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### Apartments Drive Sydney's Recovery

A desire to be close to employment, education and public transport is considered to be a major factor driving the revival in Sydney's new dwelling construction. This is suggested by the strength of 2010/11 private sector building approvals for apartments in buildings of four storeys plus (up by 129% on the GFC low of 2008/09). This compares with the 39% improvement in new housing approvals (which have also been constrained by supply-side factors).

With Sydney's vacancy rate remaining at 1.5% in August 2011, there is strong demand for well-located apartments. The demand is coming from young couples, as well as older buyers downsizing. This local demand is also supported by keen demand from offshore, particularly Chinese buyers. Much of the activity has been in off-the-plan sales.

There has been a shift in the distribution of new higher density dwellings to encompass town centres in middle and outer ring suburbs. However this analysis of private sector building approvals of apartments in buildings of four storeys plus shows that the Inner West\* and West Central# subregions have increased their share of activity the most since the 1990s. See Graph 1.

This reflects the flexibility that these areas offer in terms of access to employment, education and entertainment across the Sydney region.

In contrast, the North West and South West growth corridors are still waiting for promised public transport solutions.

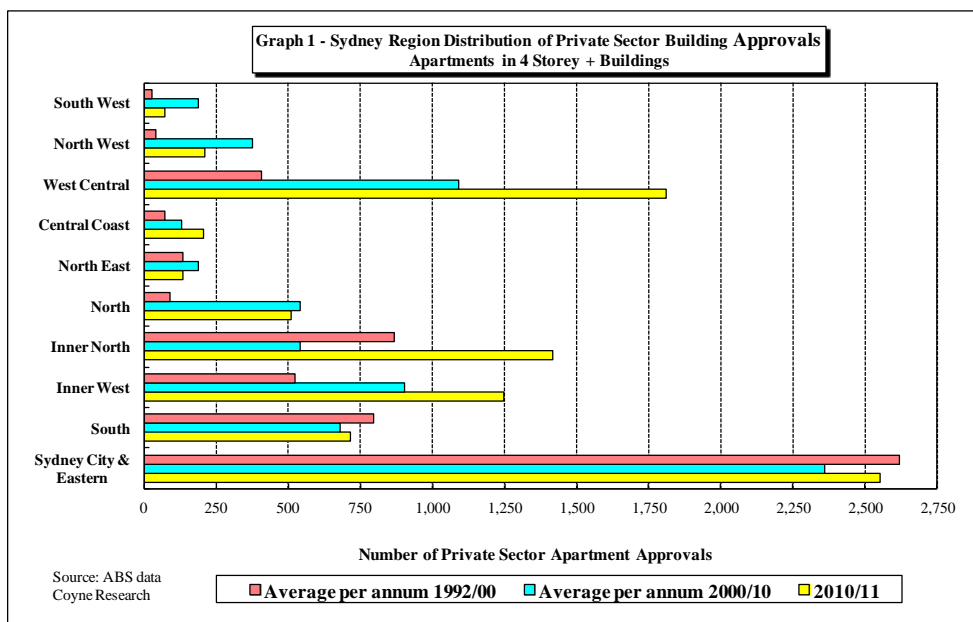
The economics of development for medium-high rise apartments also remains a deterrent to developers in some outer suburban localities.

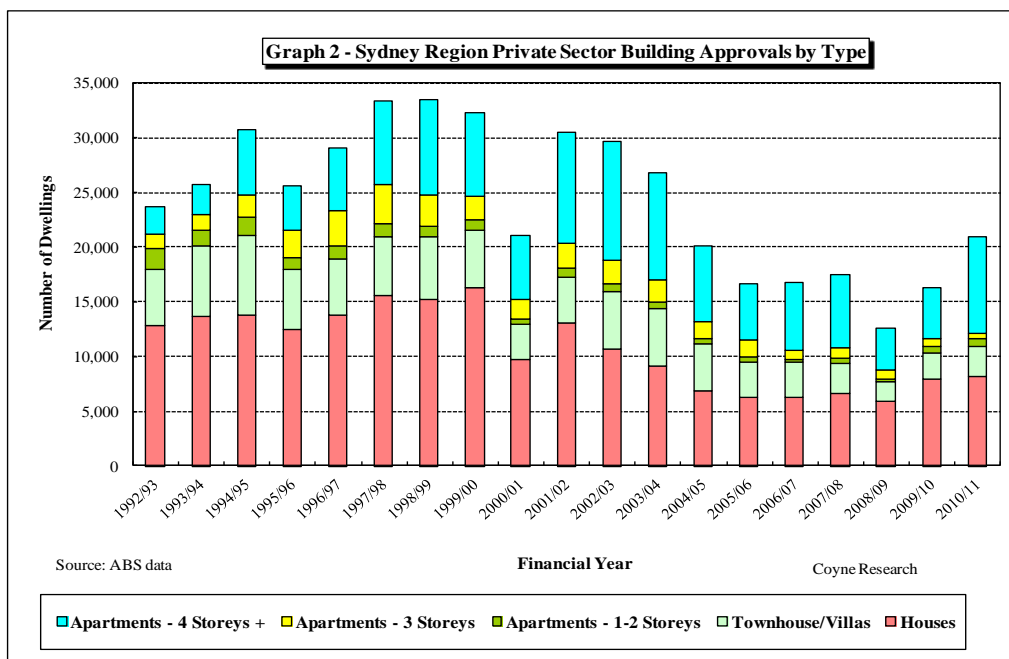
Graph 1 shows that construction of medium-high rise apartments in the Inner North^ has also bounced back, after a slower decade to 2009/10 (compared with the eight years to 1999/00).

