

# 959 Ann Street

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## Investment Opportunity Analysis

Prepared exclusively for: Chrome Properties

**resolution**<sup>™</sup>  
research strategists

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## Executive Summary

- In the 12 months to March 2010 Queensland's population had increased by a record 112,666 people (2.6%), with migration accounting for 64% of this growth.
- The Office of Economic and Statistical Research calculates that Queensland's population is currently growing by one person every four minutes and 33 seconds.
- The preliminary estimated resident population of Brisbane at 30 June 2009 was 1,052,458 people, an increase of 21,161 people or 2.1% over the year.
- In 2010 the State Government forecasts indicate that by 2016 the expected population of Brisbane City Council will be between 1,114,670 and 1,172,710 people.
- By 2031 this is expected to change to between 1,155,100 and 1,275,460 people.
  - As a consequence, it is forecast that Brisbane will need an additional 145,000 dwellings by 2026.
- The deficiency of dwellings across Australia has now reached 196,100 and is forecast to rise to 212,800 by the end of 2011.
- Across Queensland, the dwelling deficiency is expected to rise to 46,500 dwellings by the end of 2011 – which represents an increase in shortfall of 8,600 dwellings over the year.
- By the end of 2011 Queensland is forecast to become the second most undersupplied housing market in the country, second only to New South Wales.
- Brisbane's residential dwelling deficiency is expected to become more acute over the coming years, particularly across the residential apartment market which has seen highly constrained levels of new supply over the past two years in the face of continued population growth.
- Since 2006 Brisbane's median apartment price has grown by 5.6% per annum to its current value of \$402,000.
- Average annual returns across Brisbane between 2005 and 2009<sup>1</sup> were calculated at 12.9% which was higher than that recorded in Sydney (4.5%), Melbourne (9.9%), Adelaide (12.1%), Canberra (11%) and Hobart (11.2%). Only two Australian capital cities recorded a 5 year average annual return higher than Brisbane – Perth and Darwin at 16.9% and 22% respectively.
- Fortitude Valley has recorded a median price of \$408,000 for the year ending 2010 making it the second most affordable suburbs within the inner city.
  - The implication of this is that Fortitude Valley may be undervalued in comparison to the broader market.
- Recent development in Fortitude Valley has been dominated by commercial office and hospitality with the residential market largely ignored. As a consequence Fortitude Valley's new supply levels are at their lowest since the commencement of the Urban Renewal Program.
- Fortitude Valley is a hub for public transport, as it is located in close proximity to two train stations and acts as a gateway for CBD buses entering and exiting the city.
- According to the latest data available, the resident population of Fortitude Valley at June 2009 was 6,192 up 4.4% from 2007. Since 2001, Fortitude Valley's population has grown by an average annual rate of 7.9% making it one of the fastest growing suburbs within the inner city.

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<sup>1</sup> **Annual and average returns** incorporate the growth in median prices (capital growth); together with the percentage returns derived from net rental income, for two bedroom other dwellings. Capital growth is derived for each capital city from quarterly median dwelling prices.

- By 2031, more than 22,000 new residents will have moved into Fortitude Valley, creating an unprecedented demand for new residential dwellings.
- In addition to the rise in permanent residential population, a further 75,000 new jobs are anticipated to be created in the Valley over the next 20 years.
- These two factors will combine to not only have a highly stimulatory effect on demand but on underlying price and weekly rental growth.
- Fortitude Valley's apartment market remained resilient against the effects of the market downturn recording an increase in median values of 7.45% in 2008 and 7.20% in 2009. This is a strong indication that demand has remained consistent and more importantly, that values are firm.
- The forecast for the apartment market within Fortitude Valley into 2012 is bright – with the introduction of much needed supply into the market place in order to service underlying demand and a continuation of the long-term trend of price growth.
- Over the past five years Fortitude Valley's rental market has outperformed the broader inner city market. As a general rule of thumb, median weekly rents for one and two bedroom apartment types within Fortitude Valley have achieved a 4 to 6% premium over the wider inner city.
- Fortitude Valley and the surrounding suburbs which make up Brisbane's Inner North has recently, and will continue to undergo a massive transformation as large tracts of land are redeveloped for a variety of uses. Throughout the area there is currently over \$20 billion in development underway.
- The large volume of investment and development within the area across the medium to long term is likely to have a highly stimulatory effect on dwelling demand, employment generators and underlying price growth of residential dwellings.

