

State of the Market H2 2024

Residential Build to Sell & Build to Rent Apartments

Key National Metropolitan Areas

At Charter Keck Cramer, our Research team comprises a dynamic group of professionals, each possessing unique skillsets working collaboratively to deliver evidence-based and forward-looking insights.

These valuable outputs serve to empower the industry in making well-informed strategic property development decisions.

Executive Summary H2-2024

Welcome to the State of the Market H2-2024 Build to Sell ("BTS") and Build to Rent ("BTR") apartment market report. As always, we thank our readers for their valuable input into this research.

Summary of 2024

The apartment markets across the Capital Cities of Australia remain distorted and whilst development activity in locations such as the Gold Coast has been strong, others such as Melbourne have in fact broken down.

The dramatic increase in building costs, combined with a plethora of taxes, levies and charges has meant that for a BTS project to be financially feasible in various markets, gross realisations would need to be increased well above price points acceptable to market, which is a primary reason for the growing price delta between new and established apartments. This is making the feasible delivery of new apartments across most sub-markets extremely difficult.

Charter Keck Cramer's discussions with property industry participants highlight the increased difficulty in obtaining equity funding for BTR projects given the significant risks and uncertainty in the market at present.

The figures from our National Proprietary Apartment Database illustrate that supply is going to remain at decade lows for the next 3-4 years, the result of an ongoing inability to mobilise new development at scale. What this ultimately means is that the aspirational National Housing Accord target of the Federal Government to deliver 1.2M new dwellings over 2024-2029 is highly unlikely to be achieved.

Charter Keck Cramer notes that underlying demand remains strong. This is because Australia is an extremely attractive place to live and work and highly sought after by a wide range of overseas migrants. Apartment living has a major role to play across Australian cities given the structural changes in living preferences (specifically living in apartments and renting for longer) that have become entrenched over the last 15 years. The longer-term outlook for the apartment markets across Australia is considered very positive as all key fundamentals continue to become more pronounced.

We anticipate several of the apartment markets across Australia to start improving throughout 2025 and into 2026 as we enter an interest rate cutting cycle, the Federal Election is decided, Federal and State Budgets are announced, and all levels of Government are forced to respond to the housing and rental crisis. As we have previously highlighted, the speed of the change comes down to how quickly and meaningfully the RBA, APRA and the various levels of Government act to address supply issues (which are not a new problem but exacerbate over time).

It is however going to take time and significant Government intervention to allow the markets to unlock and revert back to market equilibrium. Our view is that the apartment development markets are unlikely to self-correct without significant support. The RBA, APRA and all levels of Government & politicians need to come together with the private sector to employ all available means in an effort to drive the development market forward. Drastic action is necessary to combat the National housing crisis, and adopting a similar mindset to the post World War II Menzies Government is not considered unreasonable given current circumstances.

Executive Summary H2-2024

Key themes that have arisen from this research are summarised below.

The new housing market has broken down

The new housing market is not behaving as it should and much of the data is in fact misleading and distorted due to the pandemic. Our discussions highlight that many markets across Australian cities are the hardest and most difficult to read in the last 30 years.

Build costs have risen so dramatically that the delta between an established dwelling and a new dwelling is significant. Importantly, this applies to all dwelling types – apartments, townhouses and houses, with buyers unlikely to make purchase decisions until this delta closes.

Our research shows that many BTS and BTR development sites are needing to be feasibility engineered (driven by returns) rather than design-led which is leading to product that is out of balance with the house price hierarchy.

The breakdown has been caused by Government policy during the pandemic. This includes the lockdowns and the significant investment in infrastructure projects across Australia. Government intervention will now be required to bring the market back into balance. Specific focus needs to be on rationalising the costs of delivery such as reducing various taxes, charges and levies and attracting more skilled construction workers into the country, subsidising various building materials and supporting alternate methods of construction such as modular and prefab.

Private Credit - Kicking the can down the road

Over 2021-2023, due to the pandemic and the more limited availability of finance from the Big 4 banks, Charter Keck Cramer observed that private credit increasingly stepped in and took a position in the capital stack of several BTS and BTR apartment projects. During this period various risks in the development were allocated and then reallocated between the developer, builder and financier keep these projects viable.

Over 2024 and now into 2025, due to the deterioration of conditions in the apartment market (particularly in Melbourne), we have observed that private credit has in several instances stepped into the role of the developer and moved the developer into a development manager role. The thesis is that this is how the projects will be able to be successfully completed.

Charter Keck Cramer's view is that there is elevated risk in the system (particularly Melbourne) and finance appears to still be stubbornly operating with the aim of achieving their pre-pandemic returns without fully appreciating the risks across some of these projects. Our view is that pricing revenues are unlikely to move significantly in many sub-markets throughout 2025 and financiers will need to revise their returns on these projects to exit the investment before eroding any equity.

Whilst this segment of the market is still small, the market is opaque and not well regulated and in our opinion, there is a lot of systemic risk across the market at present. How successfully these projects work their way out of these issues comes down to the quality of the fund manager and the expertise behind them. APRA and ASIC are well advised to keep a close eye on this sector so that industry confidence in the higher density space is not undermined.

Executive Summary H2-2024

Foreign Capital

Australia as an investment opportunity remains extremely attractive to foreign capital. Given current global events, Australia is considered to represent a safe haven with low sovereign risk when compared against many alternate international options.

It is evident that "Australia needs this capital" much like "this capital needs Australia". At present, property and development related taxes throughout many Australian States are onerously high and regulation too complex which is acting as a major handbrake for capital allocation. Australia needs to follow other countries across the world and reduce taxes and deregulate, enabling foreign capital to flow into and boost the local housing market. This will send the correct market signals that the Australian property market is open for investment.

It is alarming that capital is looking at both Victoria and now Queensland and assessing them as having the highest levels of sovereign risk in Australia (given their high levels of debt). This is an issue that both the State(s) and also the Federal Government must keep an eye on over the next 24 months.

Build to Rent

Charter Keck Cramer's investigations indicate that the finance sector is increasingly gaining a greater understanding of BTR investment fundamentals in the context of the emerging Australian market. The Big 4 Australian banks are showing a greater willingness to lend into the debt space for BTR product.

However, it remains very challenging to raise equity capital as finance is testing the investment thesis of various platforms. The key sticking points relate to planning risk, elevated build costs, and how the various BTR operators / operating platforms plan to maximise net operating income (NOI) during the life of the asset.

We have also observed that the Managed Investment Trust (MIT) changes have been a positive signal to overseas capital. Furthermore, the inherent potential for future cash rate cuts stands to improve project returns in this space which may translate into greater levels of BTR lending and investment. The Federal Government is encouraged to continue support of this emerging asset class with further changes such as the removal of GST for BTR developments which will assist in additional supply being feasibly delivered.

Executive Summary H2-2024

Federal Election

The Federal election will be held in April or May this year. In advance of the election all parties will set out their policies (including those relating to housing) and there will be uncertainty for investors and developers until the outcome is known.

Over the coming months the property industry can expect to hear further debate about reducing immigration, the impact of foreign investors and affordability related themes such as rent caps / freezes.

Charter Keck Cramer's views are that given the substantial pressure that all sides of politics are under to address the housing and rental crisis, the property industry can expect a raft of both supply and demand side announcements which stand to potentially benefit and / or detract from the housing market.

The Federal Government is urged to make proactive evidence-based decisions and avoid short-term reactionary decisions that could exacerbate the crisis.

Key metrics to watch over 2025

There are various metrics to watch over 2025 and into 2026. How these are decided will ultimately dictate how long the markets take to unlock and revert back to equilibrium.

The first is the RBA and future decisions relating to the cash rate. The second is the upcoming Federal Election followed by various State and Federal budgets.

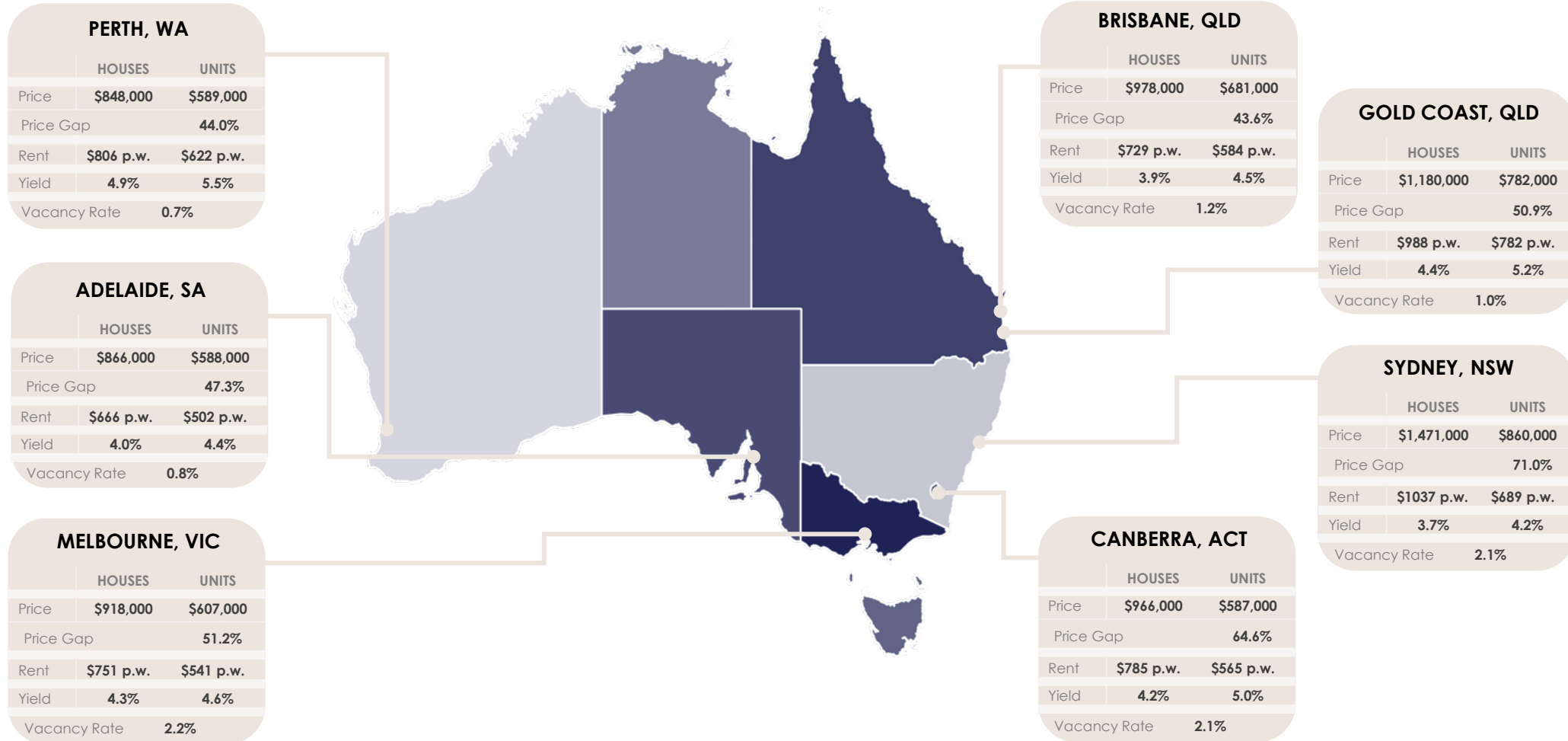
Until there is greater clarity in relation to the above, market uncertainty regarding investment / development decisions is expected to remain. As the outcomes become known finance will be able to better price the risks.