While Sydney City and the East subregion has maintained relatively stable activity over the 19 years to 2010/11, its share of medium-high rise apartments fell from 47% in the 1990s to 29% in 2010/11. In contrast, the Inner West rose from 9% to 14% of the Sydney regional total, and the West Central subregion rose from 7% to 20%.

\*Inner West defined to include the following Local Government Areas (LGAs): Leichhardt, Ashfield, Burwood, Canada Bay & Strathfield; # West Central defined to include the following LGAs: Auburn, Bankstown, Fairfield, Holroyd, & Parramatta; ^ Inner North defined to include the following LGAs: North Sydney, Lane Cove, Willoughby, Mosman, Hunters Hill & Ryde.

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As yet the North West (211 medium-high rise apartments) and the South West (72 apartments) have not recovered to levels experienced over the decade to 2009/10. Activity in the North East<sup>+</sup> (133 apartments) and Central Coast (206 apartments) remains relatively subdued. Issues of affordability and oversupply may be influences affecting this trend.

The lingering effects of the Global Financial Crisis (GFC), the high \$AUD and a reduced consumer appetite for debt and risk may also be restricting new apartment development in some areas. Unemployment remains above the Sydney regional average (5.4% in September 2011) in some subregions. In particular, Canterbury/Bankstown (10.8%), the Central Coast (8.5%), the Central West and North West (each 6.5%) and Fairfield/Liverpool (6.4%) had higher unemployment rates.

Graph 2 shows the resurgence in private sector building approvals across the Sydney region in 2010/11 saw a 66% improvement on GFC activity levels in 2008/09, largely driven by new apartments in buildings of four storeys plus. While the recent activity was the highest of the past seven years, at 20,998 dwellings, it was still below the 2000/01 low point of 21,132 dwellings, reached on introduction of the GST.

+ North East defined to include the following LGAs: Manly, Warringah & Pittwater; \*\* South Sydney subregion defined to include the following LGAs: Marrickville, Canterbury, Kogarah, Rockdale, Hurstville & Sutherland.

This analysis tends to support findings of the Grattan Institute's June 2011 report, *The Housing We'd Choose*, that not enough medium density dwellings are being constructed in Sydney. Specifically:

- an average of 2,704 private sector townhouse/villas per annum over the past six years, or 16% of total approvals, compared with a preference for 25% of these dwellings in the Sydney region, according to the Grattan Institute study; and
- an average of 1,362 private sector low rise apartments per annum over this period, or 8% of the total, compared with a preference for 15%.

Another aspect of the analysis shows that the resurgence in social housing construction in the Sydney region peaked in 2009/10, with 3,037 public sector dwelling approvals. This compares with an average of 1,305 dwellings per annum over the seven years to 1998/99; 447 dwellings per annum over the decade to 2008/09; and 791 dwellings in 2010/11.

The distribution has favoured Western Sydney, and to some extent the South Sydney\*\* subregion. Although there has been a shift towards public sector apartments in buildings of three and four storeys plus, apartments in one to two storey buildings (40%) and townhouse/villas (37%) represented the dominant new public sector supply over the past two years.

## ULDA Champions Small Lots

The Urban Land Development Authority was established in 2007 by the Queensland Government as part of its affordability housing strategy. The ULDA is both the planning and assessment authority within declared Urban Development Areas.