**959 Ann Street, Fortitude Valley  
Development Overview & Credentials**

**959 Ann Street – Development Overview & Credentials**

- 959 Ann Street is located in the lifestyle epicenter of Fortitude Valley, on the corner of Ann Street and Chester Street, Fortitude Valley – within close proximity to the highly successful retail and lifestyle hub, “Emporium”, the renowned “James Street” and the newly renovated Waterloo precinct. 959 Ann Street also offers close proximity to Newstead River Park and its proposed commercial and retail amenity.
- The site is well located away from the noise and traffic of the designated Entertainment Precinct of Fortitude Valley, maintaining walking distance to all such facilities whilst nestled amongst the most sought after destinations located in Fortitude Valley.
- 959 Ann Street is a 12 storey residential tower that will incorporate celebrated Australian designer Alex Perry’s flare and vision through an inaugural hotel-style short and long term accommodation design collaboration with Mr Perry, architects Cottee Parker and the developers. This Brand and theme is scheduled to be the first of many and will provide a strong compliment to the high end lifestyle and fashion precinct in which the northern end of Fortitude Valley is quickly moving towards.
- The development as regular bus services at its doorstep and is located only a ten minute walk from Fortitude Valley Railway Station.
- Although this development has a prestigious Ann Street address, it is located on a corner lot to protect it from noise and excessive traffic. A further compliment to this is the extensive landscaping of a tasteful combination of trees, shrubs and groundcover to disguise and shelter it from the main road, as well as the two levels of basement parking to remove unsightly street parking and ease traffic congestion.
- A strong element of the development that will translate to a defining point of difference between this address and other residential buildings will be the Hotel themed foyer entrance welcoming guests and resident alike. This entrance will seek to truly encapsulate Alex Perry’s acclaimed design prowess and seek to consolidate the classic finishes of the exterior with the modern residential apartments on offer.
- The immediate amenity to the hotel and passer-bys will entail a high end licensed café/restaurant to satisfy both guests and residents who are looking to unwind or entertain. This high end feel is further confirmed by the splendidly designed Sky Deck/Roof Garden on the top level, comprising a horizon pool, cardio centre, chill out zone and BBQ/seating areas, with views extending over the Brisbane River, as well back to the Brisbane CBD and the Story Bridge.
- This landmark development will tower over the existing buildings in the near vicinity, with many units offering uninterrupted, highly sought after North–East view aspects towards the Brisbane River. South- Easterly aspects will swing towards New Farm, with units eventually transitioning towards Westerly views of the Brisbane CBD. CBD views will also feature prominently from the Chester Street Elevation.
- 959 Ann Street will reflect the growing acceptance for apartment living, with spacious, well designed modern one, two and three bedroom units that incorporate good balcony space on offer. This will include 81 one bedroom units, 44 two bedroom units and 6 three bedroom units. Larger one, two and three bedroom units will be offered with 55.5m<sup>2</sup>, 78m<sup>2</sup> and 109m<sup>2</sup> internal areas respectively, justifying that this is a well designed lifestyle retreat for those transitioning to higher-density living. This is further qualified by the provision of two bathrooms for all two and three bedroom apartments, as well as a minimum of one car park for all long-term accommodation units.
- 959 Ann Street is a landmark development which will add character and substance to the northern end of Fortitude Valley, as anchored by the Alex Perry themed design and Brand and its associated high end amenity. The continued urban renewal of this area will be underpinned by an iconic development such as this because of its commitment to prestige and detail.

## Macro & Micro Economic Environment

**Australian economic fundamentals**

- Australia's economy was largely resilient to the impacts of the Global Financial Crisis and as a consequence has been the only advanced economy to avoid two consecutive quarters of negative growth in real GDP.
- Conservative bank lending practices combined with no sub-prime mortgages, full recourse loans and minimal exposure to credit default swaps (CDS) shielded the country from the severe downturns recorded across the developed world.
- Unemployment continues to fall which (year on year), when combined with growing skilled labour shortages, is placing upward pressure on wages.
  - Solid gains in real household incomes across Australia have been underpinned by this wage growth.

**Strong population growth**

- Australia's population growth is the strongest in the developed world at around 2 per cent per annum which is twice the world average and around eight times the Western average. If this continues at this rate, as recorded by the Australian Bureau of Statistics for the past three quarters, Australia is expected to exceed 50 million people by 2050.

**Housing market**

- Record rates of population growth are placing heightened pressure on available land and dwelling supply which is exasperated due to continued weakness of dwelling completions. Australia is nearing a state of critical housing shortage which will result in vacancies tightening, rental growth accelerating and declining affordability.
- Demand which had previously been fuelled by first home owners in previous years is being replaced by investors and upgraders, therefore maintaining the demand (and subsequent price growth) momentum across the marketplace.
- Our residential market has demonstrated itself to be one of the strongest and most resilient in the world.

