

MARKET OUTLOOK

SOUTH BRISBANE

Adjacent to the Brisbane CBD and home to a major healthcare precinct, South Brisbane is in a desirable location offering a wealth of employment, retail and lifestyle amenity paired with key public transport links.

02
Infrastructure
& Employment

02
Population
& Demographics

03
Residential
Market

04
Rental
Market

Prepared exclusively for
Merivale Joint Venture
March 2018



INFRASTRUCTURE

“Urbis Queensland is incredibly confident regarding 2018. The Cross River Rail and the Brisbane Metro, which will both form part of the future transport infrastructure backbone of Brisbane, will not only create jobs in the short term, but will also connect Brisbane's global precincts to drive positive change within Brisbane [...] We in fact consider that Brisbane is on the cusp of entering a golden era of change that will see our city transform positively towards our aspirations of a true new world city.”

– Ben Slack, Regional Director, Urbis

QUEEN'S WHARF

\$3 billion Expected
Completion Date –
2022

CROSS RIVER

RAIL \$5.4 billion
Expected Completion
Date – 2024



BRISBANE METRO

\$944 million
Expected Completion Date – 2022

EMPLOYMENT

South Brisbane is in proximity to major employment hubs including the Brisbane CBD and healthcare precincts, a factor that is predicted to significantly drive employment growth within the area. South Brisbane and the Brisbane CBD are also home to growing commercial precincts which will assist in offering 68,679 new jobs within walking distance by 2031.

POPULATION & DEMOGRAPHICS

South Brisbane's population is predicted to increase by just over 1,000 residents per year at an annual rate of 7.6 per cent between 2016 and 2031, to reach a total of 23,250 residents. It is anticipated that interstate and overseas migration will continue to drive this growth as ABS Census figures revealed 12 per cent of residents who moved to South Brisbane in 2016 migrated from overseas while another 4 per cent came from interstate. The remainder of migrants moved from within Queensland, with majority moving from within the inner 5km of Brisbane. Ongoing population growth will ensure good demand for residential accommodation in South Brisbane for the immediate and long-term future, making it an attractive prospect for both investors and owner-occupiers. The average per capita income of residents in South Brisbane is \$46,949, 10 per cent higher than the Brisbane LGA. This is in line with the high proportion of white-collar workers and is supported by South Brisbane's proximity to the Brisbane CBD and commercial precincts.

HEALTH INFRASTRUCTURE

WITHIN 2KM RADIUS

	Lady Cilento Children's Hospital	Mater Private and Public Hospitals	Princess Alexandra Hospital	St Vincent's Private Hospital
---	----------------------------------	------------------------------------	-----------------------------	-------------------------------

Staff	2,500	7,500	6,000	350
-------	--------------	--------------	--------------	------------

Prepared by Urbis; Source: health.qld.gov, brisbaneprivatehospital.com.au, mater.org.au

EDUCATION

WITHIN 2KM RADIUS

	Students		Students
Queensland University of Technology	47,229	Brisbane State High	3,190
University of Queensland	44,474	St Laurence's College	1,900
Griffith University	20,344	Somerville House	1,400

Prepared by Urbis; Source: ucube, privateschoolsguide.com.au

EMPLOYMENT GROWTH

South Brisbane – 2016 to 2031

	2016	2031 Forecast	New Jobs
South Brisbane	33,230	61,681	28,451
Brisbane CBD	148,399	188,627	40,228
TOTAL	181,630	250,308	68,679

Prepared by Urbis; Source: Urbis

SOUTH BRISBANE PROJECTED POPULATION

2016 to 2031

	South Brisbane	Brisbane LGA
2016	7,777	1,184,215
2031	23,250	1,373,417
	15,473 New Residents	189,202 New Residents

Prepared by Urbis; Source: ABS, Queensland Government Population Projections, 2015

WHO LIVES IN SOUTH BRISBANE?

	South Brisbane	Brisbane LGA
 Average Per Capita Income	\$46,949	\$42,566
 Couple family with no children	55%	38%
 White Collar Workers	83%	78%
 Gen Y Residents (20–34yr)	46%	26%
 Renter	70%	38%

Prepared by Urbis; Source: ABS Census 2016

RESIDENTIAL MARKET

Due to its relative affordability in comparison to the major capital cities on Australia's east coast, Brisbane's apartment market has retained steady interest from both interstate and international investors. The Brisbane LGA recorded a median apartment sale price of \$441,900 for the September quarter 2017, demonstrating its affordability over both Melbourne and Sydney's markets at \$510,000 and \$715,000 respectively. Additionally, apartments in the Brisbane market have shown strength in key investment criteria, recording the highest indicative gross rental yield of 4.6 per cent when compared to Melbourne (4.1 per cent) and Sydney (3.7 per cent). Coupled with Queensland's long-term commitment to infrastructure, Brisbane's strong return on investment and its relative affordability will act as a catalyst for future residential demand.

