multi-storey apartment complexes are positive for the local area if development is well structured and is tailored for the end user. The North of the River remains as the precinct with the most projects within the market, it retains the most stock for sale and this is likely to continue into the near term.

# 4

## South of the river

**Brisbane's South of the River was the market performer during the final quarter of 2010.**

**Development in Brisbane's South of the River precinct is centred around West End, South Brisbane and Kangaroo Point, with limited development located outside of these regions.**

- A total of 180 new unconditional sales were recorded during the three months to December 2010. This was the highest volume of sales for the three Inner Ring precincts.
- A weighted average sale price of \$454,306 was produced and is a result in line with a market seeking price pointed investment driven product in this market. The South of the River totalled approximately \$81.7 million worth of sales for the period.
- The majority of stock sold during the December 2010 quarter was in one bedroom apartments which totalled 77% of the period's transactions. A further 22% of the sales was two bedroom apartments.
- Montague was the performing project in Brisbane's South of the River precinct. The project to be developed by the Korean development company, Mirae, recorded 131 unconditional transactions and takes bragging rights as the top selling project for Brisbane's Inner Ring during the December quarter 2010.

- 611 new residential apartments remained for sale at the close of the 2010 calendar year. Of this stock, the majority remains as one bedroom apartments (43%) however there is a reasonable spread over the two and three bedroom configurations which total 38% and 17% of stock respectively.

Brisbane's South of the River is a region with significant development potential. Within two kilometres of the Brisbane CBD much of the South remains reasonably underdeveloped. Significant infrastructure has been developed in the region and other major projects are planned to be developed in coming years. The impact of the floods on West End and South Brisbane may see much needed changes to planning regulations. Ideally height restrictions would be softened in favour of sleeved above ground parking.

Well planned, community driven residential projects which supply amenity and allow for well structured multi-density environments will record strong sales into the future.

Within two kilometres of the Brisbane CBD much of the South remains reasonably underdeveloped.

Development	Suburb	Status	Total Units	Sold December Quarter 2010	Sold to Date	Available for sale
Gabba Central I & II	Woolloongabba	Completed	271	1	271	0
Riverport	West End	Completed	129	0	97	32
Waters Edge	West End	Under Construction	234	3	101	133
Universal	South Brisbane	Under Construction	69	0	49	20
Station 16	South Brisbane	Under Construction	60	14	56	4
Dutton Place	Annerley	Awaiting Construction	100	12	12	88
Montague - First Release	West End	Awaiting Construction	253	131	131	122
The Capitol Apartments	South Brisbane	Awaiting Construction	77	15	15	62
Century	Woolloongabba	Under Construction	73	0	37	36
Castlebar Cove	Kangaroo Point	Completed	38	2	36	2
Forty Park Avenue	Kangaroo Point	Completed	5	0	4	1
Scott Street	Kangaroo Point	Completed	11	0	5	6
Quartz Apartments	Bulimba	Under Construction	52	0	44	8
Yungaba - Promontory	Kangaroo Point	Under Construction	68	0	32	36
Aqua'ta	Bulimba	Under Construction	81	2	20	61
<b>South of the River Totals</b>			<b>1,521</b>	<b>180</b>	<b>910</b>	<b>611</b>

# 5

## Site sales & future pipelines

**Brisbane's Inner City residential apartment supply pipeline remains strong. An analysis of all residential development applications with a development value of over \$10 million or which contains greater than 30 apartments was completed by Place Research.**

A total of 94 projects of various sizes and different stages of development have been tracked. In total approximately 12,000 apartments are planned to be developed within the first five kilometres of the Inner Ring. When this is compared to the State Governments target to have delivered approximately 7,000 completed residential infill apartments per year for the next 20 years to meet our population growth targets, it can be reasonably assumed that Brisbane will fall short.

- The majority of apartment stock planned is in two bedroom configurations totalling 47% of the residential apartments. This is closely followed by one bedroom apartments with a further 42%.
- The majority of stock is planned for the North-Eastern suburbs of Brisbane's Inner Ring with approximately 45% of the planned apartments located in this region.
- By analysing the development matrix as a percentage of units in various stages of planning, it becomes apparent that the majority of Brisbane's planned apartments are still in the stage of applying for a development approval (40%), whilst 25% of the planned stock has been deferred pending market conditions.

### Future supply pipeline - Breakdown by stock type



### Future supply pipeline - Stage of development



### Recent significant site sales

A selection of recent significant residential site sales have been detailed. Positively, 2010 saw a number of high profile sites transact and were purchased by experienced well heeled developers. As an average, the majority of sites in Brisbane have been purchased for between between \$30,000 and \$70,000 an apartment site. For further information, please do not hesitate to contact Place Research to discuss.