The Australian property market is a highly desirable place to develop and invest. Although strong demand fundamentals remain, the market needs to be unlocked by way of significant Government intervention and support. The market will not be able to unlock or self-correct to the extent required which has been made clear in our research.

BTS apartments are defined in this report as contemporary own your own (OYO) apartments that are delivered in projects that have 10+ apartments. Student accommodation and serviced apartments are excluded from this analysis.

BTR apartments are defined in this report as (1) purpose built for rental with single ownership and management and (2) larger than 50 apartments. Co-living developments and projects with apartments retained for long term rental (and then later sell down) are excluded from this analysis.

Metro Residential Snapshots



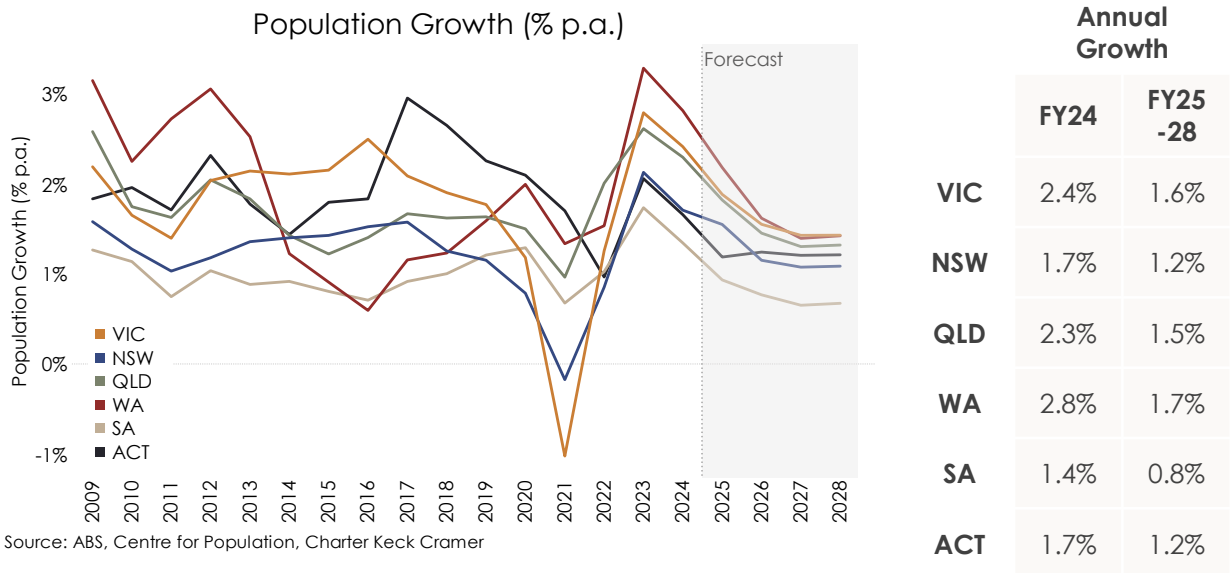
Source: CoreLogic, Pricerfinder, SQM

Metro Residential Snapshots continued

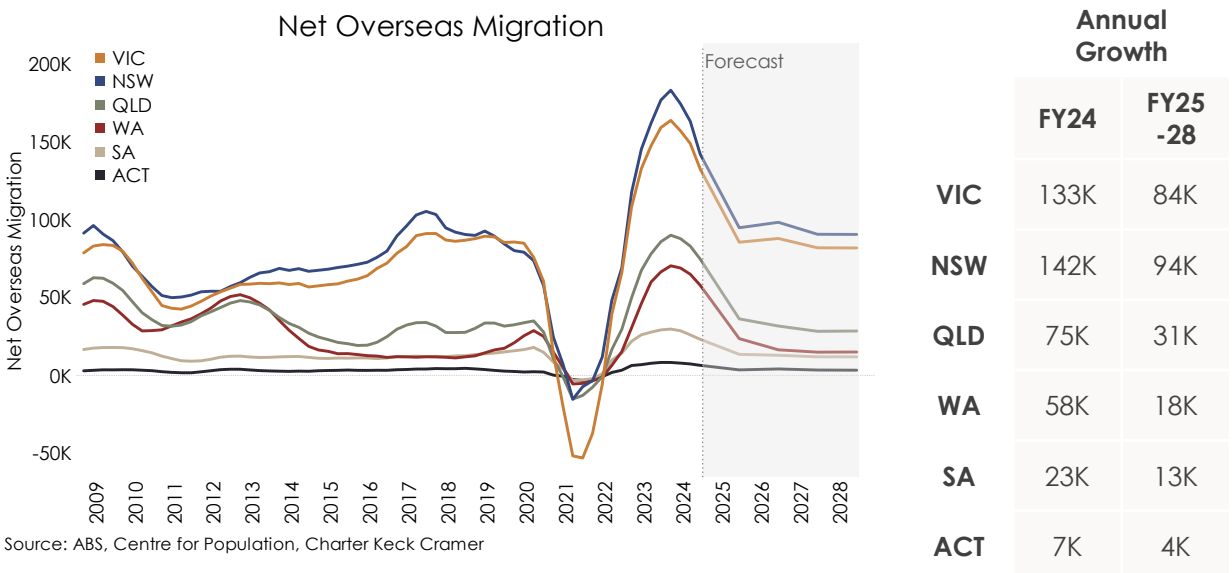
Apartment Supply Dashboard														
Typology	Melbourne		Sydney		Brisbane		Gold Coast		Adelaide		Perth		Canberra	
Build to Sell														
Launches 2024 (change vs 2023)	4,630 (+53%)		7,690 (-1%)		1,420 (+20%)		2,800 (+121%)		360 (+3%)		1,280 (+187%)		1,260 (-11%)	
Completions 2024 (change vs 2023)	4,800 (-36%)		10,100 (+13%)		1,020 (-57%)		1,250 (-16%)		180 (-55%)		1,850 (+153%)		2,530 (+45%)	
Under Construction	6,320		21,550		4,700		5,790		1,680		2,180		3,310	
Marketed	8,670		8,800		1,830		4,530		560		2,460		1,380	
Build to Rent														
Completions 2024 (change vs 2023)	3,140 (+444%)		1,280 (N/A)		320 (+310%)		0 (-100%)		0 (N/A)		0 (N/A)		300 +114%	
Under Construction	5,960		560		1,950		0		0		160		0	

Source: Charter Keck Cramer

Population Indicators



- Following a period of peak annual growth in FY23 (excl ACT), population growth softened across all observed States and Territories during FY24. This is primarily a result of normalising levels of net overseas migration.
- Despite recent softening, population growth has remained buoyant relative to longterm trends and will support ongoing demand for additional and diverse forms of dwellings.**



- Overseas migrants drive significant demand and bring with them their living preferences. Across all observed States & Territories, NOM levels have slowed from their unprecedented peaks, albeit they typically remain above pre-pandemic levels.
- This high level of demand will continue to underpin rent and price increases across the States given the severe shortage of housing.**



Melbourne VIC

Melbourne – Key Findings

2024 was arguably the hardest year on record for the BTS and BTR apartment markets in Melbourne. The new apartment market has broken down and there are deep structural challenges in Melbourne which have been exacerbated by the pandemic.

BTS apartment completions were at decade lows whilst BTR supply was elevated. However, the overall pool of BTR dwellings has reduced when compared to 12 months ago. Supply is anticipated to remain at decade lows for the next 3-4 years and will need Government intervention to correct.

“Brand Melbourne” remains strong with overseas migrants who have entered Melbourne at record numbers. We are also seeing interstate migrants return to Melbourne given the more affordable median house price when compared to Brisbane, Gold Coast, Sydney and now even Adelaide and Perth.

The price delta between a new and an established apartment is greater than 30% in many markets. Established apartments and townhouses are undervalued by around 15% and will need to reprice upwards before the price delta closes to historic levels (around 15% depending on bedroom configuration). Unfortunately, the Off the Plan incentives have not had the desired effect and buyer demand has been stagnant over 2024.

The rental market is chronically undersupplied and the latest data in fact shows the rental pool is shrinking with investors selling their investment properties. Rents will continue to increase given the supply demand mismatch. BTR rents are coming in at a premium to BTR stock in the same location however we are aware of incentives in place to assist with faster take up of recently completed projects.

Our investigations into the industry show that building costs are stabilising. There is a deeper labour pool than in many other States and there are also more tier 1 and tier 2 builders with the capability to deliver BTS and BTR projects.

Over the next 12 months the major risk will revolve around revenue assumptions with many projects that are feasibility engineered (rather than design-led) missing the mark. There remain opportunities for well capitalised developers in both the BTS and BTR space to pick up sites and position to respond to the improvement of the apartment markets over 2025 and into 2026.

In our view 2024 was the trough of this cycle and there are several metrics that will shift over the next 12-18 months which will support an improvement across various sub-markets. These metrics include the cutting of interest rates, the outcome of the Federal Election along with the announcement of the Federal and State budgets.

It will however take significant Government support to allow the market to correct and rectify these deep structural challenges. Melbourne is considered significantly undervalued and is anticipated to go on a very strong run which could start towards the back end of 2025 and into 2026. The timing comes down to how quickly the Government, the RBA and APRA acts.

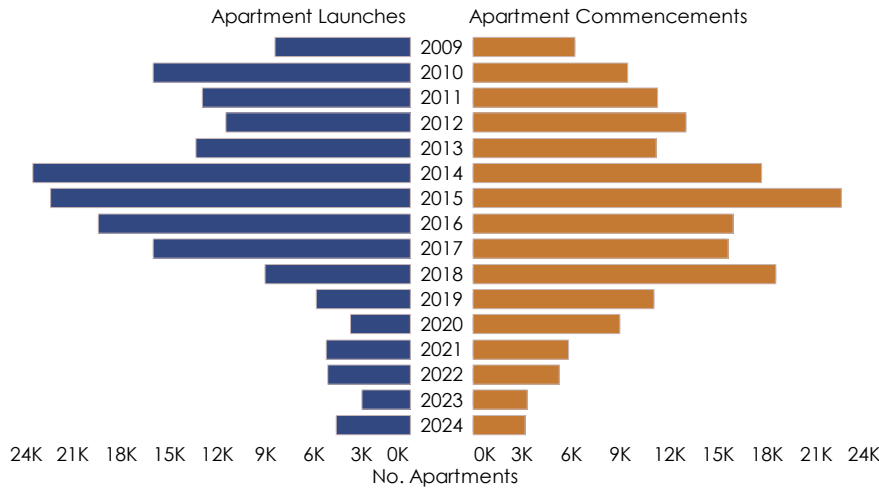
Charter Keck Cramer Insight:

“Construction costs are starting to stabilise but are not anticipated to fall back to 2019 levels.”