Ongoing demand for apartments in South Brisbane is demonstrated by the median apartment price growth which was recorded at 3.1 per cent per annum over the past 3 years ending September 2017. Comparatively, the Brisbane LGA grew by 0.6 per cent over the same period. Long-term, South Brisbane has experienced strong growth at 3.4 per cent per annum over the last 10 years, above the Brisbane LGA average of 2.4 per cent. Furthermore, based on the median sale price of \$619,500 for apartments in South Brisbane, a premium of 40 per cent is being achieved when compared to the Brisbane LGA median. This highlights the value placed on South Brisbane's abundance of lifestyle amenity, desirable location and on-going demand for apartments.



APARTMENTS IN SOUTH BRISBANE ARE CURRENTLY EXPERIENCING A PREMIUM OF 40 PER CENT OVER THE BRISBANE LGA MEDIAN SALE PRICE.

Settlements within South Brisbane are expected to peak in 2018 at 1,451 apartments. This is then expected to drastically decrease to 718 settlements in 2019 and 195 in 2020 as the number of new apartment launches slows. There are an additional 13 projects proposed for South Brisbane's future supply currently sitting in the Development Application or Development Approval phase however only two projects are predicted to be launched by the end of 2018, consisting of 364 apartments. The ability for the remaining projects to enter the market is impacted by increasing costs of construction, high land prices and a tightening in developer financing. Therefore, any projects which have not yet entered presales are not expected to reach completion prior to 2020. The slowdown in new projects entering the market paired with employment and population growth will allow rental yields and vacancies to stabilise as new apartments are absorbed.

CAPITAL CITY APARTMENT COMPARISON September 2017



	Melbourne	Sydney	Brisbane
Median Apartment Sale Price – Sept 2017	\$510,000	\$715,000	\$441,900
Indicative Rental Yield – Sept 2017	4.1%	3.7%	4.6%
More Affordable	+\$68,100	+\$273,100	-

Prepared by Urbis, Source: APM PriceFinder

MEDIAN APARTMENT PRICE GROWTH

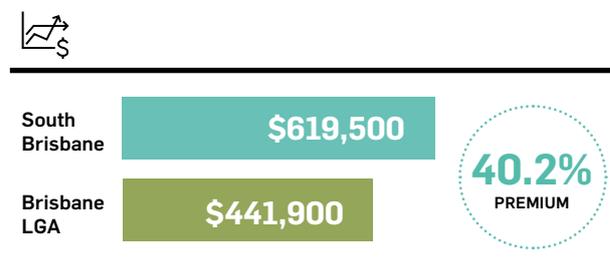
South Brisbane - Sept 2017



Prepared by Urbis, Source: APM PriceFinder

APARTMENT PRICE PREMIUM

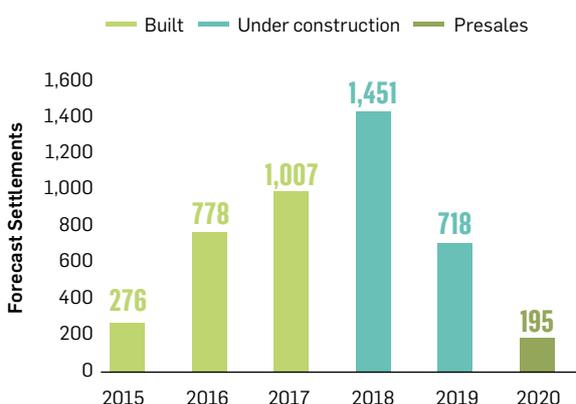
South Brisbane vs Brisbane LGA - Sept 2017



Prepared by Urbis, Source: APM PriceFinder

OFF-THE-PLAN APARTMENT SETTLEMENTS

South Brisbane - 2015 to 2020



Prepared by Urbis, Source: Urbis Brisbane Apartment Essentials

RENTAL MARKET

Based on the Urbis Apartment Rental Review, an indicative vacancy rate of 2.8 per cent was recorded for new apartments in Inner Brisbane for the September quarter 2017. This is a strong figure compared to the 3.7 per cent vacancy rate recorded by the REIQ total Inner Brisbane residential rental market, highlighting the preference towards newer rental product.

