

Gold Coast apartment snapshot

A report on Gold Coast's apartment supply pipeline.

September 2024

Research conducted by Urbis on behalf
of the Property Council of Australia

URBIS

A message from our Executive Director

As our state's population continues to grow and the housing crisis deepens, it is critical that every policy lever is pulled to ensure every Queenslander has access to safe and affordable housing.

According to the State Government's South East Queensland Regional Plan (SEQRP), the Gold Coast is one of the fastest growing Local Government Areas in the region, with an extra 388,000 people expected to take its population to more than a million by 2046.

Apartments are expected to play a big role in reaching the dwelling targets, making up 62 per cent of the extra 161,700 dwellings needed for the Gold Coast over the next 22 years.

Given the importance of apartments for the Gold Coast, the Queensland Division of the Property Council of Australia commissioned Urbis to undertake research to measure the state of the Gold Coast apartment supply pipeline.

The findings of this research are cause for concern. According to the results, 53 per cent of the Gold Coast's apartment pipeline is at moderate to high risk of being withdrawn, or delayed, in 2026-27, casting doubt on the Gold Coast's ability to meet its housing targets.

Our research shows that the supply of new apartments on the Gold Coast could fall from 1,900 units in 2025 to 1,400 units in 2026, with only 50 units being relatively certain to be delivered in 2027.

This is a significant shortfall considering the SEQRP sets an annual target of approximately 4,500 for Gold Coast.

Alarming it is the local families who rent who will be most impacted with investors critical to building the extra apartments needed to drive down rents for the over 30 per cent of Queenslanders who rent.

As costs skyrocket and productivity continues to spiral, intervention is desperately needed, starting with removing the tax and regulatory barriers to delivering a home for every Queenslander. This includes the additional taxes levied on Australian-based Developers who utilise foreign capital, the entities and investors we need to deliver apartments at scale.

Taxation settings don't just stymie the traditional Build-to-sell projects, they continue to impact the burgeoning Build-to-rent (BTR) projects, that will play a critical role in boosting rental supply to market.

Ensuring Queensland attracts and retains this critical capital is essential if we are to make the inroads we need into delivering more projects of scale. Opening the door to this investment will result in more homes and economic benefits for all Queenslanders.

BTR is predominantly owned, managed, and operated by an institutional investor for a long-term investment period, the social and economic input to Gold Coast and across Queensland should be welcomed.

Now is the time for bravery, bold policy, and action and the Property Council is calling on government to adopt the recommendations outlined in our 'Be a Queenslander' election platform, including:

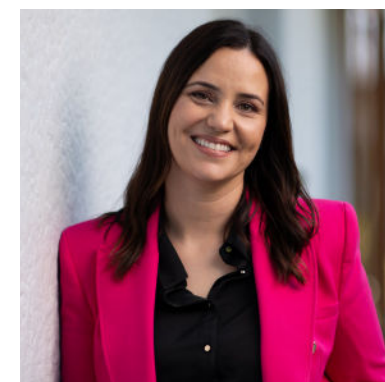
- Restoring our competitive edge by evening the playing field for Australian-based developers
- Expanding the Incentivising Infill Fund
- Coordinating planning and infrastructure delivery

The risk to Queensland is too great not to take action. The housing crisis is ever worsening, ultimately resulting in further social challenges to address – in the here and now, and for generations to come.

Jess Caire

Jess Caire

Queensland Executive Director



Recommendations

To ensure the Gold Coast has enough apartments to meet the needs of its growing population into the future, the Property Council of Australia makes three key recommendations drawn from our 'Be a Queenslander' election platform.

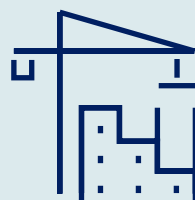
Recommendation one - Restore our competitive edge by evening the playing field for Australian-based developers:

Other Australian jurisdictions are moving very quickly and with great purpose to attract large scale capital to their jurisdiction. Carving out Australian-based developers with international co investment or ownership from being taxed Foreign Land Tax Surcharge and Additional Foreign Acquirer Duty is imperative. Limiting this concession to the companies that construct and sell new homes, apartments or develop and own land for commercial or industrial purposes will see investment flow back into Queensland.



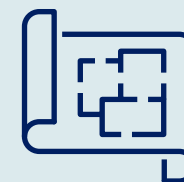
Recommendation two - Expand the Incentivising Infill Fund:

Working with industry to expand and enhance the fund from a one-off \$350 million to an annual \$500 million will encourage further development in underutilised locations with the greatest housing demand, delivering more well-located homes and creating jobs and economic prosperity.



Recommendation three - Coordinate planning and infrastructure delivery:

Lagging infrastructure delivery is one of the greatest challenges to supporting Queensland's growth. Responding to this challenge requires a transparent commitment to infrastructure delivery that links state-wide settlement and land use planning with infrastructure delivery; giving industry confidence to invest and community confidence the infrastructure will be delivered. Reinvesting the government's transfer duty windfall into infrastructure that supports the delivery of new housing will break down a key barrier to unlocking new land supply.



DWELLING TARGETS

Facilitating the delivery of new apartment project in the Brisbane and Gold Coast Local Government Areas is critical to achieving the dwelling targets outlined in the South East Queensland Regional Plan 2023 (SEQRP).

Supply of medium- and high-rise dwellings (4-or-more storeys) across SEQ is intended to triple from 2021 to 2046. Brisbane and the Gold Coast provide 87% of SEQ's existing medium- and high-rise apartment dwellings, with a greater (+5%) share of high-rise dwellings.

Each LGA is envisaged to deliver ~45,000 new dwellings over the ten years to 2031, equating to circa **4,500 per annum**. The balance of SEQ is projected to deliver less than 2,000 per annum over the same timeframe.