Edmund D’Cruz, National Executive Director, Projects – Quantity Surveying

Supply – Melbourne

BTS Launches & Commencements - Melbourne



Source: Charter Keck Cramer

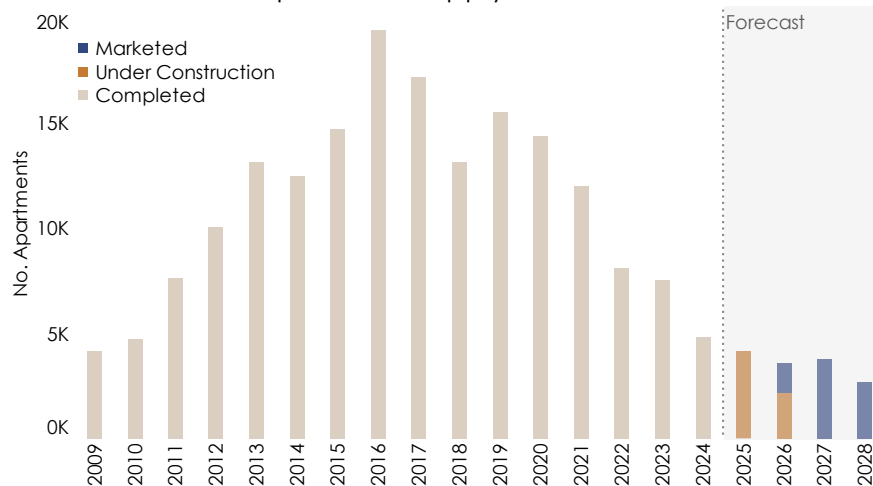
Launches
2024: 4,630
(+53% vs 2023)

Commencements
2024: 3,200
(-3% vs 2023)

Against their 10-year average, launches in 2024 reached just 49% and commencements reached only 29%

- Launches and commencements remain historically low. Weak buyer sentiment and a lack of buyer urgency, increased construction materials costs and high taxes, charges and levies continue to impact project feasibility.
- Until prices recalibrate upwards, the supply pipeline is expected to remain constrained relative to historic trends.

BTS Apartment Supply - Melbourne



Source: Charter Keck Cramer

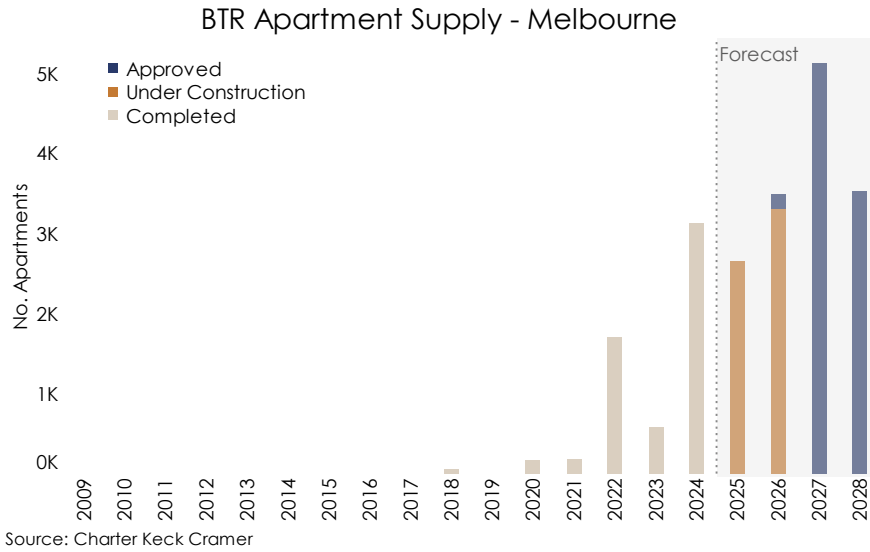
Forecast BTS Supply
2025-2028:
3,560 apartments pa

BTS Completions
2024: 4,800
(-36% vs 2023)

BTS apartment completions in Melbourne reduced for the fifth consecutive year, representing just 40% of typical levels

- The low volume of project launches and commencements over recent years suggests the BTS market will remain heavily undersupplied over the next 3-4 years.
- Projected BTS supply during 2025-2028 is expected to reach less than 30% of typical levels achieved over the last 10 years.

Supply – Melbourne



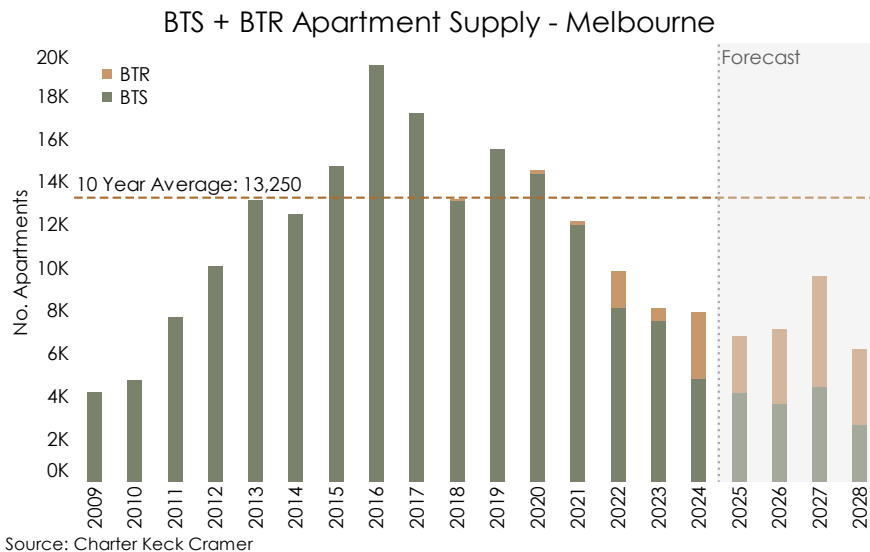
Forecast BTR Supply 2025-2028: 3,700 apartments pa

Completions 2024: 3,140 (+444% vs 2023)

Of the 2,650 BTR apartments due for 2025 completion, 75% are held within four large scale projects each in excess of 380 apartments

Source: Charter Keck Cramer

- Melbourne's BTR sector is the most mature of all Australian capital cities and is benefitting from strong renter demand.
- Latest projections suggest that significant levels of new BTR supply may potentially be delivered over the next 3-4 years. However, not all approved schemes will be constructed, as it is unlikely that all projects will attract the required equity funding.



Forecast Supply 2025-2028: 7,410 apartments pa

Annual Demand: >13,000 apartments pa

Projected shortfall of more than 22K apartments through 2025-28

Source: Charter Keck Cramer

- To accommodate the city's growing population, Charter Keck Cramer conservatively estimates that there is underlying annual demand in Melbourne for at least 13K additional apartments per annum (BTS and BTR combined).
- With demand expected to significantly outweigh supply, improving market sentiment and lower interest rates, Charter Keck Cramer anticipates prices (and rents) to grow throughout 2025 and into 2026.



Sydney NSW

Sydney – Key Findings

2024 was another difficult year for the BTS and BTR apartment markets in Sydney. The State Government is commended for taking action to stimulate supply through unprecedented planning changes and reform. This includes the recent establishment of the Housing Delivery Authority to expediate approval of major projects.

However, elevated levies and charges are exacerbating feasibility challenges. The swathe of new planning controls coming into effect have also created industry confusion (particularly in relation to affordable housing) and many developers are going back to the drawing board to re-think project direction. With the planning changes slowly being implemented, it will take one or more market cycles before they translate into the delivery of dwellings.

BTS apartment completions remain well below 10-year averages which is a concern given the increased reliance on new apartment supply. The 2024 calendar year set a new peak for BTR completions although over the next three years completions will notably reduce.

Sydney remains very attractive to overseas migrants. Net overseas migration reached record numbers over 2024 although it is starting to ease towards pre-pandemic levels. These migrants bring with them their living preferences which is often for apartment living. Sydney continues to lose residents to other States given the major affordability issues with the city.

Prices at the upper end of the BTS market continue to move. That being said, prices at the middle and lower end of the market are largely stagnant and the Government will need to stimulate demand and purchasing activity.

There is a chronic shortage of rental accommodation with a content of investors divesting stock as a result of high interest rates and cost of living pressures. Robust rental growth is expected over the next 2-3 years in most sub-markets until there is a supply response. There has been a notable “flight to affordability” in rental markets across Sydney.

BTR rents are achieving a premium to private market apartments although in many instances there are incentives in place to assist with a faster take up of completed stock. One challenge is market acceptance of longer lease terms (years) by tenants given that more traditional private rental properties operate under 6- to 12-month agreements.

Build costs have dramatically increased in Sydney since the pandemic but are stabilising. There is a much larger (albeit shrinking) labour pool in NSW and so Sydney is not expected to experience the same stress in the construction market as Brisbane, the Gold Coast, Perth and Adelaide. However, securing an appropriate builder remains a key development risk.

Concerns still remain in the planning and regulatory side of the development phase. Local Councils and the State Government need to align agendas to facilitate meaningful new supply across Sydney. This has not materialised in the first six months of the NHA driven housing targets with Metro Sydney completions already falling well short of requirements.

We anticipate 2025 to be a more active and positive year as various key metrics start to shift. This includes interest rate cuts, the Federal Election outcome plus the announcement of Federal and State budgets. The State Government must continue to support a pro supply agenda which would be greatly assisted by reforms to onerous levies, taxes and charges.

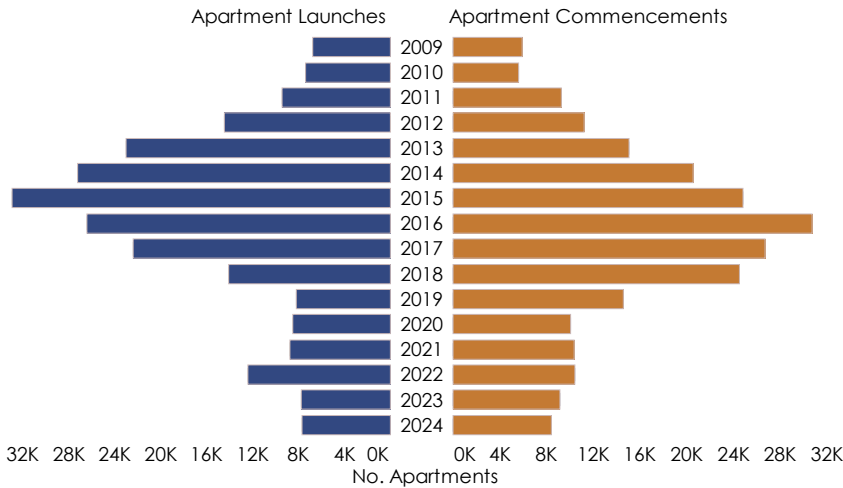
Charter Keck Cramer Insight:

“Land values for A grade sites are holding their value given supply side constraints.”

Christopher Sutton, National Director, Valuations - Residential Development

Supply – Sydney

BTS Launches & Commencements - Sydney



Source: Charter Keck Cramer

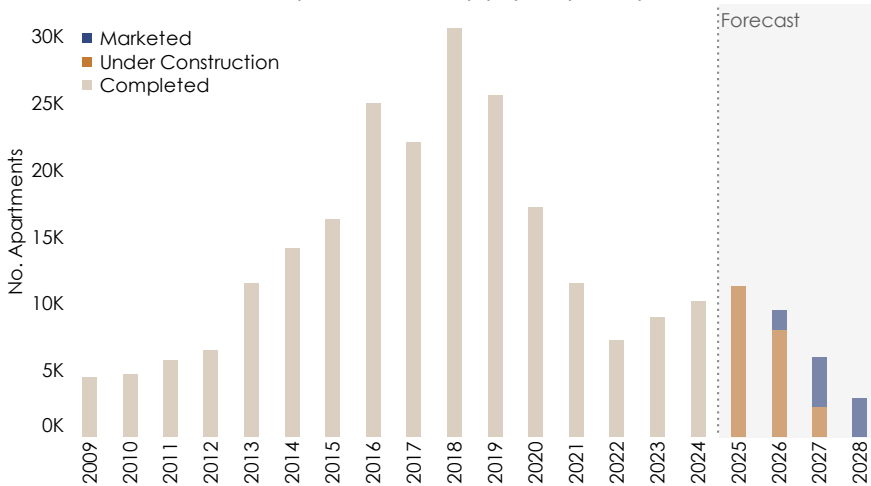
Launches
2024: 7,690
(-1% vs 2023)

Commencements
2024: 8,400
(-8% vs 2023)

Launches and commencement in 2024 both declined to around half of their 10-year averages

- Sydney 2024 launches and commencements fell to their lowest levels in 14 years.
- Project feasibility continues to be impacted by elevated construction costs, affordability pressures remain challenging on the buyer side and planning changes are resulting in many developers re-thinking apartment projects.