**Queensland Economic fundamentals**

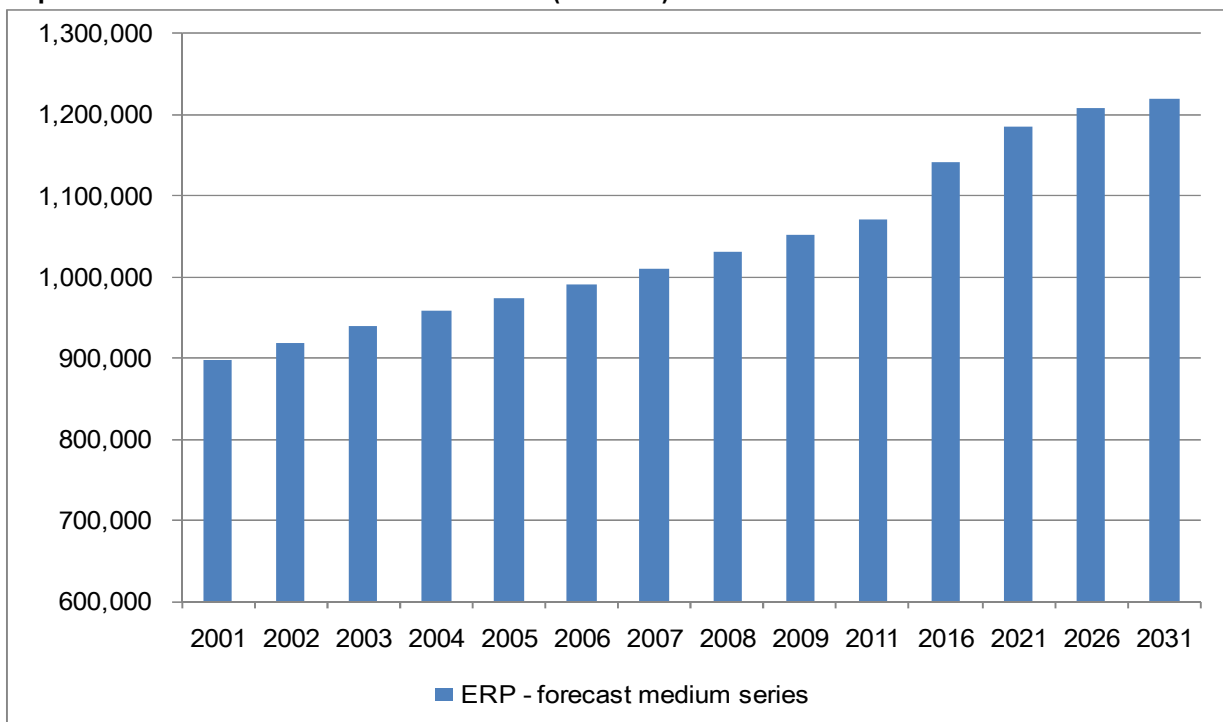
**Household consumption**

- Household consumption for June quarter 2010 recorded 2.2% growth. Growth in non-discretionary components, such as rent, insurance and financial services, transport services and education drove growth in the quarter.

**Population – Brisbane LGA**

- The preliminary estimated resident population of Brisbane at 30 June 2009 was 1,052,458 people, an increase of 21,161 people or 2.1% over the year.
- Of this increase, net migration accounted for 12,699 people, or 61%.
- In 2010 the Queensland State Government forecasts estimate by 2016 the expected population of Brisbane City Council will be between 1,114,670 and 1,172,710 people.
- By 2031 this is expected to change to between 1,155,100 and 1,275,460 people.
  - Accordingly, it is forecast that Brisbane will need an additional 145,000 dwellings by 2026.

**Population Growth – Brisbane 2001 to 2031 (forecast)**



Source: Resolution - Department of Planning Infrastructure and Forecasting - March 2011

### Dwelling undersupply

- Australia wide there is a deficiency in residential dwellings which has now reached 187,700 and is forecast to rise to 212,800 by the end of 2011.
- Across Queensland, the dwelling deficiency is expected to rise to 46,500 dwellings by the end of 2011 – which represents an increase in shortfall of 8,800 dwellings.
- By the end of 2011 Queensland is forecast to become the second most undersupplied housing market in the country, second only to New South Wales.

### Dwelling Stock Deficiency / Stock Excess as at June ('000)

State	2010 e	2011 f
New South Wales	99.3	112.3
Queensland	37.7	46.5
Victoria	42.2	34.8
South Australia	-1.2	-2.5
Western Australia	17.7-2	21
Tasmania	-1	-2.1
Northern Territory	2.7	3.1
Australian Capital Territory	08	-0.3
<b>Australia</b>	<b>187.7</b>	<b>212.8</b>

Source: Resolution - BIS Shrapnel, ABS - March 2011

e = estimate

f = forecast

Note: A negative number signifies an oversupply of dwelling stock

- Brisbane's residential dwelling deficiency is expected to become more acute over the coming years, particularly across the residential apartment market which has seen highly constrained levels of new supply over the past two years. With record levels of interstate and overseas migration and no short term injections of supply forecasted, it is expected that this deficiency will be trending upward for the short to medium term.

## **Brisbane LGA - Apartment Market Performance**

**Brisbane LGA – apartment market performance**

- Over the last five years there has been an average annual demand for just over 9,356 apartments per annum across Brisbane.
- The past two financial years have seen sales volumes below the long term average, however strong price growth in 2010 reflects a market in upswing with sales volumes expected to trend upwards over the coming years as demand grows across the market place. .
- Since 2006 Brisbane's median apartment price has grown by 5.6% per annum to its current value of \$402,000.
- Average annual returns across Brisbane between 2005 and 2009<sup>2</sup> were calculated at 12.9% which was higher than that recorded in Sydney (4.5%), Melbourne (9.9%), Adelaide (12.1%), Canberra (11%) and Hobart (11.2%). Only two Australian capital cities recorded a 5 year average annual return higher than Brisbane – Perth and Darwin at 16.9% and 22% respectively.

**Brisbane LGA apartment market performance – 2006 to 2010**

Year	No. Of Sales	Median Price	Avg Annual Growth
2006	11,752	\$324,000	
2007	13,419	\$360,000	11.1%
2008	7,315	\$380,000	5.6%
2009	8,863	\$380,000	0.0%
2010	5,433	\$402,000	5.8%
<b>Average</b>	<b>9,356</b>		<b>5.6%</b>

Source: Resolution – Queensland Valuer General's Office – March 2011

<sup>2</sup> **Annual and average returns** incorporate the growth in median prices (capital growth); together with the percentage returns derived from net rental income, for two bedroom other dwellings. Capital growth is derived for each capital city from quarterly median dwelling prices.

## **Brisbane Inner City Apartment Market Fundamentals**

**Brisbane inner city apartment market**

- The total market (off-the-plan and resales combined) has recorded an average annual growth in median price of 11.2% since 1998.
- The market quite clearly follows a five to six year cyclical movement with 2008 reflecting the significant market downturn from its 2006 and 2007 peaks which has moved into upswing in 2010. Demand is likely to continue to grow into 2012 and then soften across 2013 and 2014 before commencing upturn in 2015.
- Recent off the plan market activity has been driven by the bottom of the market - principally of product priced, in the main, beneath \$500,000 within only a handful of developments.
- An analysis of the prevailing off the plan price environment shows that projects nearing sell out are all largely priced between the \$400,000 and \$700,000 bands and those which have failed to experience market acceptance are priced in excess of \$1.5 million.

