

Brisbane

Apartment Market Snapshot*

Australia Residential Research | August 2020

Overview

While the pandemic has disrupted its anticipated recovery, the inner Brisbane apartment market is positioned better than other east-coast capital cities to weather the downturn. Like all markets, demand for new apartments has been affected by heightened economic uncertainty due to COVID-19 and there remains a risk of a second wave and renewed restrictions. However, apartment supply in Brisbane has been falling since 2016 and is now at very low levels. While prices have fallen in recent months, the limited supply pipeline should mitigate downside risk. The rental market initially softened due increased supply from Air BnB and short-term letting, but appears to be stabilising.

- New apartment supply in 2020 will be around 42% lower than 2019, and 76% down from the 2016 peak. JLL supply data shows that nearly 1,300 apartments across four projects launched marketing in 2Q20. Three projects also started construction, totalling almost 250 units.
- CoreLogic's Hedonic Home Value Index registered its third consecutive monthly decline of 0.5% over the month of July 2020 for Brisbane apartments, following a 0.8% decline in Jun-20. Further softening is expected in coming months.
- Rental vacancy across Greater Brisbane remained a relatively moderate 2.4% in June 2020 according to SQM Research, while apartment rents grew 1.1% over the three months to the 28th of July 2020. However, Brisbane CBD vacancy remained elevated at 14%.

Key Market Indicators: Inner Brisbane

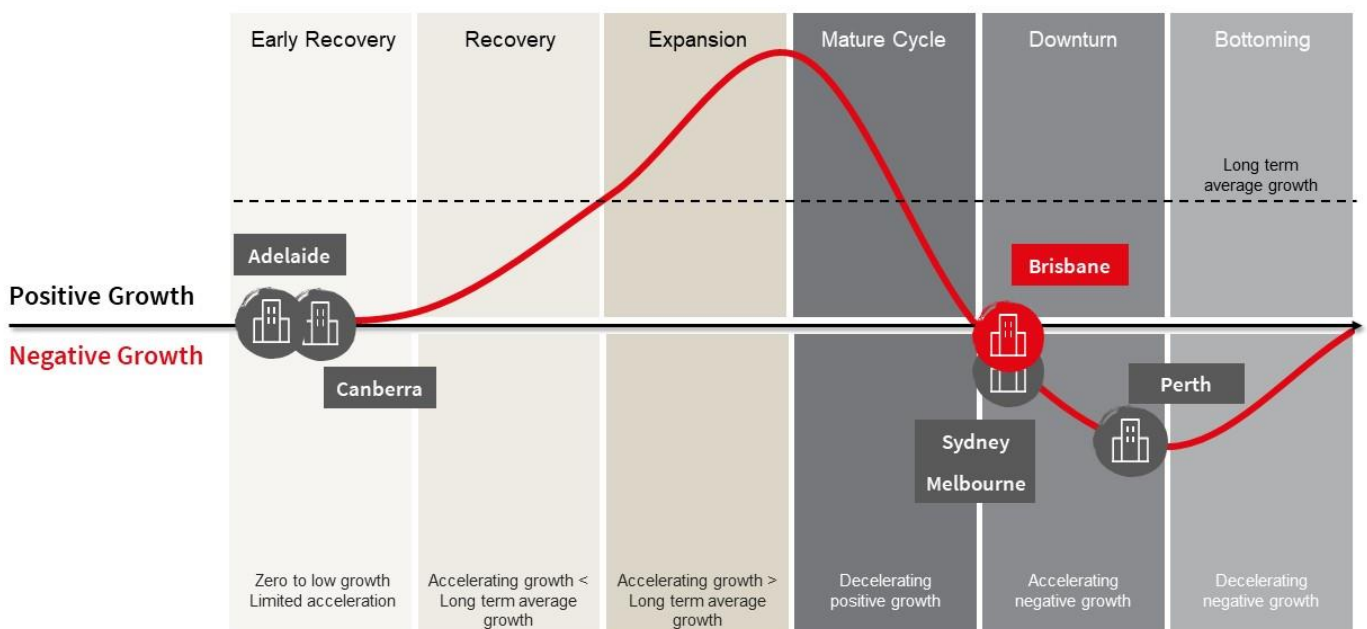
Indicator	Latest	Y-o-Y % Change
Apartment Approvals (as at May 2020)	550	-58.7%
Sales Volumes – Units* (12 months to 1Q20)	3,270	8.1%
Median Unit Price** ** (12 months to July 2020)	\$384,681	1.3%
Median Rent – 1 bed (as at 2Q20)	\$360	-5.0%
Median Rent – 2 bed (as at 2Q20)	\$480	-2.0%
Median Rent – 3 bed (as at 2Q20)	\$640	-5.2%
Gross Rental Yields ** (as at 1Q20)	5.2%	-0.04% bps