BTS Apartment Supply - Sydney



Source: Charter Keck Cramer

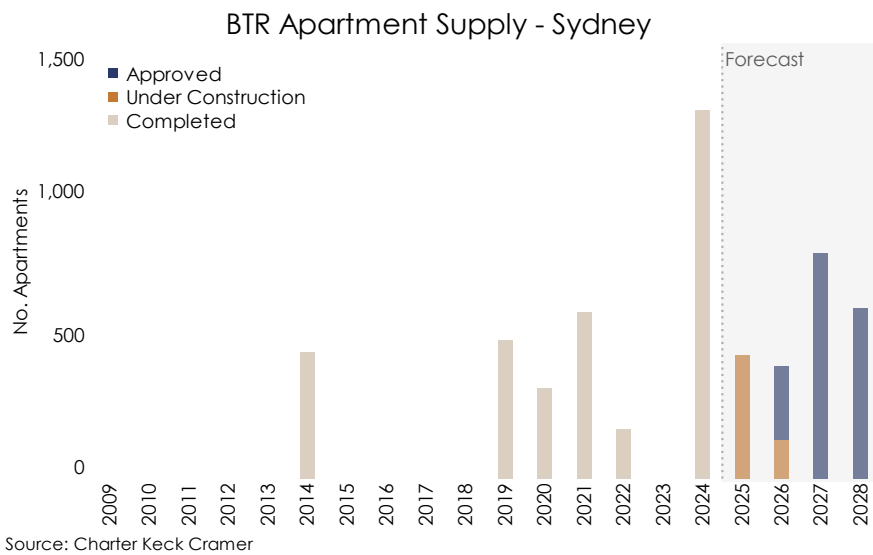
Forecast BTS Supply
2025-2028:
7,390 apartments pa

BTS Completions
2024: 10,100
(+13% vs 2023)

Despite a recent increase, BTS apartment completions are forecast to measure well below-trend

- Ongoing restrictive market conditions including increased Government taxes / levies will continue to suppress completions through 2025-2028, as has been the case since 2021.
- The low supply outlook presents limited opportunities for purchasers, particularly in the mid market space. This will continue to place upward pressure on pricing of available quality stock (for both purchase and rent).

Supply – Sydney



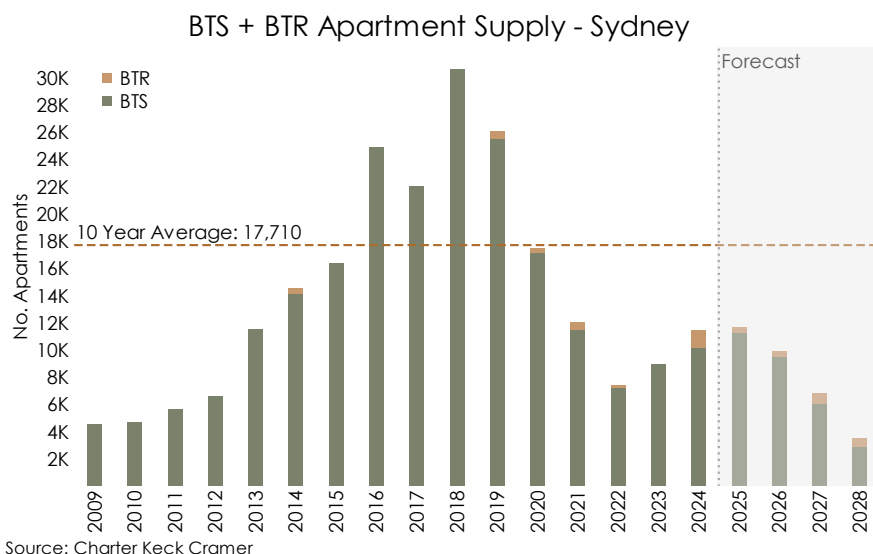
Forecast BTR Supply 2025-2028: 550 apartments pa

BTR Completions 2024: 1,280

BTR delivery in 2025 will comprise a single large project in Parramatta. 2026 will span several smaller projects.

Source: Charter Keck Cramer

- Sydney is the second most mature BTR market in Australia, after Melbourne. High land values and limited site availability continue to impact project viability and opportunities to develop new product.
- Depending on availability of finance, there is the potential for almost 2,200 BTR units to be delivered during 2025 – 2028.



Forecast Supply 2025-2028: 7,950 apartments pa

Annual Target: 35,000 apartments pa

Projected shortfall of 81K+ new apartments between 2025-28

Source: Charter Keck Cramer

- To accommodate Sydney's population growth and 5 -year housing target, Charter Keck Cramer research indicates that annual completions will need to double the average annual completions achieved over the past 10-years.
- Sydney is forecast to meet just 23% of the required apartment target over the next three years and, as such, upward pressure on prices and rents is expected to continue.



Brisbane QLD

Brisbane – Key Findings

The Brisbane apartment market experienced a very strong year in 2024. Sentiment continues to be positive within the development industry as well as with buyers and renters. Brisbane will however continue to face headwinds and challenges in the building sector leading up to the 2032 Olympics with major infrastructure projects testing the capacity of the industry to deliver housing.

BTS supply remains well below underlying demand. Our investigations highlight that many projects are unable to retain a third-party builder to enable construction. BTR supply is growing, and Brisbane is increasingly on the radar of overseas capital. BTR completions are forecast to increase over the next 3-4 years.

Buyer demand remains strong across various target markets including investors, owner-occupiers and particularly downsizers. Much of this demand is being supported by the rapid house price growth that has occurred over the last 3 years.

There continues to be revenue elasticity across various segments of the market although this is anticipated to slow given median pricing is now higher than Melbourne. Brisbane is not overheated but rather fair value given its comparison to Sydney.

Build costs have dramatically increased in Brisbane and are almost double those in Melbourne. There is also a shortage of third-party builders who are prepared to take on higher density work given the opportunities in the infrastructure space. The research highlights that Brisbane has a much smaller labour pool and the major tier 1 and 2 third-party builders are at capacity and unwilling to take on further higher density projects.

The major risk in Brisbane lies in the costs side of the equation. There is a materials and labour shortage which is reflected in the huge cost of construction. This will act as a headwind for the balance of the decade in the lead up to the Olympics. We have noticed that developers with an in-house builder are at an advantage and are proceeding with projects and in fact picking up buyers from other projects that are unable to proceed.

Our research shows that due to the dramatic increase in build costs a number of developers have been forced to renegotiate purchase contracts with BTS apartment buyers to facilitate completion of the project. To date many of the buyers have (somewhat reluctantly) accepted this request enabling projects to proceed to completion.

There is a major rental crisis in Brisbane. Given the shortage of supply, we anticipate rents to continue to increase over the coming few years.

Brisbane has solid market fundamentals and is increasingly on the radar of foreign capital. The city will transform over the next decade and significant opportunities lie in this city for those that understand the market. Prices and land values in Brisbane have moved substantially over the pandemic and Brisbane is now in fact higher priced than Melbourne. This is however a function of an underperforming market in Melbourne rather than an overinflated market in Brisbane.

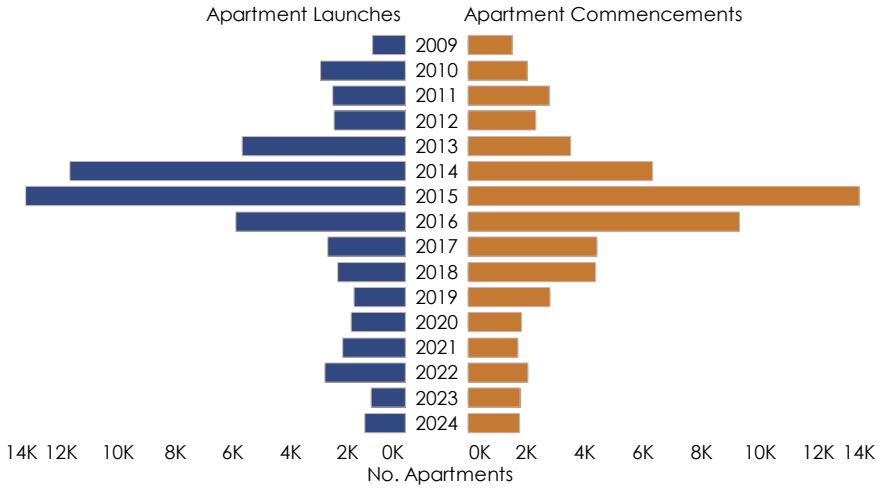
Charter Keck Cramer Insight:

“There is a lot of activity across several buyer groups (right-sizers, investors, upgraders and first home buyers) across Brisbane.”

Andrew Binney, National Director, Valuations – Residential Development

Supply – Brisbane

BTS Launches & Commencements - Brisbane



Source: Charter Keck Cramer

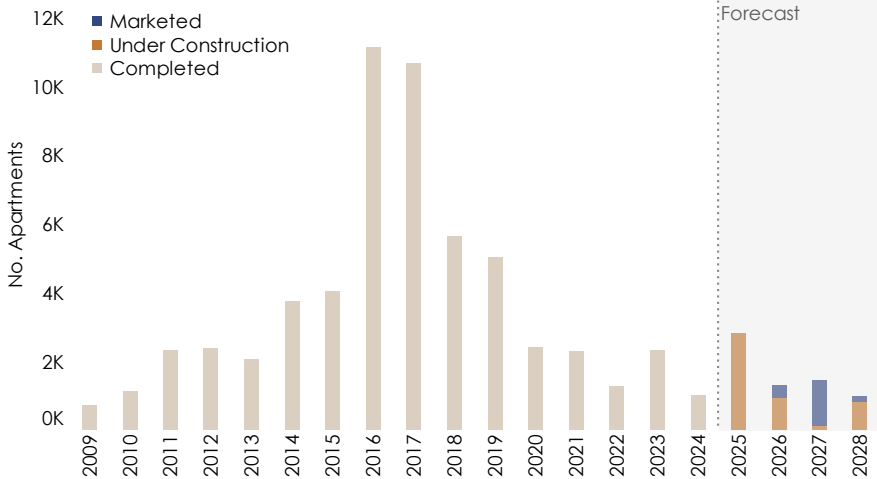
Launches
2024: 1,420
(+20% vs 2023)

Commencements
2024: 1,750
(-2% vs 2023)

Both launches and commencements in 2024 were around 40% of their 10-year average

- Brisbane continues to experience significant issues with builder availability and the costs of materials. This is translating into low levels of launches and low levels of construction commencements.
- Industry capacity needs to be substantially expanded in the lead up to the Olympic Games in 2032.