## Fortitude Valley - Profile

### Fortitude Valley - overview

- In the mid to late 90's Brisbane's Urban Renewal Program commenced with the revitalization of Fortitude Valley. Since the commencement of this program, Fortitude Valley has been transformed into a vibrant mixed-use community offering a diverse range of residential, commercial, lifestyle, cultural and entertainment opportunities.
- Recent development in the Valley has been dominated by commercial office and hospitality with the residential market largely ignored. As a consequence Fortitude Valley's new supply levels are at extremely low levels with no new development having been completed for many years.
- The Valley's residential market will continue to emerge and mature across both product offerings and price points in line with the additions of significant development (commercial, residential and retail together with public transport infrastructure and private investment).
- Fortitude Valley appeals predominately to younger generation adults who tend to enjoy the arts, entertainment and socialising aspects of life and live in rental households. Furthermore, this consumer market tends to work near or in the city and as such, make good use of the area's close proximity and ease of access to the Brisbane CBD.
- Fortitude Valley is also a hub for public transport, as it is located in close proximity to two train stations and acts as a gateway for CBD buses entering and exiting the city.
- The strength of demand for living in this market is driven by its proximity to the Brisbane CBD and high level of major amenity including the trendy Brunswick Street Pedestrian Mall and James Streets precincts, Fortitude Valley restaurants and nightclubs, Gregory Terrace schools and the Royal Brisbane Hospital.
- According to the latest data available, the resident population of Fortitude Valley at June 2009 was 6,192 up 4.4% from June 2007.
- Fortitude Valley's population has grown by an average annual rate of 7.9% since 2001, making it one of the fastest growing suburbs within the inner city.

### Population Growth Fortitude Valley 2001 to 2009

	Estimated resident population				Avg annual growth	
	2001	2006	2007	2009	2001 to 2009	2007 to 2009
Fortitude Valley	3,106	5,673	5,931	6,192	7.9%	4.4%

Source: Resolution – Department of Planning Infrastructure and Forecasting – March 2011

- By 2031, more than 22,000 new residents will have moved into Fortitude Valley, creating an unprecedented demand for new residential dwellings.
- In addition to the rise in permanent residential population, a further 75,000 new jobs are anticipated to be created in the Valley over the next 20 years.
- These two factors will combine to not only have a highly stimulatory effect on demand but on underlying price and weekly rental growth.

- The median age of Fortitude Valley residents was registered as 29 years of age, with 61% of the residents aged between 15 and 25.
  - This demonstrates that the area is largely populated by a younger demographic drawn to the lifestyle amenity and public transport infrastructure within Fortitude Valley.
- 69% of the population is unmarried and largely living in lone person households.
  - This indicates that demand in the area is fundamentally for one and two bedroom apartments.
- Rental tenure dominates the residential population with almost 70% of residents in rental households.
- The profile of employed residents is largely white-collar with 46% of the population working in a professional or managerial capacity.
- The strongest industries of employment were professional, scientific & technical services and accommodation & food services
- Fortitude Valley residents are characterised by younger (<45 years of age), lifestyle driven people who are drawn to the area's thriving cafe scene, high-end and experimental fashion boutiques, cosmopolitan bars and clubs and the sense of community which engenders any location which embraces diversity.

## Fortitude Valley – Apartment Market Performance

### Fortitude Valley apartment market performance

- Brisbane's inner city apartment market has recorded continued growth for the seven year time period spanning from 2004 to 2010. Of the eighteen suburbs that comprise the Brisbane inner city, Fortitude Valley was ranked as the second most affordable suburb within the inner city. Given its amenity, location and predicted population growth, there is tremendous upside in this locality for the immediate future.
- Currently a 7.3% price differential exists between inner city apartments and those in Fortitude Valley - suggesting that Fortitude Valley may be undervalued with underlying price growth opportunities prevalent.
- Fortitude Valley is outperforming the Brisbane CBD market with an average annual median price growth rate of 4.37% and a quantum median price growth rate of 34.88% from 2004 through to 2010. The CBD by contrast only experienced 3.02% average annual median price growth rate and a 23.19% quantum growth in median price.
- This data suggests that demand is stronger within Fortitude Valley than within the Brisbane CBD.
- The average annual median price growth of apartments within Fortitude Valley sits in the bottom six in terms of average annual median price growth across the past seven years. However Fortitude Valley has outperformed Kangaroo Point, the CBD and Hamilton – an impressive result given the constricted supply injections of new product into the market.