Source: JLL Research, ABS, CoreLogic, RTA Queensland

* New and existing

** Greater Brisbane

Australian Apartment Market: Capital Value Cycle



Source: JLL Research, as at 2Q20

* Please note: a condensed market Snapshot is completed in Q1 and Q3, while a full market report is completed in Q2 and Q4.

Supply

Inner Brisbane apartment construction may have finally reached a trough

Apartment construction in Inner Brisbane has been falling since 2016, but may have finally reached a trough. Despite being in the midst of a global pandemic, developers across Brisbane's inner city (0-5km) apartment market appear to be preparing themselves for a post-COVID recovery. JLL Research shows that nearly 1,300 apartments across four projects launched marketing in 2Q20. This marks the third consecutive quarter of increase, following a trough in September 2019.

Some marketing commencements for 2Q20 include:

- Shayher Group's *The One Residences* (467 units) on Adelaide Street in Brisbane City.
- *The Merivale Residences* (189 units), developed by MEIHUA in South Brisbane.

Construction activity has followed a similar trend, with three projects starting construction in 2Q20, translating to almost 250 units. This is the first quarter that the number of apartments under construction has increased since the inception of the series, after reaching a low of around 2,900 units (under construction) in 1Q20. Some of the construction commencements for 2Q20 include:

- *Tulloch House* (84 units), the second residential building at Ascot Green, developed by Mirvac.
- Fraser Property's *Riverlight North* (85 units), which is the fourth residential building within the Hamilton Reach development.

Despite the rise in construction activity in 2Q20, development conditions remain challenging and any lift in supply is likely to be gradual. Economic uncertainty is likely to keep pre-sales rates low and mean that many projects continue to be delayed or abandoned. Anecdotally the Homebuilder grant is providing a slight boost in activity, but it is unlikely to offset generally weak foreign and domestic demand. In this challenging development environment, developers are focusing on smaller more manageable projects aimed at owner-occupiers.

Figure 4: Five-Year (2020-2024) Supply Pipeline by Stage and Precinct (Number of Apartments, as at 2Q20)

Stage	CBD	Inner North	Inner East	Inner South	Inner West	Total
Completed (YTD 2020)	-	918	-	220	60	1,198
Under Construction	1,398	779	102	866	82	3,227
Currently Marketing	-	113	68	742	181	1,104
Plans Approved	81	410	250	1,002	255	1,998
Plans Submitted	-	529	262	-	211	1,002
Total	1,479	2,749	682	2,830	789	8,529

Source: JLL Research, as at 2Q20



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Figure 2: Inner Brisbane Apartments, % Under Construction by Precinct, as at 2Q20

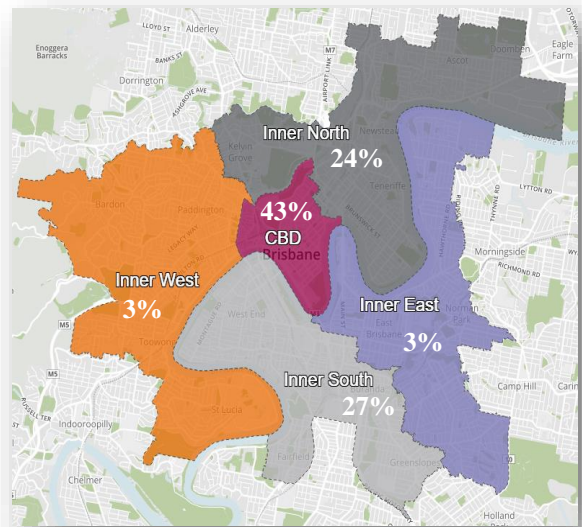


Figure 3: Inner Brisbane Supply Pipeline by Status



Source: JLL Research, as at 2Q20