BTS Apartment Supply - Brisbane



Source: Charter Keck Cramer

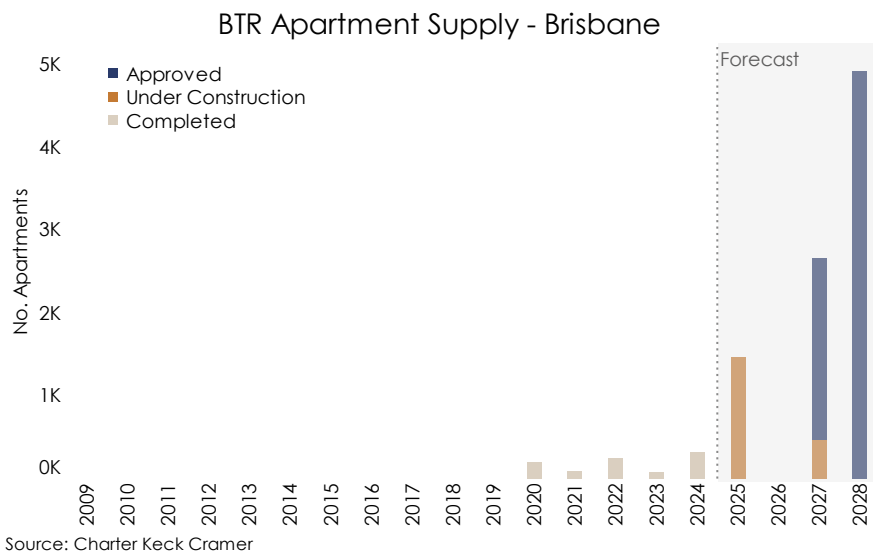
Forecast BTS Supply
2025-2028:
1,630 apartments pa

Completions
2024: 1,020
(-57% vs 2023)

Brisbane BTS completions during 2025 - 2028 are projected to reach just 36% of their 10-year average

- Low levels of recent BTS apartment market activity in Brisbane points to a continuation of the low supply outlook.
- 2025 will see an increase in BTS apartment completions, but latest projections suggest that over the next four years, supply will remain at subdued levels, similar to that achieved during and post-Covid.

Supply – Brisbane



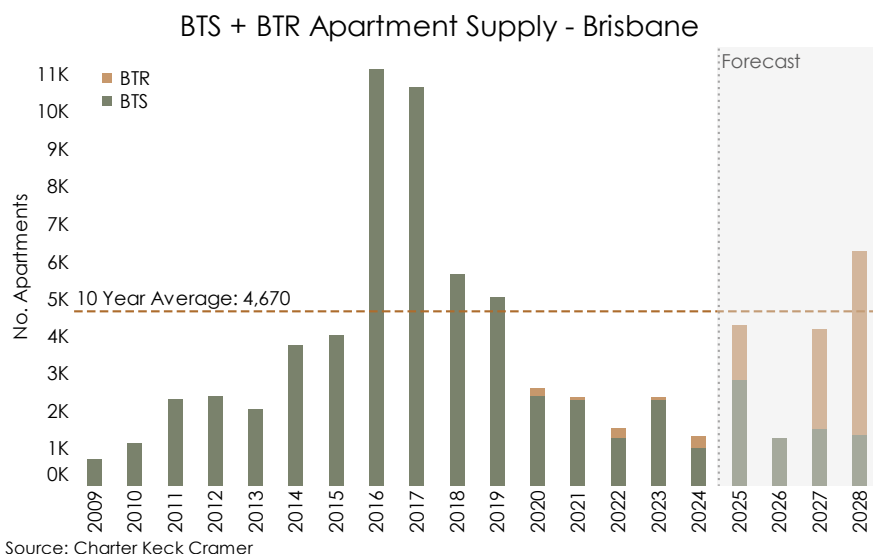
Source: Charter Keck Cramer

**Forecast BTR Supply
2025-2028:
2,260 apartments pa**

**Completions
2024: 320
(+310% vs 2023)**

**23 BTR apartment
projects are
forecast to be
completed during
2025-28**

- Reflective of the nascent status of the asset class, Brisbane has seen a modest volume of BTR completions over the past five years.
- Depending on the availability of finance (particularly equity finance), there is the potential for more than 9,000 BTR units to be delivered during 2025 – 2028. This would position Brisbane as Australia’s second largest BTR market behind Melbourne.



Source: Charter Keck Cramer

**Future Supply
2025-2028:
4,010 apartments pa**

**Annual Demand:
>5,500 apartments
pa**

**Projected shortfall
of more than 6K
apartments
through 2025-28**

- Analysis suggests that there is underlying demand for upwards of 5.5K apartments to be delivered in Brisbane on an annual basis. Charter Keck Cramer forecasts a shortfall of more than 1.5K apartments per annum.
- The data now illustrates that the market is heavily reliant on the completion of BTR projects to bolster supply. Despite being forecast for completion by 2028, many of these BTR projects are still at the approved stage and challenges with raising finance suggest some of this supply may not be delivered over this period (if at all).



Gold Coast QLD

Gold Coast – Key Findings

The Gold Coast apartment market experienced another very strong year in 2024. Buyers were active both in the investor space (from NSW, Victoria and broader QLD) as well as in the owner-occupier downsizer space. Much like Brisbane, the Gold Coast will however continue to face headwinds and challenges in the building sector in the lead up to the 2032 Olympics in Brisbane with major infrastructure projects testing the capacity of the industry to deliver housing.

Forecast Gold Coast completions of new BTS apartments (supported by a content of BTR) represent one of only two markets nationally expected to meet underlying demand requirements (subject to the capacity of the building industry to deliver all this stock). This cycle has seen the emergence of the apartment market in the southern portion of the Gold Coast with higher end smaller scale downsizer projects receiving strong demand in locations such as Burleigh Heads, Palm Beach and Coolangatta. BTR is also starting to gain market acceptance with projects in the Gold Coast leasing up quickly.

Buyer demand remains strong across various target markets including investors, owner-occupiers and particularly downsizers. The Gold Coast is the beneficiary of the sea-changer lifestyle change occurring across the Baby Boomer segment of the population. Much of this demand is being supported by the rapid house price growth that has occurred over the last 3 years. There has been continued revenue elasticity in new apartment projects although this is starting to slow when compared to a few years ago.

Our research shows that due to a shortage of third-party builders, several developers have had to hand back contracts to purchasers. In response, a number of these purchasers have acquired product in alternate competing projects that are able to proceed with construction.

There is a shortage of rental accommodation on the Gold Coast which is anticipated to continue over the short term. Our investigations suggest that BTR projects are also reporting high occupancies and strong rental growth as the renter market embraces this emerging typology. BTR living is proving appealing to a range of occupants including the baby boomer segment of the market.

Much like in Brisbane there has been rapid construction cost increases on the Gold Coast with a shortage of third-party builders prepared to take on higher density construction projects. The developers who have in-house building capability are far better placed to move ahead with their projects and deliver stock.

Major risks currently include builder retention and management of construction costs. There remains significant opportunity for BTS apartments in the southern portion of the Gold Coast. Full floor apartments in projects remain very popular. The Gold Coast apartment market will continue to benefit from the structural changes in living preferences and the sea-changer demand of Baby Boomers.

Finally, there are also lower levels of settlement risk (when compared to the Japanese led boom of the 1990s) in various Gold Coast sub-markets. Buyer profiles feature primarily local purchasers with the intent to owner occupy rather than acquire as an investment property.

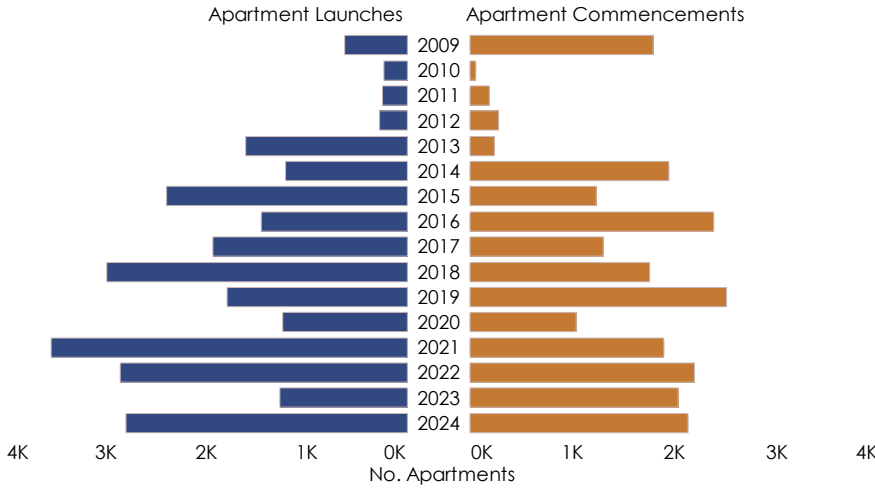
Charter Keck Cramer Insight:

"The southern portion of the Gold Coast – including Burleigh Heads and Coolangatta – remain in extremely high demand and are rapidly maturing owner occupier markets."

Shaun Golden, Managing Director, Valuations – Residential Development

Supply – Gold Coast

BTS Launches & Commencements - Gold Coast



Source: Charter Keck Cramer

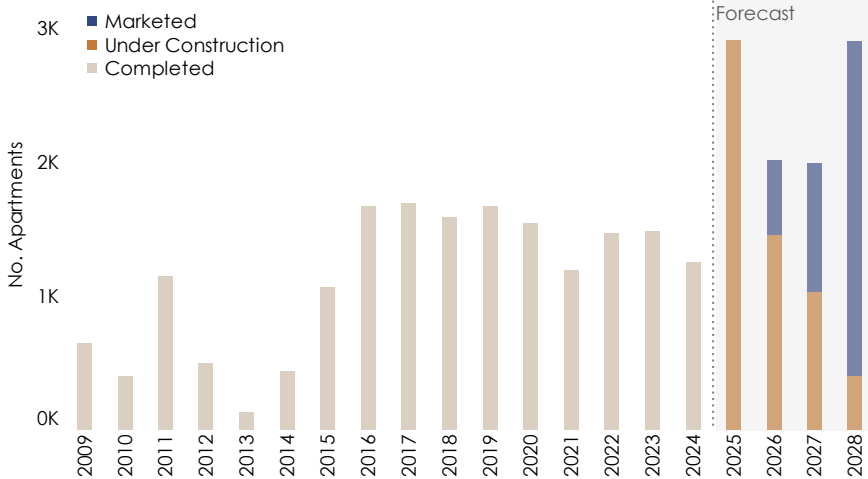
Launches
2024: 2,800
(+121% vs 2023)

Commencements
2024: 2,130
(+5% vs 2023)

Launches and commencements measure 26% and 15% above their respective 10-year averages

- Gold Coast's apartment activity has been buoyant during the past 12 months, with strong purchaser demand underpinning project launches.
- Despite constraints surrounding builder availability, commencements increased throughout 2024 measuring above long-term trends. This will aid the supply outlook for the next 2-3 years.