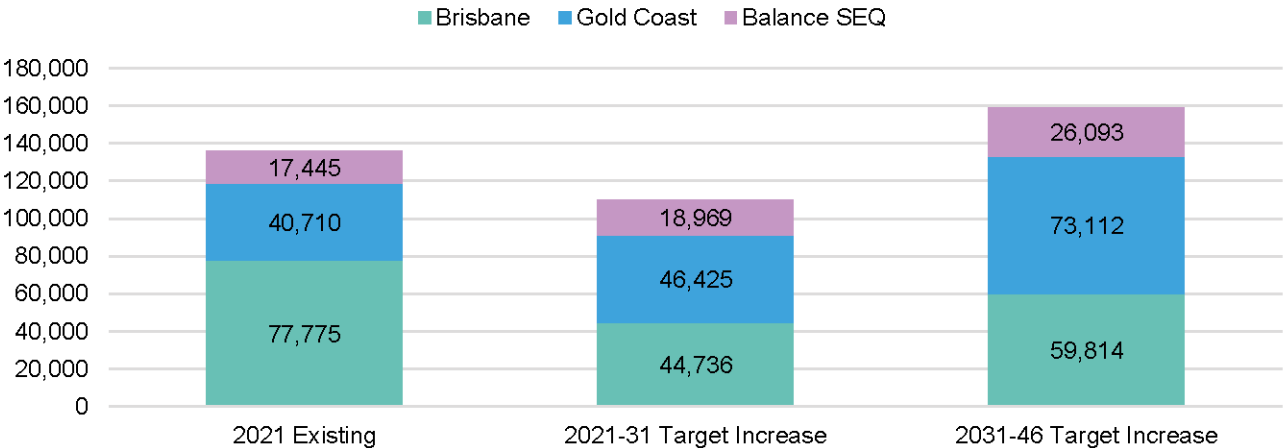
The following 15-years (2031-2046) anticipates the Gold Coast will increase its rate of delivery (4,800 per annum) while Brisbane is expected to slow (4,000 per annum). Balance SEQ projects a slight decline in the rate of delivery (1,700 per annum).

Over the projected period, Brisbane and the Gold Coast are planned to deliver 83% of new medium- and high-rise apartment dwellings.

Assuming SEQRP targets are met, Brisbane and the Gold Coast will provide 85% of all medium- and high-rise dwellings in region in 2046. The share increases to 89% for high-rise dwelling which comprise the majority of planned supply.

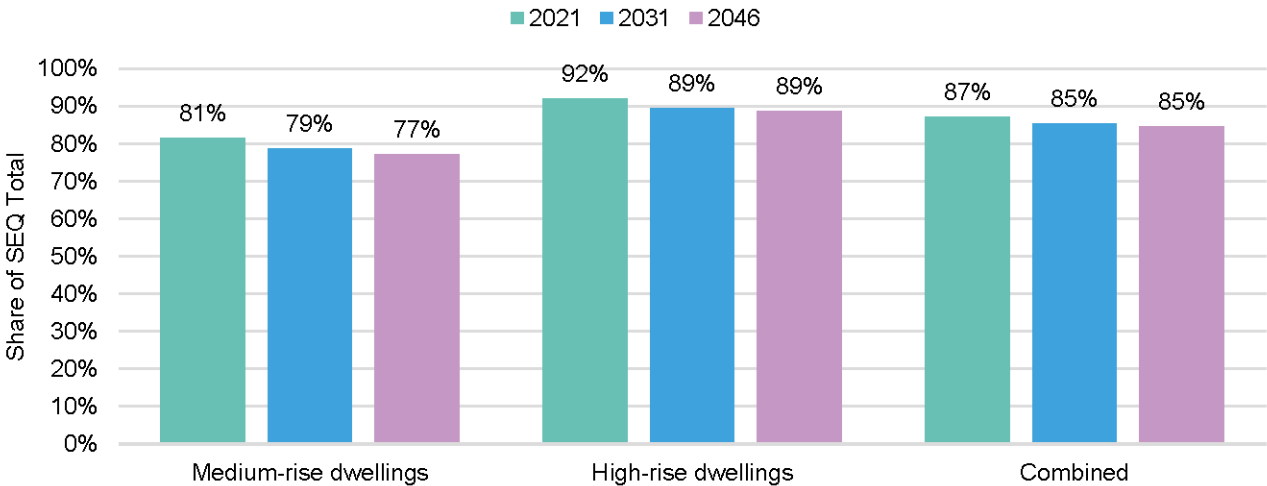
Any constraints to apartment developments across Brisbane and the Gold Coast pose significant risks towards meeting regional dwelling target and exacerbating the nationwide housing crisis.

Medium- and High-rise Dwellings – Existing and Target Increase by Region, 2021-46



Source: SEQRP 2023

Medium- and High-rise Dwellings – Brisbane and Gold Coast Share of Total, 2021-46