### Brisbane Inner City Apartment Market Performance – 2004 to 2010

Suburb	2004 Median Price	2010 Median Price	Total Median Price Growth	Avg. Ann. Median Price Growth
Spring Hill	\$270,000	\$393,000	45.56%	5.51%
Fortitude Valley	\$302,500	\$408,000	34.88%	4.37%
Woolloongabba	\$312,000	\$420,000	34.62%	4.34%
Bowen Hills	\$311,775	\$420,000	34.71%	4.35%
Albion	\$245,000	\$423,000	72.65%	8.11%
Auchenflower	\$298,500	\$430,000	44.05%	5.35%
Toowong	\$290,000	\$434,000	49.66%	5.93%
South Brisbane	\$335,000	\$449,000	34.03%	4.27%
East Brisbane	\$290,000	\$455,000	56.90%	6.65%
Highgate Hill	\$280,000	\$470,000	67.86%	7.68%
Brisbane CBD	\$385,575	\$475,000	23.19%	3.02%
Kangaroo Point	\$370,000	\$506,000	36.76%	4.57%
Hamilton	\$399,950	\$507,000	26.77%	3.45%
New Farm	\$360,000	\$530,000	47.22%	5.68%
West End	\$325,000	\$530,000	63.08%	7.24%
Milton	\$310,000	\$544,000	75.48%	8.37%
Bulimba	\$345,000	\$550,000	59.42%	6.89%
Newstead	\$371,000	\$550,000	48.25%	5.79%

Source: Resolution - Valuer General's Office - March 2011

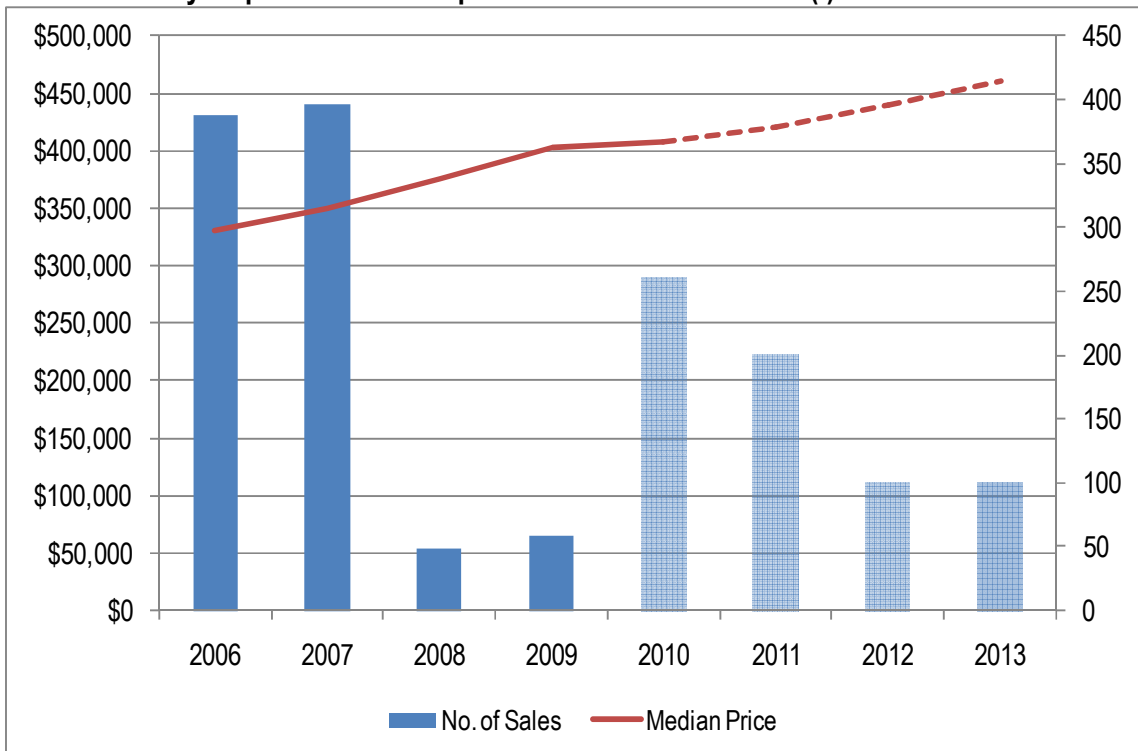
- Sales volumes across the Valley in 2008 were at a five year low with only 236 apartments having traded. In 2009 demand rose to 263. The decline in sales volumes in 2009 and 2010 reflect a market which is in a state of undersupply.
- 2010 saw the introduction of Leighton Properties' Mosaic Apartments and Laing O'Rourke's Mac & Ann developments which heralded the next phase of residential development across the Valley, led by two of the Country's leading development entities.
- Apartment product within Fortitude Valley is largely purchased by investors who, in recent times, have enjoyed strong rental appreciation stemming from the area's increasing popularity.
- The forecast for the apartment market within Fortitude Valley into 2012 is bright – with the introduction of much needed supply into the market place in order to service underlying demand and a continuation of the long-term trend of price growth.
- The median price for an apartment in Fortitude Valley for 2010 was \$408,000, a slight increase from the median price of \$402,000 achieved in 2009.
- 2009 recorded an average annual growth rate of 7.20% which places it amongst one of the better performing suburbs for inner city Brisbane.
- The average annual growth rate for 2008 and 2009 displayed very strong figures in the face of below average sales volumes in these years. It is expected that these sales volumes will improve once new and appropriately price pointed product which has been recently bought to market is completed and settled.
- On average, in the five years to December 2010, 292 apartments sell annually across Fortitude Valley
- 2008 and 2009 sales volumes were well below these levels with 2010, 2011 and 2012 volumes forecast to increase with the settlement of Mac & Ann and Mosaic.