BTS Apartment Supply - Gold Coast



Source: Charter Keck Cramer

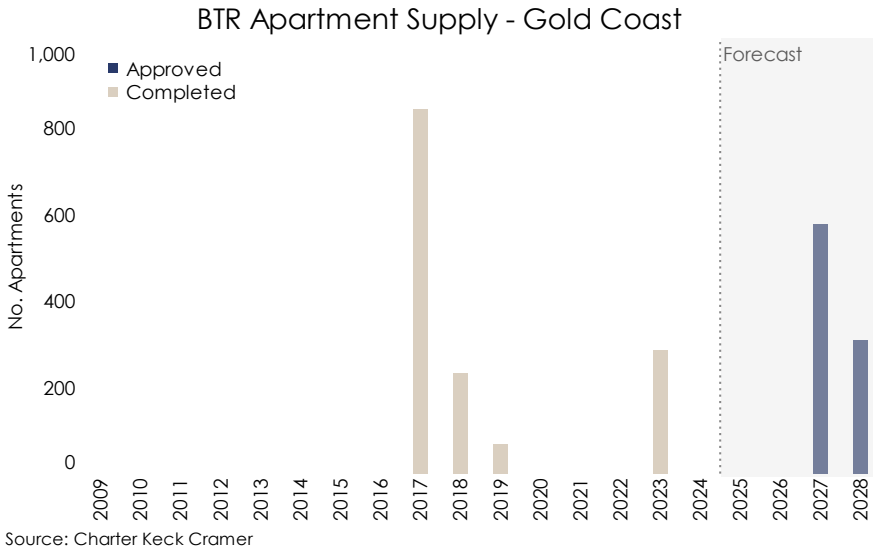
Forecast BTS Supply
2025-2028:
2,450 apartments pa

Completions
2024: 1,250
(-16% vs 2023)

2025-2028 will represent peak BTS apartment completions for Gold Coast

- Gold Coast's strong market performance over recent years is forecast to materialise in a period of peak completions through 2025-2028.
- Considering the current challenges with retaining third-party builders, a proportion of BTS apartment projects currently being marketed may have their forecast completion dates delayed or projects may not be able to proceed. Future supply may accordingly be revised downwards.

Supply – Gold Coast



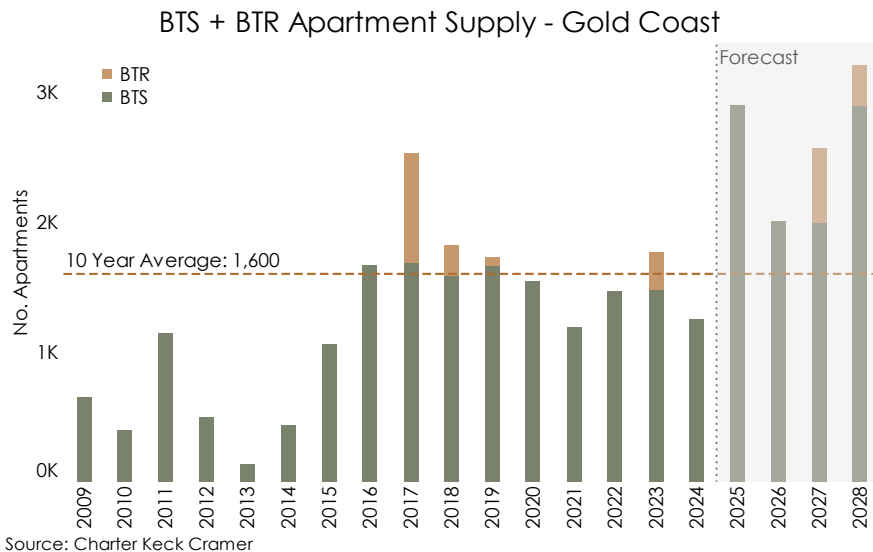
Forecast BTR Supply 2025-2028: 220 apartments pa

Completions 2024: 0

No additional BTR apartment supply anticipated to enter the market until 2027

Source: Charter Keck Cramer

- Since the first project was delivered in 2017, BTR apartment supply has been sporadic and will continue to be so as the asset class matures within the Gold Coast.
- There is a strong undercurrent of BTR demand on the Gold Coast that will support the maturation of this market. This is brought about by a very tight rental market and a structural change in living preferences, with more people renting and renting for longer.



Forecast Supply 2025-2028: 2,670 apartments pa

Annual Demand: >2,300 apartments pa

Well-balanced over next four years

Source: Charter Keck Cramer

- Gold Coast will enter a period of peak supply over the next four years.
- Charter Keck Cramer estimates that the Gold Coast requires upwards of 2.3K apartments per year to meet population growth forecasts. While forecast completions marginally exceed this requirement, it is unlikely to tip the market into oversupply given the combination of lower supply levels and strong population growth observed over the past 3-4 years. Like other cities, there remains an undercurrent of latent demand.



Perth WA

Perth – Key Findings

Perth house prices in 2024 have again dramatically increased and this will continue to have a positive impact on the new apartment market in this city. The Perth economy is booming, and this is anticipated to continue over 2025 and 2026.

BTS apartment supply has been assisted by off-the-plan incentives introduced in Western Australia. BTR apartment living and supply is still emerging in Perth as finance seeks to understand the risks of this asset class. Supply is still below the levels of underlying demand required for the city and this will remain the case for the next 3-4 years.

Perth is experiencing extremely strong demand given the booming economy. Net overseas migration is at unprecedented levels and interstate migration is also robust as employees chase job opportunities. This is typical of the boom-and-bust nature of the Perth economy and the same trend was observed throughout 2010-2012. The transient and well-paid demographic are ideal BTR and BTS renters.

New apartment prices have increased over 2024 given the large increase in house prices which have made the house price trade off enticing. The WA Government is commended for being the only State over 2024 in Australia to have off-the-plan incentives for investors and this is translating into more robust levels of interest from foreign and local investors who have supported elevated apartments presales in certain projects.

Perth has the most significant rental crisis in Australia evidenced by a 0.4% vacancy rate. We anticipate rents will increase given the market is starved of supply. BTR projects are receiving robust demand although there is little stock in the market at present.

Perth has a small builder market with both labour and materials in short supply and expensive. There is a lack of industry capacity and capability to deliver the quantum and quality of apartments required by underlying demand. The WA Government is commended for seeking to address some of these issues through initiatives such as the Construction Visa Subsidy Program. However, more will need to be done to support the building and construction industry as it goes through peak levels of demand over the next few years.

The largest current risks relate to construction. That being said, Perth is a volatile market, and developers need to understand that whilst strong market performance is expected over the next 2-3 years, there may be a subsequent slowdown. This presents settlement risk at the back end of many larger projects. There are opportunities for developers with an in-house building capability to secure building costs and then sell apartments as market demand continues to grow.

Given the transient nature of the Perth workforce, demand for BTR is anticipated to remain. This asset class is considered very attractive in this type of market. Perth has all the market fundamentals for BTS and BTR apartment living. As the city grows towards a population of 3M there will be a critical mass of residents and demand to support larger and additional apartment projects in highly sought-after locations. Finally, developers must appreciate that like Adelaide, the Perth market is very insular and parochial, and it is hard to break into this market without local knowledge and connections.

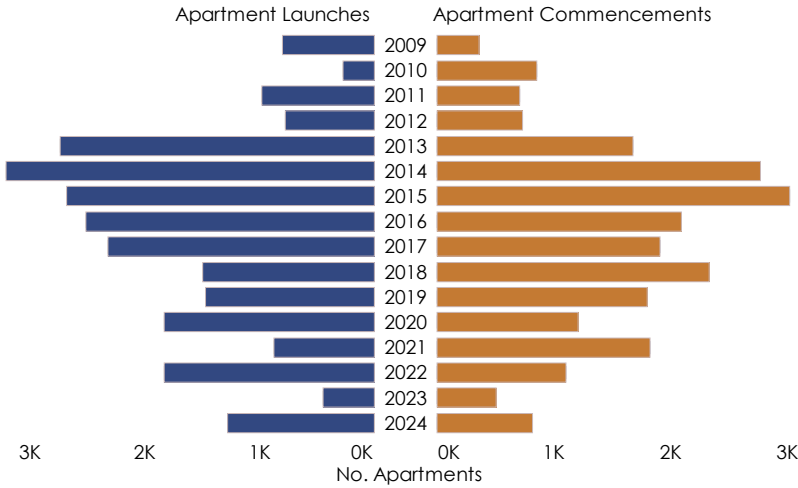
Charter Keck Cramer Insight:

“Perth is experiencing extremely strong population growth, which is driving demand for additional dwellings. Prices have grown substantially and support the price hierarchy and apartment living”.

Ben Carter, Associate Director, Research

Supply – Perth

BTS Launches & Commencements - Perth



Source: Charter Keck Cramer

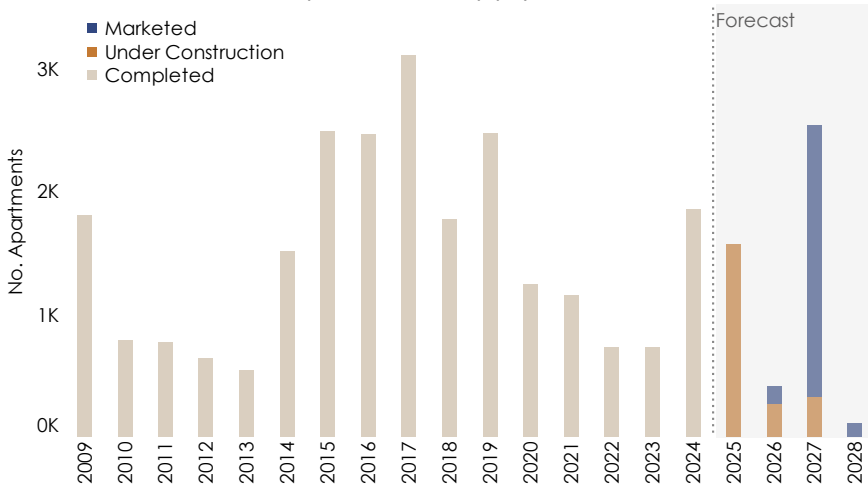
Launches
2024: 1,280
(+187% vs 2023)

Commencements
2024: 820
(+61% vs 2023)

Increased level of activity through 2024 following decade-lows in 2023

- There was a meaningful increase in BTS apartment launches and commencements in 2024, supported by strong demand spurred in part by off-the-plan incentives.
- Notwithstanding, launches and commencements both remain below long-term trends.

BTS Apartment Supply - Perth



Source: Charter Keck Cramer

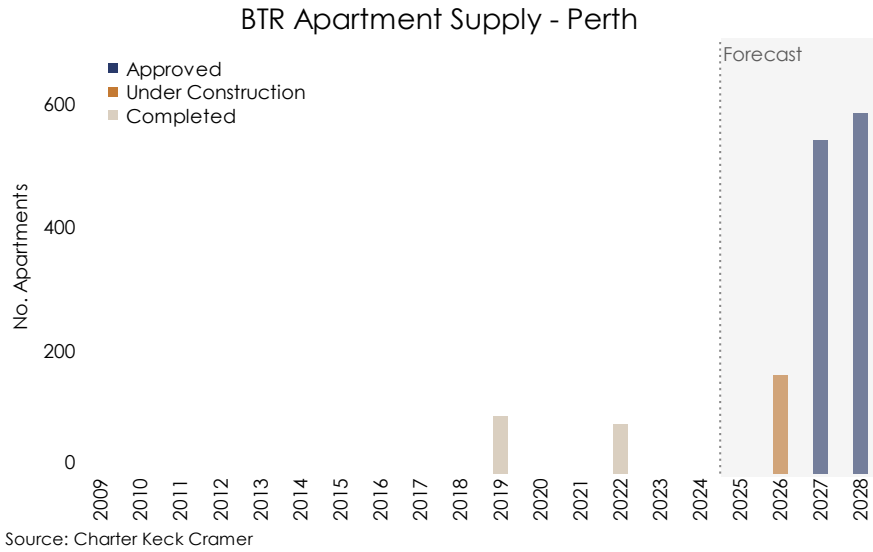
Forecast BTS Supply
2025-2028:
1,160 apartments pa

Completions
2024: 1,850
(+153% vs 2023)

BTS apartment completions projected for below trend levels during 2025-2028

- In 2024, Perth's BTS apartment completions increased substantially on the 12 months prior.
- Due to reduced launches and commencements across the last 24 months, average annual completions over 2025-28 are forecast to fall by almost 700 apartments p.a. Despite being earmarked for completion during this period, a notable proportion of these apartments are yet to secure construction finance.