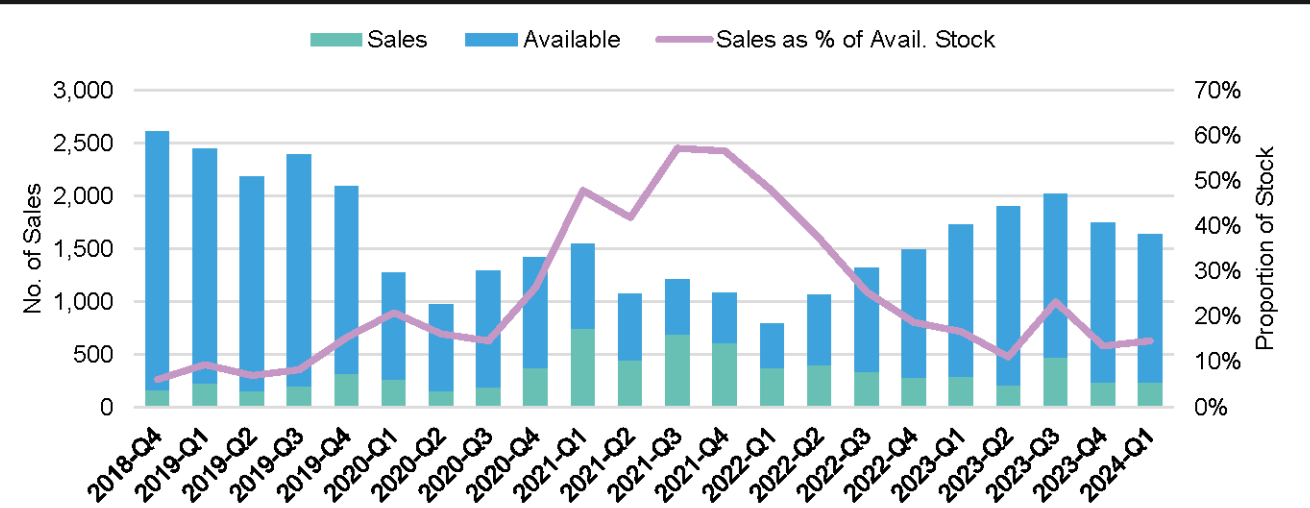
Source: SEQRP 2023

GOLD COAST - SALES AND PROJECT ACTIVITY

Gold Coast apartment sales remained generally stable since 2018 with a surge from 2020 to 2022 during the housing boom. Sales volumes have historically tracked along project launches, with transaction volumes declining in 2023 through 2024 in line with a decrease in project launches.

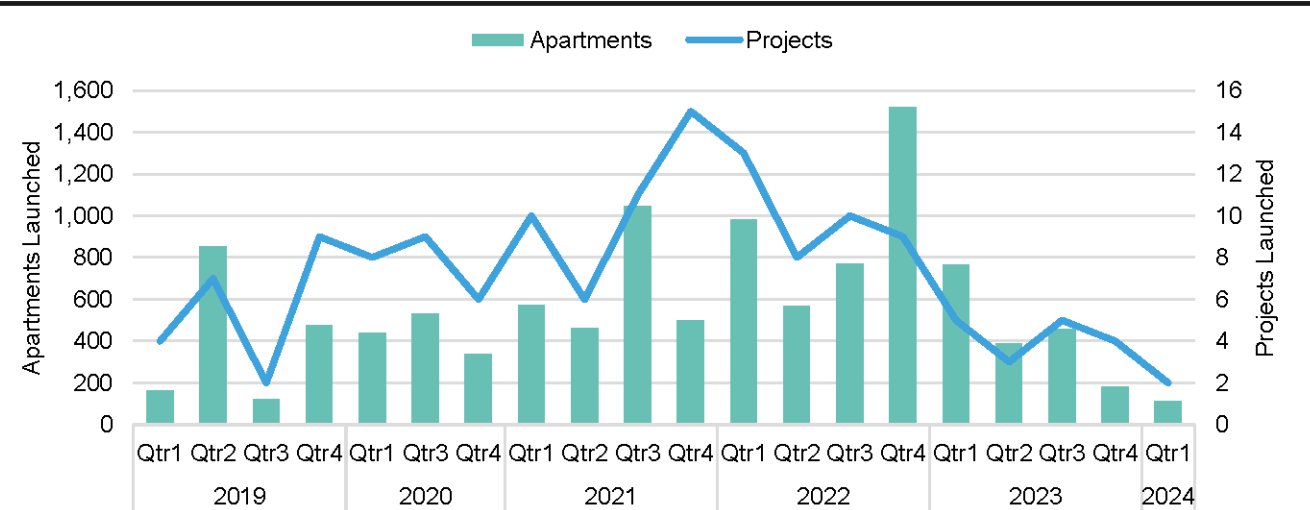
While the Gold Coast has maintained stronger market activity than Brisbane, it is bolstered by premium, waterfront projects that are less constrained by feasibility hurdles.

Sales Velocity



Source: Urbis Apartment Essentials

Project Launches



Source: Urbis Apartment Essentials

GOLD COAST - APARTMENT STOCK

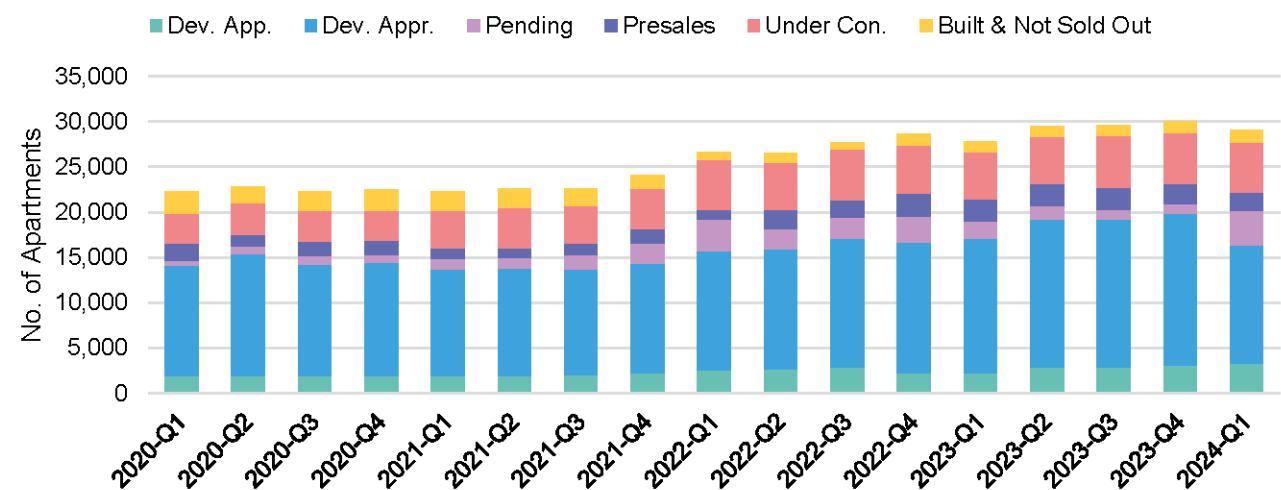
Gold Coast's total supply of apartment stock experienced notable growth from Q3 2021 to Q3 2022. Since then, it has remained fairly stable.

Distribution of stock by stage has not varied greatly, except for an increase in the share of supply at pending or presales stages. This could indicate growing challenges to bringing projects to market.

New approvals see high levels of variance between quarters but have maintained a consistent moving average inflated by a handful of large-scale projects.