#### Fortitude Valley apartment market performance

Year	No. of sales	Median price	Annual growth rate %
2006	387	\$330,000	
2007	397	\$349,000	5.76%
2008	235	\$375,000	7.45%
2009	261	\$402,000	7.20%
2010	171	\$408,000	1.49%
<b>2006-2010 Avg Median Price Growth</b>	<b>292</b>		<b>5.47%</b>

Source: Resolution - Valuer General's Office - March 2011

**Fortitude Valley – apartment market performance – 2005 to 2012 (f)**



Source: Resolution - Valuer General's Office - March 2011

- The Fortitude Valley apartment market has shown a prevailing price ceiling for 2010 of \$1,245,000; which has steadily been in decline since 2008. This decline is not concerning, given we view this as a market correction of the overheated market fundamentals between 2007 and 2008. The decline in the market's price ceiling provides strong evidence that demand fundamentally sits at the lower end of the market (i.e. product priced below \$700,000).
- 2010 has seen settled apartment sales within the \$300,000 - \$500,000 price range represent a 62% market share.
- Product priced \$500,000 to \$600,000 and \$600,000 to \$700,000 have increased their market share – albeit representative of a small portion of the market. This is likely to place upward pressure on the Valley's median apartment price across 2011 should this trend continue.

Price Bracket	2008	2009	2010
Less than \$200,000	1%	0%	0%
\$200,000 to \$299,999	17%	12%	18%
\$300,000 to \$399,999	44%	35%	33%
\$400,000 to \$499,999	24%	40%	29%
\$500,000 to \$599,999	6%	6%	10%
\$600,000 to \$699,999	3%	3%	6%
\$700,000 to \$799,999	3%	2%	4%
\$800,000 plus	1%	2%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Resolution - Valuer General's Office - March 2011

## Fortitude Valley – Rental Market Performance

### Fortitude Valley rental market performance

- Over the long term (the past five years) Fortitude Valley's rental market has outperformed the broader inner city market. As a general rule of thumb, median weekly rents for one and two bedroom apartment types within Fortitude Valley have achieved a 4-6% premium over the wider inner city.
- One and two bedroom apartments have recorded strong median weekly rental growth in the four years to December quarter 2010 at 4.65% and 6.19% respectively.
- The prevailing median weekly rent for a one bedroom apartment in the 4006 postcode<sup>3</sup> for the December quarter 2010 is \$320 and for a two bedroom apartment is \$455.
- The introduction of the First Home Owner's Grant by the Federal Government had a significant impact on residential rental vacancy rates and dampened rental growth and large numbers of tenants moved from the rental pool into home ownership. In recent months, growth and demand conditions across the rental market have improved placing downward pressure on vacancy rates and stimulating median weekly rental growth.
- Between September quarter and December quarter 2010, the median weekly rent for a one-bedroom apartment decreased by 3.13% while two bedroom apartment types also decreased slightly by 1.10% although this is expected to be rebound in the first half of 2011 as demand for rental dwellings in inner city locations continues to increase in the face of limited new supply.
- Median weekly rental growth across Brisbane is forecast to average 5.6% over the two years to 2011/12 as a consequence of rising interest rates, declining housing affordability and a growing dwelling deficiency.<sup>4</sup>

### Fortitude Valley – rental market (median weekly rents) performance – 2006 to 2010

Apartment Type	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
One Bedroom	\$270	\$300	\$330	\$350	\$320
Two Bedroom	\$360	\$400	\$450	\$445	\$455

Source: Resolution - RTA - March 2011

### Fortitude Valley – rental market (median weekly rents) growth – 2007 to 2010

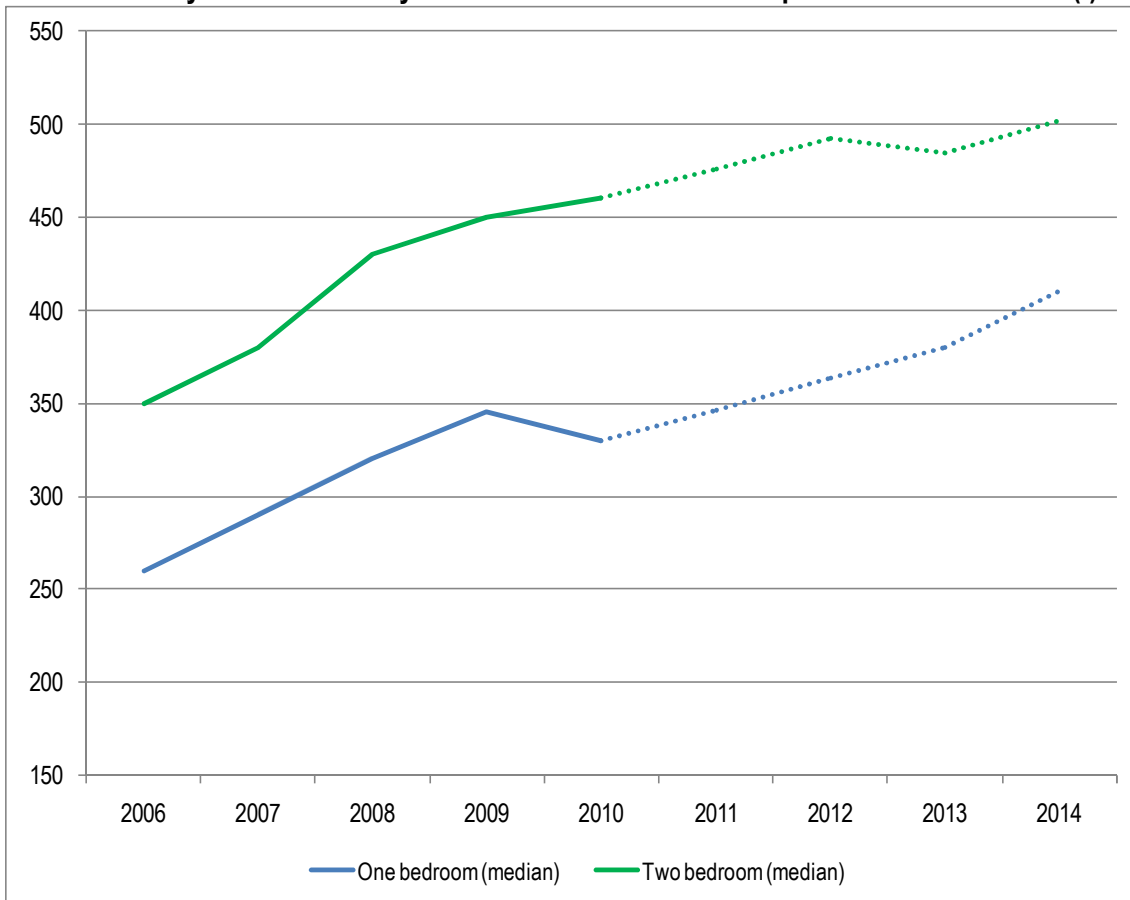
Apartment Type	Dec-07	Dec-08	Dec-09	Dec-10	Average
One Bedroom	11.11%	10.00%	6.06%	-8.57%	4.65%
Two Bedroom	11.11%	12.50%	-1.11%	2.25%	6.19%