Supply – Perth



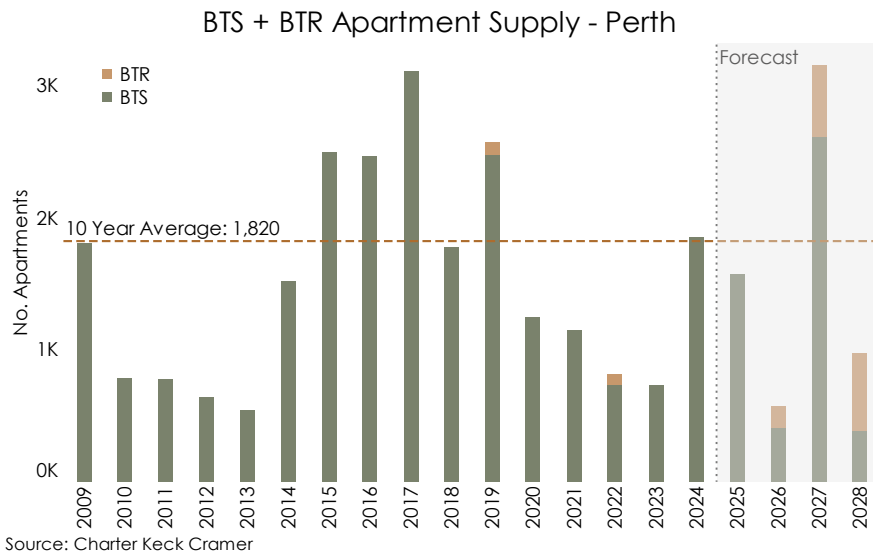
Forecast BTR Supply 2025-2028: 320 apartments pa

Completions 2024: 0

There is one established BTR asset in Perth and a further 8 projects either under construction or approved

Source: Charter Keck Cramer

- ▶ Whilst subject to successfully raising finance, there is the potential for around 1.3K BTR units to be delivered in Perth between 2025 - 2028.
- ▶ Strong underlying fundamentals including a severe shortage of rental accommodation and a transient well-paid workforce will contribute to the ongoing emergence of the BTR asset class in Perth.



Forecast Supply 2025-2028: 1,570 apartments pa

Annual Demand: >3,600 apartments pa

Projected shortfall of more than 8K apartments through 2025-28

Source: Charter Keck Cramer

- ▶ Perth will remain undersupplied over the short term, with a deficit of more than 2K apartments per annum over 2025 – 2028 (circa 8K in total).
- ▶ The largest risks remain in the construction industry with a shortage of builders and sub-contractors to complete high-density apartment developments.



Adelaide SA

Adelaide – Key Findings

House prices in Adelaide increased considerably in 2024. This is uncharacteristic for this City which typically experiences nominal price growth in a balanced market. Adelaide is at risk of a house price correction given it is arguably overvalued when compared to Brisbane and Melbourne.

BTS supply remains below underlying demand for this City. BTR has yet to be delivered in Adelaide however the industry is aware of the fundamentals of this asset class with investigations being undertaken in relation to future delivery of this housing typology. Supply will remain at low levels over the next 3-4 years.

Adelaide was a beneficiary of the pandemic and received greater amounts of overseas and interstate migrants at the expense of Melbourne and Sydney. This drove robust demand resulting in price and rental growth. This trend has now slowed with interstate migration starting to reverse. Throughout 2025 this is expected to result in declining demand. Adelaide does have a large Baby Boomer population many of whom could potentially be enticed into BTS apartment living should highly desirable product be delivered.

BTS prices have also risen notably in Adelaide, supported by the strong house price growth as part of the pricing hierarchy. That said, affordability thresholds are now being reached, and the price points are nearing those in Melbourne.

The rental market is also starved of supply with vacancy rates the second lowest of Australian cities. We anticipate robust rental growth over the next few years until there is a supply response.

Build costs have rapidly escalated in Adelaide and there is a shortage of both labour and materials as well as the requisite expertise to construct high density projects. This is a risk that needs to be managed in Adelaide.

Much like Brisbane, the Gold Coast and Perth the largest risks are considered to be centred within the building sector. The development industry is encouraged to foster relationships with builders at this point of the cycle to ensure projects are able to proceed.

The Adelaide market is now considered ready for an increased content of apartments given the median house price is becoming out of reach to many potential purchasers. The aging Baby Boomer market is seeking quality BTS apartments, and the city also has the fundamentals to support BTR apartment living.

Whilst these fundamentals are in place for higher density living in Adelaide, this market is at risk of a price correction. We are already observing reverse interstate migration as people return to Melbourne, relocate west to Perth or to Queensland for employment opportunities. Adelaide, like Perth is a very insular and parochial market and the key to success is having local knowledge and connections.

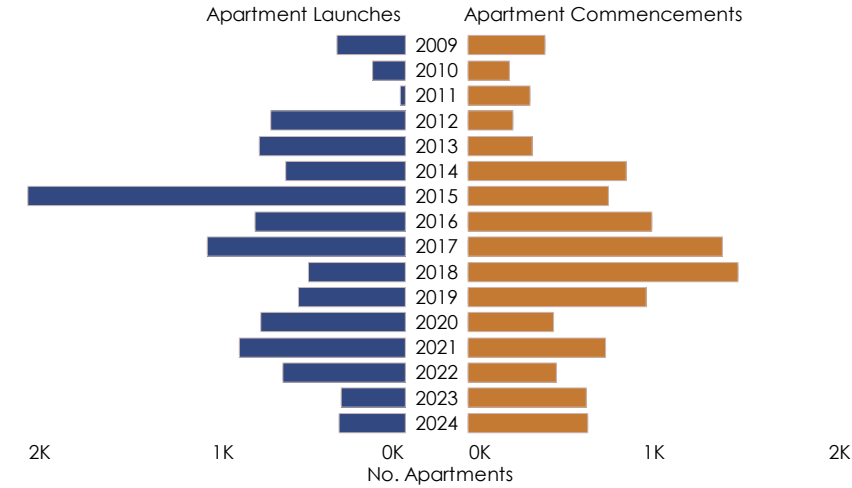
Charter Keck Cramer Insight:

"Apartment living in Adelaide is rapidly gaining market acceptance – particularly amongst the right-sizer segment of the market."

Richard Temlett, National Executive Director, Research

Supply – Adelaide

BTS Launches & Commencements - Adelaide



Source: Charter Keck Cramer

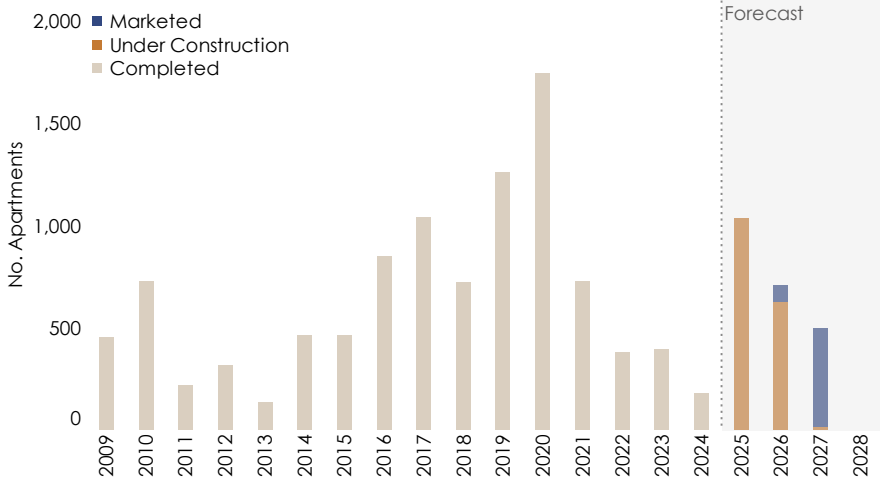
Launches
2024: 360
(+3% vs 2023)

Commencements
2024: 603
(+1% vs 2023)

BTS launches and completions in 2024 reached just 44% and 76% respectively of their 10-year averages

- Launches and commencements in Adelaide remained almost unchanged in 2024, reflecting another year of sub-trend activity, implying that the city's undersupply is likely to persist.
- There is some uncertainty surrounding the appetite for new project launches given currently elevated prices in what has traditionally been a more affordable market.

BTS Apartment Supply - Adelaide



Source: Charter Keck Cramer

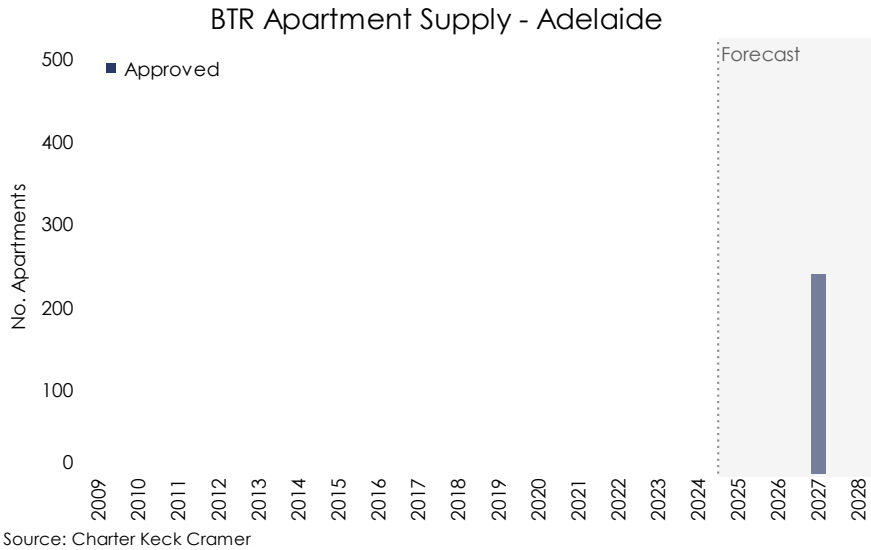
Forecast BTS Supply 2025-2028: 560 apartments pa

Completions 2024: 180 (-55% vs 2023)

2025 is projected to be the peak year for BTS completions in the current cycle

- Following three years of very low levels of apartment completions, new supply is expected to increase over the next 24 months. This will work towards improving Adelaide's supply-demand imbalance.
- However, the supply pipeline looks set to fall back towards the back end of the forecast period, with a very low number of apartments currently under construction for 2027 completion and no projects earmarked for 2028 delivery.