Fitzgibbon Chase is in Brisbane, 13 kilometres north of the city and near a railway station. The ULDA and its builder partners are promoting a diverse mix of affordable small lot products. Lot sizes typically range from 250 to 450 m<sup>2</sup> for detached houses, but there are freehold lots as small as 70 m<sup>2</sup> suited to one bedroom housing options.



*Ausbild's freehold, zero lot, single storey terraces on 175-180 m<sup>2</sup> lots fronting Daintree Park at Fitzgibbon Chase. They include three bedrooms, two bathrooms and rear lane access to double car accommodation and sold for around \$350,000.*

## Gold Coast Developers Initiate New Projects

**There is little doubt that the Gold Coast property market remains in the doldrums. We are three years into the downturn, although prospects should improve if Gold Coast wins its bid to host the 2018 Commonwealth Games, with a decision due shortly.**

Net interstate migration to Queensland continues to fall. At an annualised estimate of 6,765 net interstate migrants for 2010/11, it is 30% below the 2009/10 level. This is a new low for Queensland.

In 2009/10 the Gold Coast-Tweed region had a population increase of 13,800 persons, 21% below the average of 17,400 persons per annum over the previous eight years.

Despite this, the medium term outlook for the region is positive. The Office of Economic and Statistical Research (OESR) medium series population projection indicates that Gold Coast City will increase by 2.2% per annum to almost 800,000 persons by 2031 (up from 528,000 persons in 2010). However the low series projection of 1.8% per annum is considered more likely for the next two years.

Table 1 shows where the high growth areas are expected to be over the decade to 2021 (based on the OESR medium series projection). Interestingly, apart from the top two Statistical Local Areas (SLAs), in the northern corridor, the remaining areas are likely to see this growth primarily as a result of infill and higher density development.

Some of this development is already evident in the sample of post-GFC projects included in Table 2. Among the features of these post-GFC projects are that they occupy prime locations for their target market (for example Boulton Ridge in the railway precinct at Nerang); they are priced well; mainly targeted to permanent residents; and often include value-add features.

**Table 1 – Gold Coast City Top Ten Growth SLAs Decade to 2021**

Ranking	SLA	Total Increase
1.	Pimpama-Coomera	31,971
2.	Kingsholme-Upper Coomera	11,662
3.	Southport	8,657
4.	Hope Island	6,538
5.	Carrara-Merrimac	6,471
6.	Surfers Paradise	6,355
7.	Helensvale	6,206
8.	Biggera Waters-Labrador	4,913
9.	Broadbeach-Mermaid Beach	4,574
10.	Nerang	4,437

Source: OESR Medium Series 2011

An example of this is Serene Living's roof top garden. This medium rise retirement village with 77 serviced self care apartments is located in the heart of Tweed Heads, opposite the hospital and bowling club and close to Centro Tweed.

In the post-GFC environment, some developers have funded projects themselves, while others have accessed debt funding based on presales.

Apart from these residential developments, another sector that has emerged on the Gold Coast is the social and affordable housing sector. The Horizon Housing Company (Horizon) has several projects in Queensland. These include a mix of social housing (occupied by public housing tenants) and affordable housing targeted to low to moderate income groups.

Some projects also include market housing. Funding is often derived from a mix of Government and/or Council sources and debt. Apart from detached houses, duplexes, townhouses and apartments, Horizon has some innovative designs such as an eight-suite key worker rental housing project at Surfers Paradise.

**Table 2 – Sample of Post-GFC Gold Coast Projects**

Project Name, Suburb	Developer	Sector	Status
Eclipse, Broadbeach	Amalgamated Property Group	High Rise	Under construction, 50% presold
Phoenix, Varsity Lakes	Trilink Developments	Medium Rise	Marketing, not yet under construction
Boulton Ridge, Nerang	Trident Development Group	Low Rise	Completed, marketing
Sanctuary Cove Waterfront Homes	Mulpha Sanctuary Cove	Small Lot Homes	Marketing, not yet under construction
Gardene, Pacific Pines	Sunland Group	Townhouses	Under construction, mostly presold
Serene Living, Tweed Heads	Proda Group	Retirement	Under construction, 75% presold

Source: Colleen Coyne Property Research Pty Ltd



*Artist's impression of Serene Living's 1,238 m<sup>2</sup> roof top garden, with view towards the Tweed River estuary – a retirement living project with value-add features.  
(Photo courtesy of Proda Group)*

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