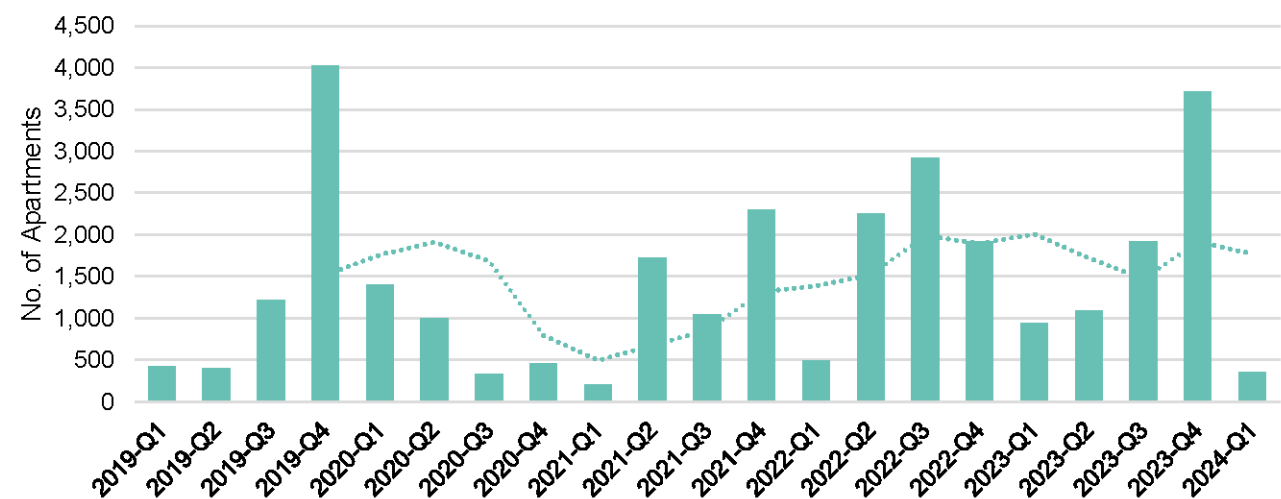
While the abovementioned trends indicate potential for strong delivery on the Gold Coast, the increasing share of projects in presales or pending stage could imply increasing delivery risks.

Apartment Stock by Quarter



Source: Urbis Apartment Essentials

Apartment Approvals



Source: Urbis Apartment Essentials

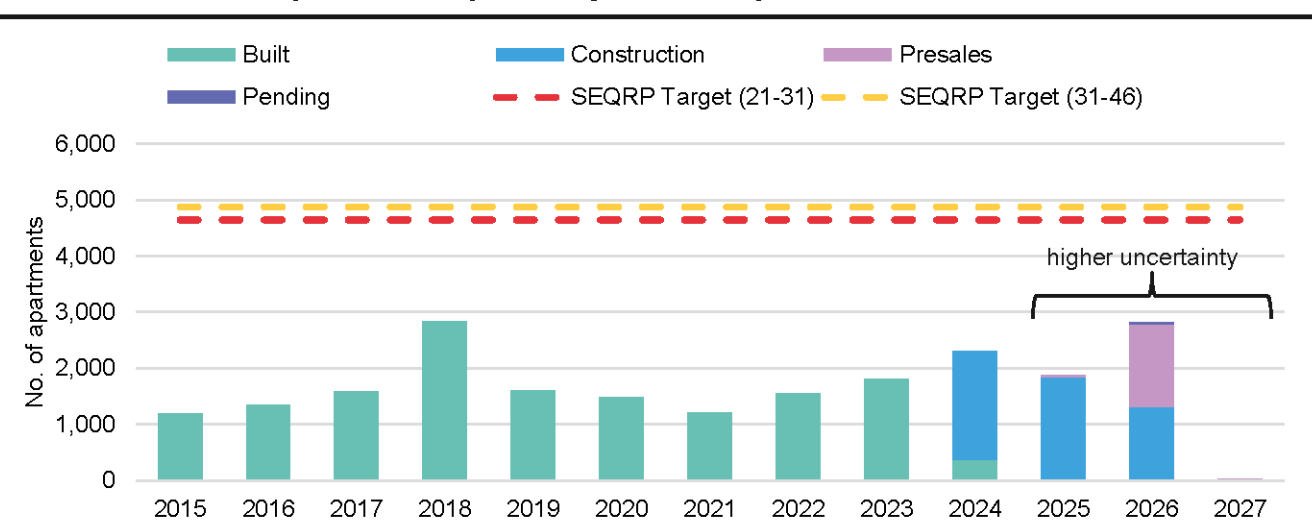
GOLD COAST - FUTURE PIPELINE

Gold Coast's supply pipeline comprises a similar profile to Brisbane, with most stock due for completion in 2024-25 currently under construction. The region has never met the SEQRP annual dwelling delivery target, with the prior peak (2018) falling short by circa 2,000 dwellings.

Looking ahead to 2026-27, there is a higher volume of presales or pending projects which have a higher risk of being delayed or withdrawn.