Source: Resolution - RTA - March 2011

<sup>3</sup> The 4006 postcode contains the suburbs of Fortitude Valley, Bowen Hills, Newstead and Herston

<sup>4</sup> BIS Shrapnel "Residential Property Prospects 2010 – 2013" pg 58 – June 2010

**Fortitude Valley – Median weekly rents – one & two bedroom apartments 2006 to 2014(f)**

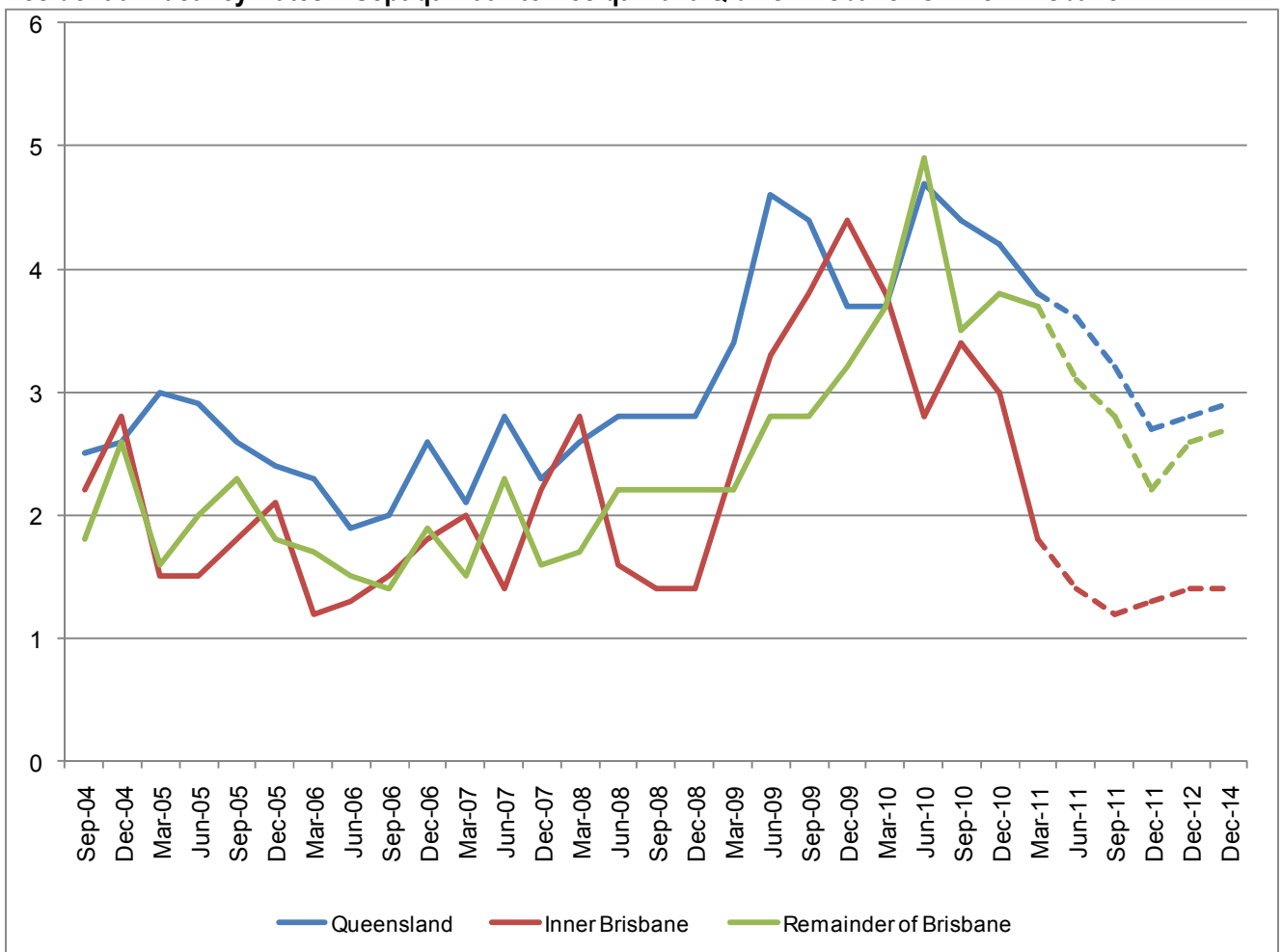


Source: Resolution – RTA – March 2011

**Rental vacancy rates – Sept qtr 2004 to Dec qtr 2010**

- 2010 has seen rental vacancy rates decline across Inner Brisbane from 4.4% in December quarter 2009 to an 18 month trough of 3.0% in December quarter 2010.
- The introduction of the First Home Owner’s Grant saw vacancy rates rise to record levels as large numbers of renters left the rental pool to move into housing. With the wind back of the grant the rental pool is expected to swell as housing affordability continues to decline which is likely to result in a continued downward trend of vacancy rates.
  - This situation is exasperated across Brisbane’s inner city market with highly constrained levels of new supply being introduced into the market place across the remainder of 2010 and throughout 2011

**Residential Vacancy Rates – Sept qtr 2004 to Dec qtr 2010 Qld vs Brisbane vs Inner Brisbane**



Source: Resolution & Office of Economic and Statistical Research – March 2011

## Inner North – Infrastructure & Development

## Infrastructure & Development

- Brisbane's Inner North has recently, and will continue to, undergo a massive transformation as large tracts of land are redeveloped for a variety of uses. The large volume of investment and development within the area across the medium to long term is likely to have a highly stimulatory effect on dwelling demand, employment generators and underlying price growth of residential dwellings. Throughout the area there is currently over \$20 billion in development underway, all in varying stages, including:
- The recently commenced \$1 billion development of Newstead Riverpark, set to include 5 hectares of parklands, significant retail and commercial development, a new major bus interchange, a high volume of luxury to mid-range residential apartment dwellings together with numerous dining venues, major retail and commercial operations – all of which will be focused around a central lake, will have an enormous effect on residential demand within the inner north.
- The recently completed Green Square is heralded as the new heart of Fortitude Valley, developed by Leighton Properties; it is the largest mixed use Corporate Office Park developed in Brisbane over the last 15 years. The \$100 million development has been designed to accommodate over 49,000m<sup>2</sup> of A-Grade Commercial office space, High Tech Utility facilities, community facilities and a residential precinct. These buildings will surround a Pocket Park and retail plaza providing food outlets and services for staff and visitors.
- Brisbane City Council's City Glider \$4.5 million mass transit bus service commenced operation in April 2010 linking Fortitude Valley with Newstead/Teneriffe, the CBD and West End. The City Glider service operates every 5 minutes in peak times and every 15 minutes in off peak times, providing regular, quick access to the Brisbane CBD, Fortitude Valley and Newstead. Fortitude Valley residents now have access to a high frequency bus service unique to inner city Brisbane.