#### Recent Significant Inner City Site Transactions

Address	Sale Price	Site Area	Price/sqm	Proposed Apartments	Price/Apartment
9 Kurilpa Street, West End	\$7,500,000	4,045	\$1,854	147	\$51,020
27 Commercial Road, Newstead	\$9,400,000	3,125	\$3,009	TBA	TBA
35A Hercules Street, Hamilton	\$6,350,000	2,963	\$2,143	208	\$30,529
19 Hercules Street, Hamilton	\$14,090,909	7,637	\$1,845	582	\$24,211
128 Brookes Street, Fortitude Valley	\$9,000,000	2,750	\$3,273	186	\$48,387
127 Charlotte Street, Brisbane CBD	\$9,999,999	911	\$10,977	138	\$72,484

# 6

## Special Report

### Brisbane Residential Apartment Market 2011

**Over the fortnight immediately following the devastation caused by the 2011 floods, and before many expert opinions were widely published, Place Research undertook a survey of its database to measure sentiment in the market. The results provided a direct insight into the thoughts surrounding what the wider population believe will be the impact of the floods on the Brisbane property market. The responses have been collated, key themes have been highlighted and a number of direct quotes have been published of which included that 52% of the respondents were looking to purchase residential in the following 12 months. Other themes derived included:**

Toward the end of the year Brisbane buyers are likely to have a wider choice of apartment stock if the application process is smooth.

- A general feeling of uncertainty surrounding how this will impact property values. Comments suggested that bank revaluations may have the greatest impact on resale values in flood affected properties.
- Participants have strongly stated that they will do greater research into flood maps and Q100 flood levels before purchasing residential property. Those properties affected by flood water will see lower levels of interest and focus will be emphasised on 'dry' properties on the market.
- Low lying suburbs may face a negative stigma in coming periods. Homes located in streets impacted by the flood water which were not individually flooded may see limited consideration due to a general fear and uncertainty of future floods given that 2011 was below the 1974 flood level.
- Flood affected riverfront properties are expected to see short term discounts however, participants suggested that these properties would recover value and will remain strong long term investments.
- General consensus among participants is that the residential market place would like to see mitigation strategies implemented by the government to prevent future flood occurrences. Many comments suggested that this would restore confidence in many of these flood affected zones. Well planned, community driven residential projects which supply amenity and allow for well structured multi-density environments will record strong sales into the future.

# 52%

of respondents were looking to purchase residential property in the next 12 months

# 7

## Predictions for 2011

- Residentially, in the short term expect there to be two markets – flood affected property vs non-flood affected. Expect a resetting of property values for those properties substantially impacted with significant softening in some areas.
- Despite floods, expect the Brisbane Riverfront homes to hold their values particularly in the Eastern suburbs which were relatively unaffected. A shift back toward the older suburbs of Ascot, Hamilton and Clayfield
- Brisbane is likely to see a slight sub-market improvement in the rental market. Regions may see an increased demand due to floods forcing some to find temporary accommodation whilst their residences are being renovated. Although this is not expected to have a significant impact on rents, it will still result in a positive result for many investors given a rental market which has been stagnant over the past 12 months.
- Economically, the 2011 floods are likely to produce an unpredicted stimulus to the Queensland economy. The long term affects will see the economy bloom as all sectors will recognise growth inspired by a State forced to rebuild.
- With a number of significant site sales in 2010, Brisbane is likely to see a number of major new development applications. Toward the end of the year Brisbane buyers are likely to have a wider choice of apartment stock if the application process is smooth.
- The power of research and understanding the market before taking any risk has been highlighted in recent years. As a result, the development industry will be less about building the monument and more about fulfilling the hurdle rates and deriving a profit.
- Finance constraints will soften slightly as the banks begin to gain an appetite for property lending again. It is unlikely that terms will be eased significantly, however property clients with strong balance sheets will be accepted as cash becomes more prevalent. Until this occurs however, competition in the residential market will be slim.
- Place believes that projects of a scale between 50 and 100 apartments will be the focus of many developers in the short term. This allows for easier presale targets to be achieved given the restricted timelines necessary to have a feasible residential project in today's market.
- There will be a clearout of any overhanging residential assets at risk of insolvency. Lenders will have a focus upon removing volatile assets.
- Buyers will continue to focus upon opportunities in markets which will provide stable long term returns as opposed to high risk markets such as the Sunshine and Gold Coast's. There will remain a focus on the inevitable price point. Brisbane residential should therefore have a positive long term outlook.

Economically,  
the 2011 floods are  
likely to produce an  
unpredicted stimulus  
to the Queensland  
economy.

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 Rankeilor Developments.



## **BRUCE GODDARD**

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

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.

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 Maroochydyore River, The Moorings at Caloundra, North Shore Apartments at Twin Waters and the 5 stage Seaforth Resort at Alexandra Headland.

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