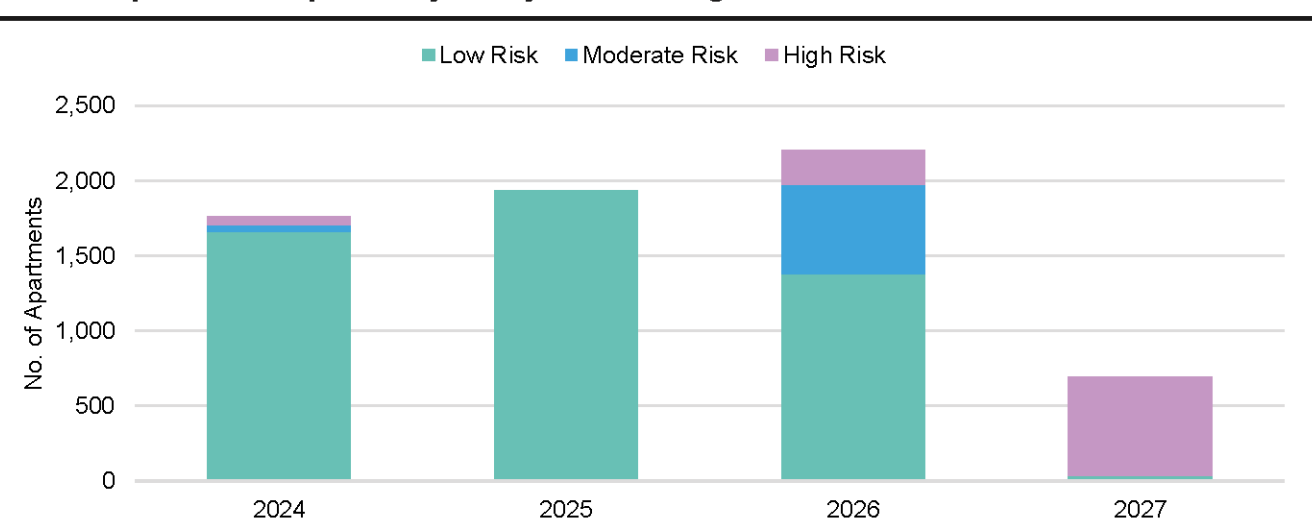
Based on our framework, **~53% of Gold Coast units due for completion in 2026-27 are considered moderate or high risk of delay or withdrawal.**

Historic & Future Apartment Pipeline by Est. Completion Date



Source: Urbis Apartment Essentials

Future Apartment Pipeline by Delay Risk Rating



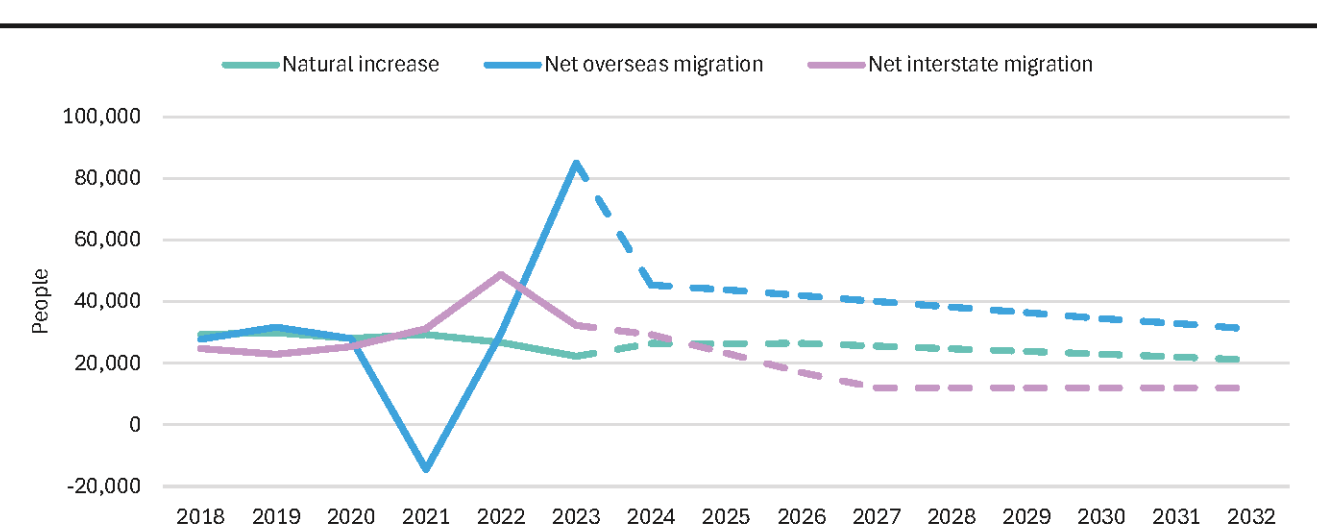
Source: Urbis Apartment Essentials

REGIONAL SUMMARY - COMPONENTS OF POPULATION GROWTH

Net overseas migration has strongly rebounded following the COVID-19 pandemic. Queensland saw levels of migration in 2022/23 that far exceeded historic levels. This rise was partly fueled by the return of international students. Although softening in net overseas migration is forecasted, it is expected to remain marginally above the historical long-term average. Net interstate migration, on the other hand, is projected to gradually decrease to more modest levels (~10,000 people per annum).

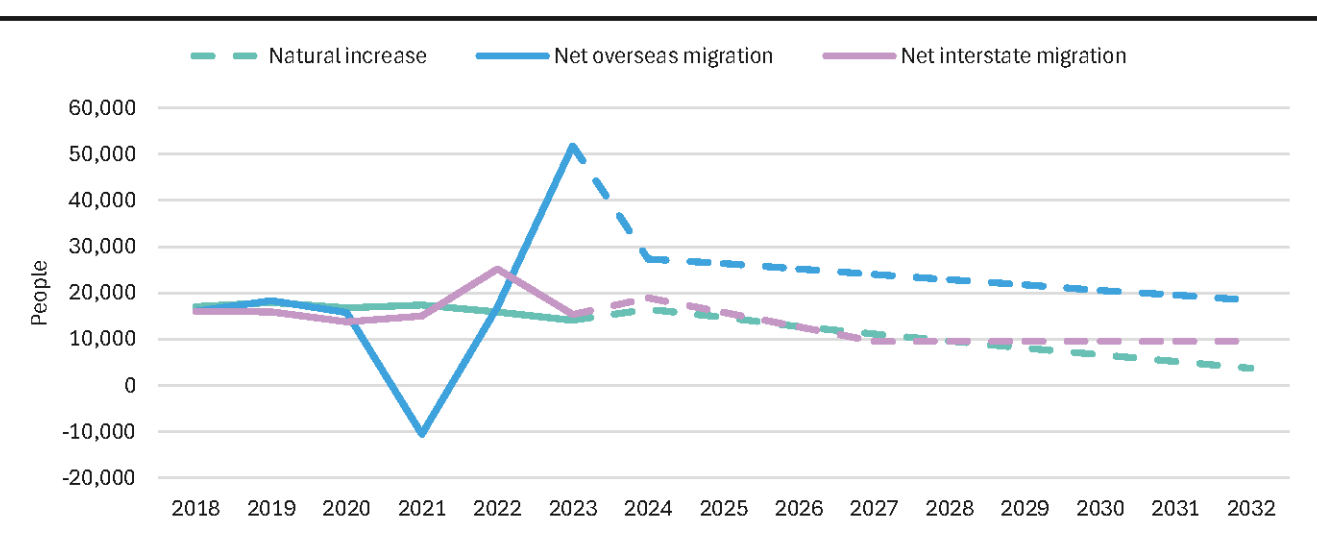
In a similar vein to Queensland, Greater Brisbane experienced a substantial rise in net overseas migration in 2023, which is expected to revert to levels seen before the pandemic. Net interstate migration reached its peak slightly earlier in 2022 and is forecasted to follow a similar downward trajectory as Queensland, Greater Brisbane's projected net interstate migration equates to over 90% of the State's total.