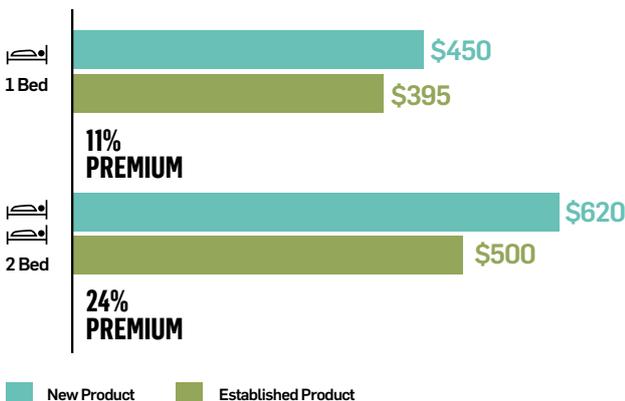
This demand for new apartment product has also flowed through to South Brisbane which is evident when looking at the absorption of new apartment supply within the suburb. New bond lodgements for the South Brisbane postcode (4101) increased by a significant 53 per cent in 2017, compared to 2015 figures. This highlights the strong acceptance of new apartment rentals in South Brisbane.

The South Brisbane Catchment (based on postcode 4101), has demonstrated long-term rental price growth for one, two and three-bedroom apartments, increasing by 4.7, 2.4 and 3.0 per cent per annum respectively over the past 10 years ending September 2017.

Focusing on new and near-new apartments within South Brisbane, it is apparent that there is a strong demand for this product type based on the rental premium currently being achieved. New and near-new one and two-bedroom apartments in South Brisbane recorded median weekly rents of \$450 and \$620 equating to premiums of 11 and 24 per cent over established apartments. There was only a small sample of three-bedroom apartment product available for rent as this product type is typically sold to owner-occupiers rather than investors.

Going forward, it is expected growth in rental applications will increase at similar if not higher rates and premiums for new and near-new product will continue as the rental market stabilises.

NEW VS ESTABLISHED APARTMENT RENTALS South Brisbane - Sept 2017



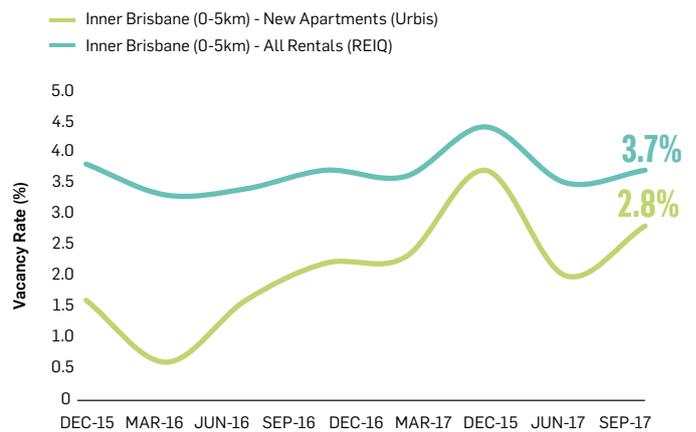
Prepared by Urbis; Source: Residential Tenancies Authority (RTA), Realestate.com.au
South Brisbane includes postcode 4101 – Highgate Hill, South Brisbane and West End



NEW AND NEAR-NEW APARTMENTS ARE ACHIEVING WEEKLY RENTAL PREMIUMS OF UP TO 24 PER CENT OVER ESTABLISHED APARTMENTS IN SOUTH BRISBANE.

NEW AND ESTABLISHED INNER BRISBANE VACANCY RATES

December 2015 to September 2017



Prepared by Urbis; Source: REIQ, Urbis Apartment Rental Review

SOUTH BRISBANE RENTAL PRICE GROWTH

One, two & three bedroom apartments – September 2017



10-YEAR
GROWTH RATE



Prepared by Urbis; Source: Residential Tenancies Authority (RTA)

South Brisbane includes postcode 4101 – Highgate Hill, South Brisbane and West End



NEW BOND LODGEMENTS HAVE INCREASED 53% BETWEEN 2015 AND 2017 INDICATING STRONG ABSORPTION OF NEW APARTMENTS

This publication is prepared on the instruction of Merivale Joint Venture and is not suitable for use other than by the party to whom it is addressed. As the publication involves projections and assumptions it can be affected by a number of unforeseen variables. The forecasts and assumptions are a prediction and whilst Urbis has made every effort to ensure that the forecasts and assumptions are based on reasonable information, they may be affected by assumptions that do not necessarily eventuate or by known, or unknown, risks and uncertainties. It should be noted that past performance is not necessarily a reliable indication of future performance. The information in the publication does not represent financial advice and should not be regarded as such. It has been prepared without taking into account your financial situation or investment objectives. You should consider the appropriateness of the information in regards to your current financial situation or needs. Urbis accepts no responsibility for the accuracy or completeness of any such material. The information is subject to change without notice and Urbis is under no obligation to update the information or correct any assumptions which may change over time. This study has been prepared for the sole use of Merivale Joint Venture and is not to be relied upon by any third party without specific approval from Urbis. This publication is subject to copyright. Except as permitted under the Copyright Act 1968, no part of it may, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise), be reproduced, stored in a retrievals system or transmitted without prior written permission. Enquires should be addressed to the publishers