Supply – Adelaide



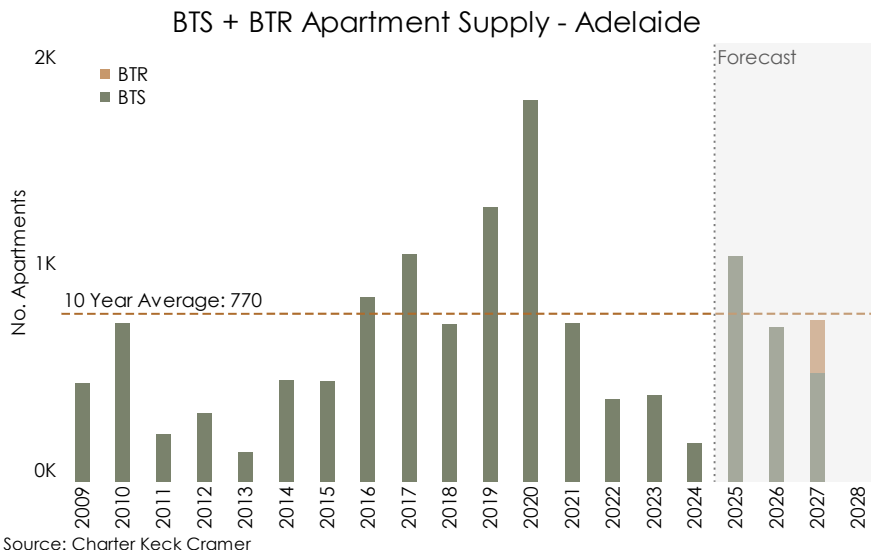
Forecast BTR Supply 2025-2028: 240 apartments pa

Completions 2024: 0

Adelaide's first BTR project is set for 2027 completion, supported by growing rents and low vacancy

Source: Charter Keck Cramer

- Adelaide's first BTR project, comprising 240 apartments, has been approved and is forecast to be delivered in 2027.
- While the sector is yet to emerge, the very low rental vacancy rate and high rates of rental growth in recent years broadly support the case for BTR development in Adelaide.



Forecast Supply 2025-2028: 620 apartments pa

Annual Demand: 1,000 apartments pa

Projected shortfall of 1.4K apartments through 2025-28

Source: Charter Keck Cramer

- The Adelaide apartment market will remain undersupplied over the next 3-4 years.
- Apartment living is gaining traction in Adelaide, particularly amongst the baby boomer cohort of the population. The Adelaide apartment market is one to two market cycles behind Melbourne and will continue to emerge given the increased median house price in this city.



Canberra ACT

Canberra – Key Findings

Housing market conditions over 2024 in Canberra were some of the strongest in the country alongside Perth and the Gold Coast. Canberra's apartment market is at a very different point in the market cycle when compared to several other cities across the Country. This likely comes down to the occupier (buyer and renter) market who have higher incomes and more secure forms of white-collar employment enabling a superior capacity to pay higher prices and rents for apartments.

BTS supply has been robust over 2024 which is a function of the market being at a different point in the cycle. BTR remains emerging albeit at a smaller scale than the East Coast cities. Canberra remains marginally undersupplied and will remain so over 2025.

Demand remains robust and BTS and BTR is well suited to the transient white-collar workers who attend the nation's capital for parliament or study. The occupiers are well paid and can afford the rents and prices within Canberra.

Prices are high due to the overall high house price which is allowing the trade off for alternate dwelling typologies to occur. Apartment prices have moved and there is elastic revenue in this market. Buyers still want shorter build times and want more certainty that the projects will be constructed.

Canberra is a rental market that is closest to equilibrium given recent elevated supply of apartments. On that basis we do not anticipate strong levels of rental growth over the next few years (nor do we anticipate a price decline).

Much like across the rest of Australia, building costs have increased dramatically and many projects are not financially feasible. This will continue to restrict the delivery of new stock. There is a challenge in retaining third-party builders much like across other cities in Australia. Major risks are centred within the building and construction side of the equation.

Given the transient nature of the occupier profile in Canberra, there is strong demand potential for BTR and also BTS apartments to house this segment of the market. Canberra continues to be at a different point in the market cycle when compared to the other states and territories. The market is more in balance and there is not the chronic undersupply of dwellings in the nation's capital. The market is considered somewhat unique given land is primarily held under ground lease arrangements and planning controls can differ significantly to alternate Australian cities. As such, developers that know the local market will be best placed to continue delivering new stock to target markets.

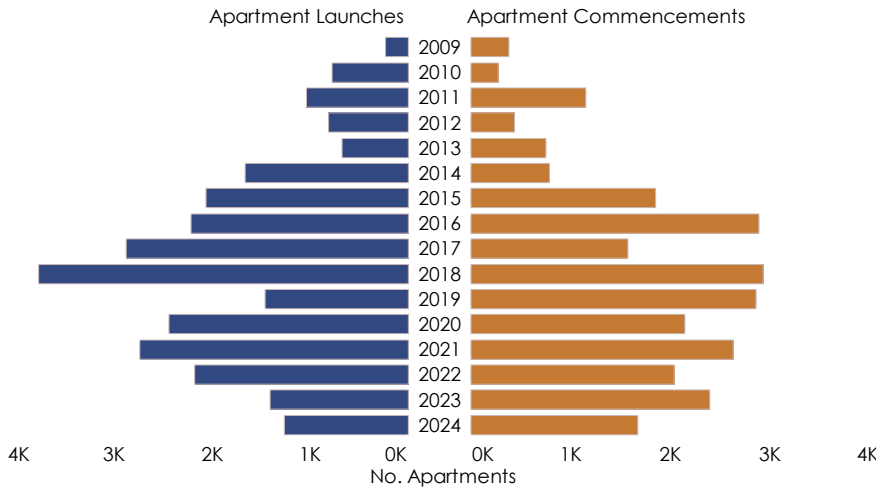
Charter Keck Cramer Insight:

"Canberra is at a different point in the cycle, with a large pool of transient well-paid white-collar occupiers (buyers or renters) who are supporting demand for apartment living."

Charlotte Tolfree, Consultant, Research

Supply – Canberra

BTS Launches & Commencements - Canberra



Source: Charter Keck Cramer

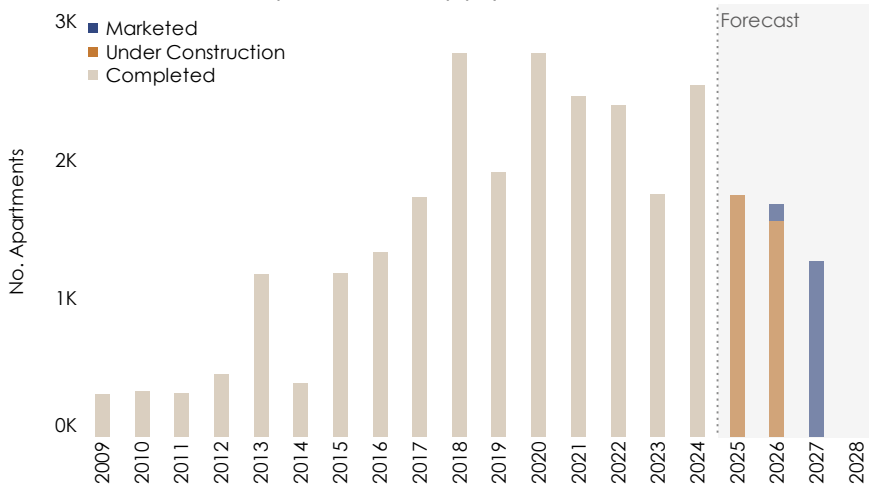
Launches
2024: 1,260
(-11% vs 2023)

Commencements
2024: 1,670
(-30% vs 2023)

Against their 10-year averages, 2024 launches and commencements reached 56% and 73% respectively

- Following an active period in 2020-2022, the volume of launches decreased in 2023 and again in 2024, now measuring at its lowest level since 2013.
- Similarly, commencements contracted in 2024, to their lowest levels in seven years.

BTS Apartment Supply - Canberra



Source: Charter Keck Cramer

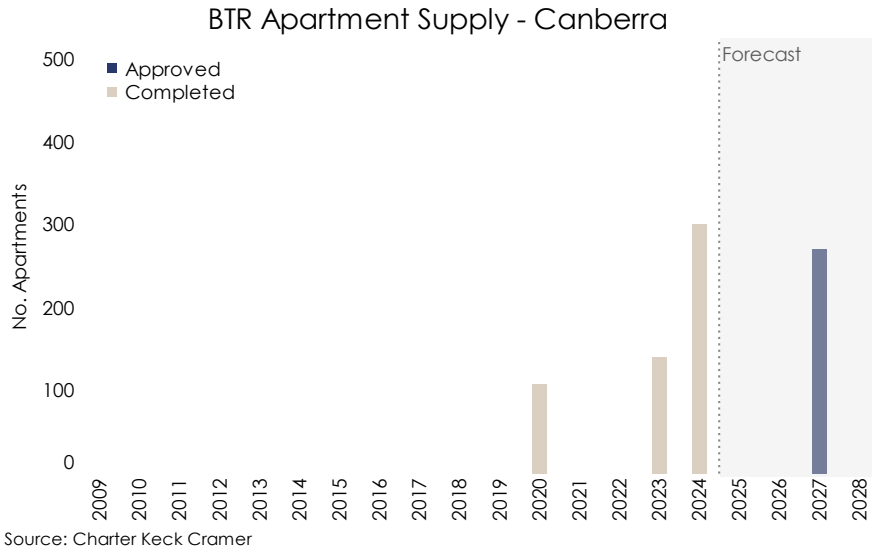
Forecast BTS Supply
2025-2028:
1,170 apartments pa

Completions
2024: 2,530
(+45% vs 2023)

Average annual completions during 2025-2028 are projected to be 56% of their 10-year average

- Unlike most other cities, the volume of BTS completions in Canberra in 2024 exceeded the market's 10-year average of 2,080 apartments.
- The slowdown in launches since 2022 is expected to result in lower expected completions from 2025 onwards. As such, 2024 will represent the peak year for completions.

Supply – Canberra

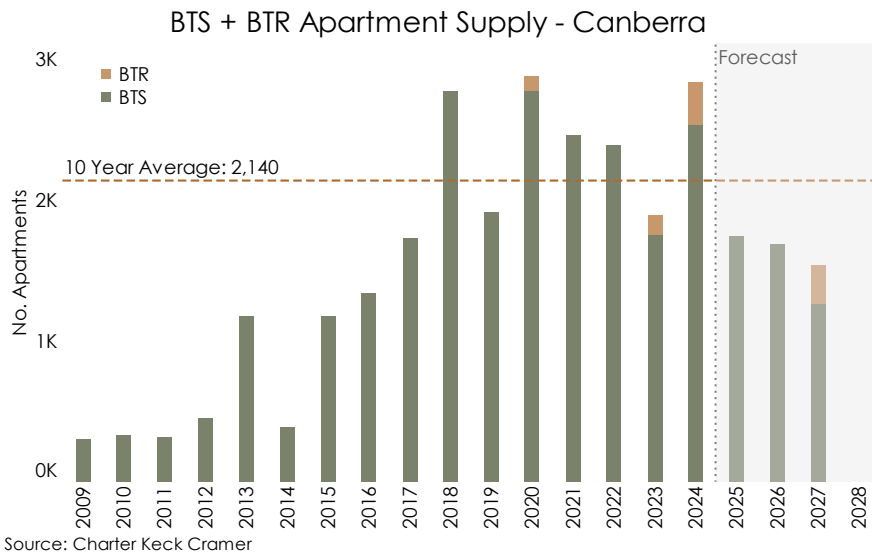


Forecast BTR Supply 2025-2028: 70 apartments pa

Completions 2024: 300 (+114% vs 2023)

The market fundamentals for BTR exist in Canberra although it is less mature when compared to major eastern seaboard cities

- 2024 saw the completion of two BTR schemes in Canberra, reflecting the early stages of the sector's emergence with developers, financiers and occupiers starting to better understand the asset class.
- A large BTR project has been approved and is forecast for 2027 delivery.



Forecast Supply 2025-2028: 1,240 apartments pa

Annual Demand: 1,400 apartments pa

Well-balanced through 2025-28 with a projected shortfall of less than 1K apartments

- The apartment market in Canberra is not anticipated to fall into major undersupply over the next 3 years.
- A well paid, transient workforce will continue to underpin occupier (renter and purchaser) demand for apartment living in Canberra.

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“Property development decisions need to be made using data and an evidence base.”



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