Queensland Components of Population Growth



Source: ABS

Greater Brisbane Components of Population Growth



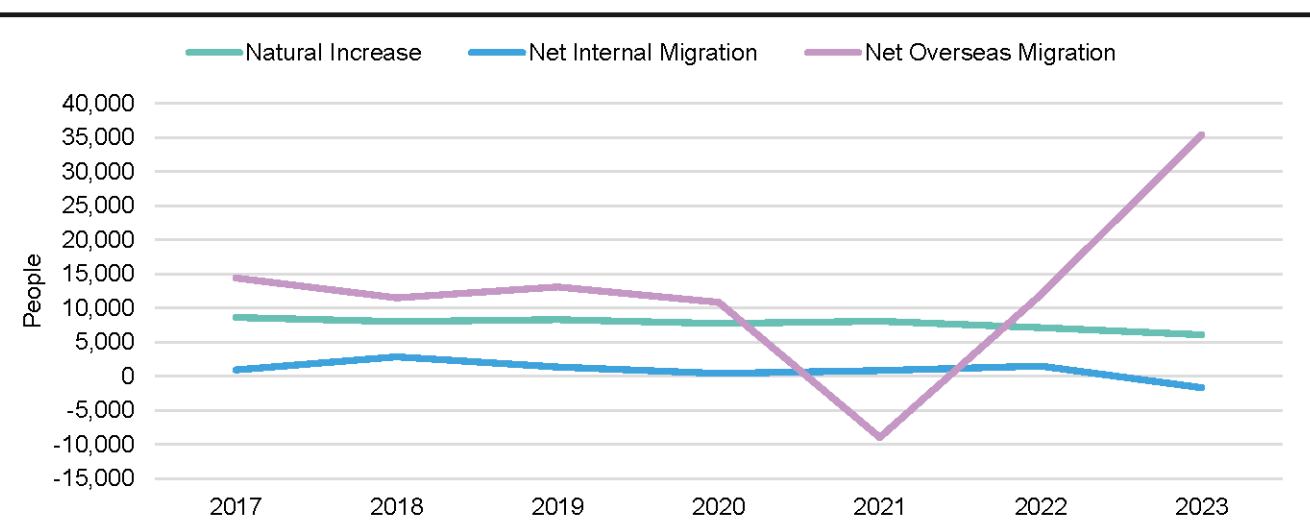
Source: ABS

REGIONAL SUMMARY - COMPONENTS OF POPULATION GROWTH

Brisbane and the Gold Coast experienced a significant decline in net overseas migration during the COVID-19 pandemic, with figures significantly dropping below zero. However, by 2023, both cities shown to have rebounded, with overseas migration levels not only recovering but also exceeding the historic long-term averages. This rebound is expected to be short-lived before reverting to more historic norms in line with State and Greater Brisbane projections.

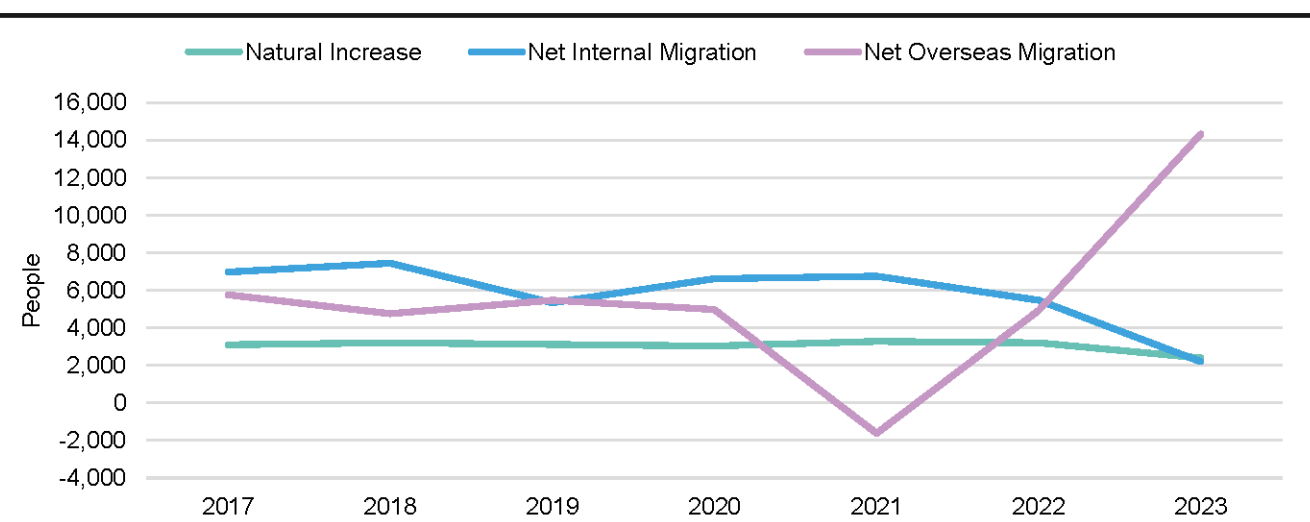
In terms of internal migration, Brisbane maintained relative stability, with only a slight decrease observed in 2023. Since 2017, the Gold Coast's net internal migration seems to be on a downward trend, hitting a low in 2023. We note that internal migration is often preceded by overseas migration, with new arriving in southern states (NSW and VIC) before migrating north into South East Queensland. The recent tapering in internal migration is likely explained by the constrained international migration in 2021 though would have otherwise converted to internal migration in 2023.

Brisbane LGA Historic Components of Population Growth



Source: ABS

Gold Coast Historic Components of Population Growth



Source: ABS

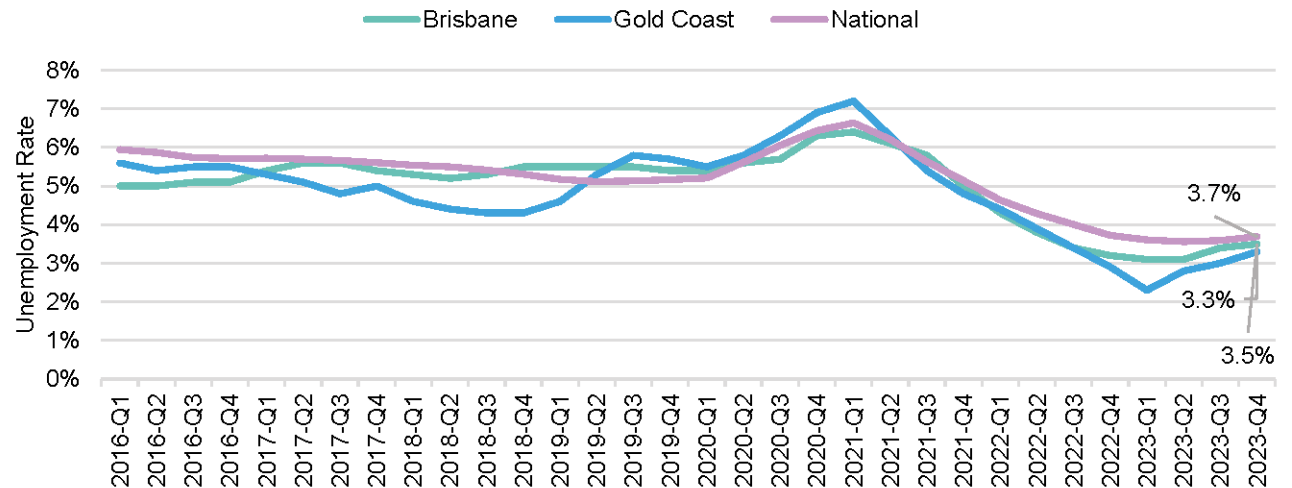
DELIVERY CONSTRAINTS – LABOUR SCARCITY

Between 2016 and 2021, Australia's unemployment rate hovered between 5% and 6%, indicating a stable job market. Following an initial surge in unemployment, the nation's closed borders led to a sharp decline in unemployment as international labour supply was closed off. Unemployment rates have remained below the long-run average despite restrictive monetary policy. This suggests labour force scarcity is likely to remain sticky in over the short to medium term. In Q1 2024, construction unemployment rate rose to 3.3%, surpassing 3% for the first time since early 2021. These low rates reflect high demand for labour in the construction sector. Numerous factors are likely to see labour shortages in the construction industry, namely a shortage of skilled migration and "crowding-out" effects driven by major public sector projects such as Olympic infrastructure, Queensland's Hospital Expansion Program, and numerous transport projects such as Brisbane Metro and Cross River Rail.

Persistent labour scarcity could contribute to delivery constraints, **leading to project delays and potentially withdrawals.**

It's important to mention that we utilised Small Area Labour Markets' recommended National unemployment rate estimates from ABS, which were in line with their own estimates, rather than using the seasonally adjusted data.

Overall Unemployment Rates – National, Brisbane, Gold Coast



Source: Small Area Labour Markets, ABS

Australia's Construction Industry Unemployment Rates



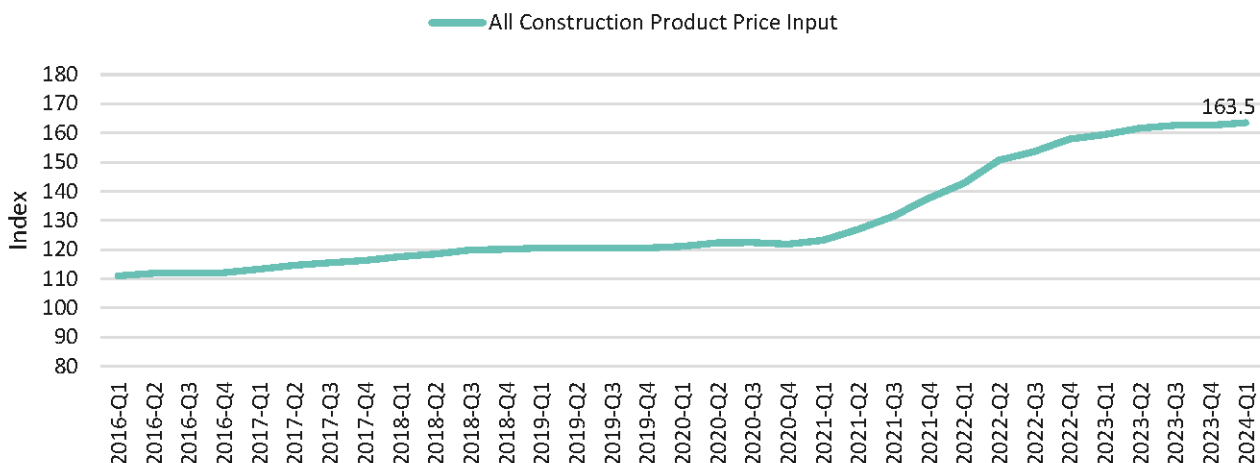
Source: ABS

CONSTRUCTION COST INFLATION

The adjacent table provides a depiction of Construction Product Price Input index for Brisbane. Before the onset of COVID-19, typical quarterly input price growth was between 0% and 1.2% (Q1 2016 – Q4 2019). The rate of increase during 2021 and 2022 was more notable, with growth ranging from 1.1%-5.5% per quarter during the period. The peak growth was observed in the second quarter of 2022 at 5.5%. From the end of 2022 to the current period there is indications of cost stabilisation, it's important to note that these costs are still considerably higher than the pre-covid rates and pose a significant constraint to construction feasibility.

Despite signs of input costs stabilising towards the end of 2022, the Construction Product Price **Output Index in Queensland maintained its upwards trajectory, marking a 3.5% increase in the first quarter of 2024.** This output has been on a notable escalation since 2021, with growth rates fluctuating between 0% and 3.4% during 2021 and 2022. This persistent increase in output could be attributed to the shortage of labour, which pushes output costs higher. Given the likely persistence of labour constraints, there is potential that construction output is likely to continue to increase in cost.

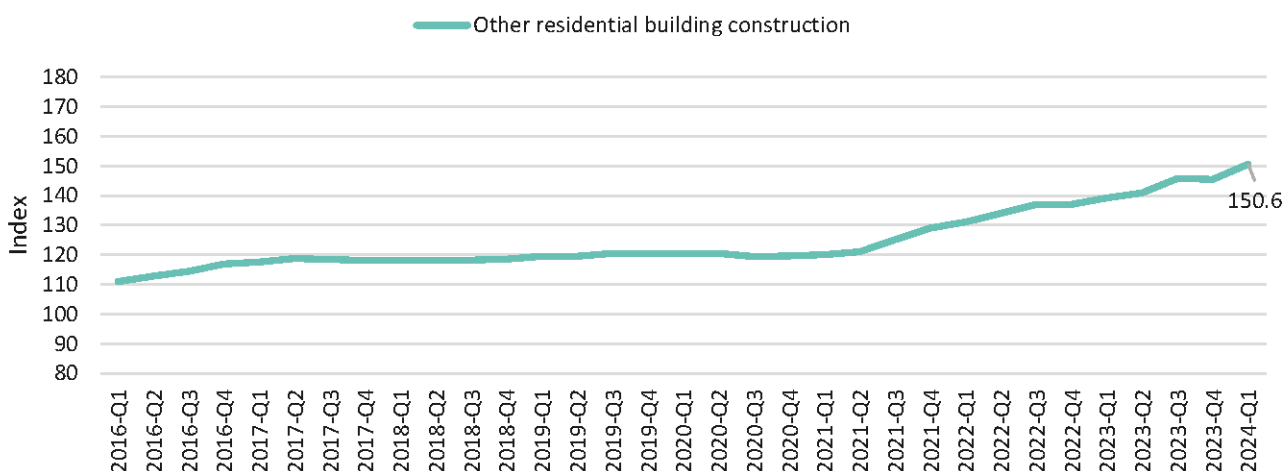
Construction Product Price Input Escalation for Brisbane



Source: ABS

Included in the Input: Timber, board and joinery; Ceramic products; Concrete, cement and sand; Cement Products, Steel Products; Other metal products; Plumbing products; Electrical equipment, Installed gas and electrical appliances; and Other materials.

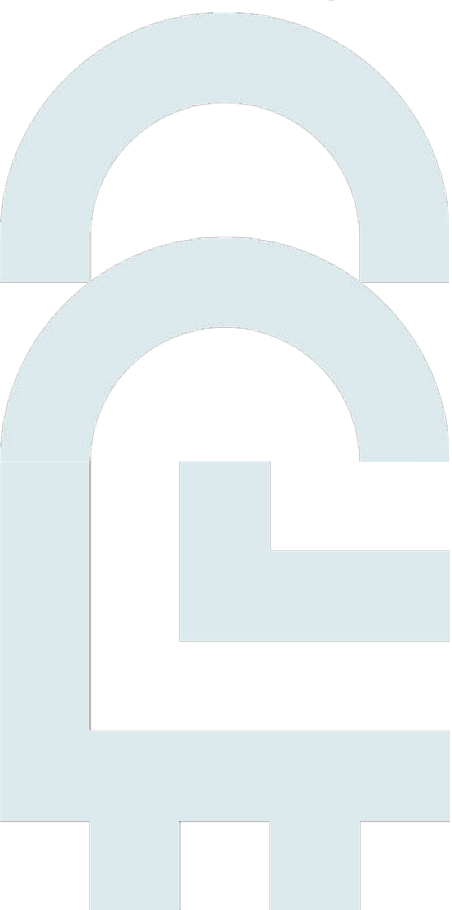
Construction Product Price Output Escalation for Queensland



Source: ABS

ABS classifies one of Other Residential Building Construction primary activities as Apartment constructions (excludes freestanding houses).

COVID-19 AND THE POTENTIAL IMPACT ON DATA INFORMATION



The data and information that informs and supports our opinions, estimates, surveys, forecasts, projections, conclusion, judgments, assumptions and recommendations contained in this report (Report Content) are predominantly generated over long periods and is reflective of the circumstances applying in the past. Significant economic, health and other local and world events can, however, take a period of time for the market to absorb and to be reflected in such data and information. In many instances a change in market thinking and actual market conditions as at the date of this report may not be reflected in the data and information used to support the Report Content.

The recent international outbreak of the Novel Coronavirus (COVID-19), which the World Health Organisation declared a global health emergency in January 2020 and pandemic on 11 March 2020, has and continues to cause considerable business uncertainty which in turn materially impacts market conditions and the Australian and world economies more broadly.

The uncertainty has and is continuing to impact the Australian real estate market and business operations. The full extent of the impact on the real estate market and more broadly on the Australian economy and how long that impact will last is not known and it is not possible to accurately and definitively predict. Some business sectors, such as the retail, hotel and tourism sectors, have reported material impacts on trading performance. For example, Shopping Centre operators are reporting material reductions in foot traffic numbers, particularly in centres that ordinarily experience a high proportion of international visitors.

The data and information that informs and supports the Report Content is current as at the date of this report and (unless otherwise specifically stated in the Report) does not necessarily reflect the full impact of the COVID-19 Outbreak on the Australian economy,

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Urbis acknowledges the important contribution that Aboriginal and Torres Strait Islander people make in creating a strong and vibrant Australian society.

We acknowledge, in each of our offices, the Traditional Owners on whose land we stand.



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