- The Chinatown Mall recently underwent an \$8 million facelift vastly enhancing the retail, restaurant and event offerings of the Mall. The Chinatown Mall is at the epicenter of the Chinatown precinct – which is a major destination for local foodies and travelers.
- Inner Northern Busway - The Queensland Government's \$493 million Inner Northern Busway was completed in May 2008, and runs from Queen Street in the city to the Royal Children's Hospital at neighbouring Herston. Stage two of the Northern Busway is currently underway and due for completion in 2012 connecting the Inner Northern Busway with Brisbane's northern suburbs.
- Construction is also underway on the new Airport Link tunnel which will be the first major motorway linking Brisbane City to the northern suburbs and airport precinct avoiding up to 18 sets of traffic lights. Airport Link is a 6.7 kilometre toll road connecting the Clem 7 tunnel and the Inner City Bypass to the northern suburbs and the East West Arterial leading to the airport.
- Lend Lease Development was recently announced as the preferred developer for the redevelopment of the RNA Showgrounds at Bowen Hills. The master plan for the 22 hectare site includes a combination of residential, retail, commercial, recreation and entertainment activities combined with large areas of dedicated parklands. The \$3 billion development is expected to take around 15 years to complete and forecast to generate approximately 2,000 jobs per year. On completion, the RNA is forecast to be home to around 10,000 people.

- The Federal & State Government's Cross River Rail Project is in its final feasibility stages with construction due for commencement in 2012. The \$12 billion project will introduce a new rail line in the inner city (including a new river crossing) with brand new inner city rail stations. Fortitude Valley's existing railway station earmarked for a major upgrade to accommodate the service.
- Australia Trade Coast - Incorporates the Brisbane Airport and an estimated 7,500 businesses and is forecast to generate 42,500 jobs by 2023. Recent infrastructure initiatives for the area have led to over \$600 million dollars being invested in infrastructure development over the past seven years.
- Located at neighbouring Herston and close to the central business district of Brisbane is the Royal Brisbane and Women's Hospital Health Service District which currently has an operating budget of approximately \$755 million and recently undergone a major redevelopment program. The majority of the two Hospitals' clinical services have been rebuilt at a total cost of approximately \$510 million making it the largest hospital redevelopment in Australia's history.
- The \$10.7 million redevelopment of Perry Park in neighbouring Bowen Hills is proposed to include a multi-purpose community indoor sport and recreation facility which will become the heart of the Bowen Hills TOD plan. The centre will provide courts and facilities for netball, soccer, futsal, basketball in addition to remaining the home of the Brisbane Strikers soccer team. Work is forecast to start in April 2011.
- Laing O'Rourke's \$260 million Mac & Ann development will be completed in stages over the next four to five years. The development is earmarked to contain two residential towers, two commercial towers and a ground floor retail and entertainment precinct modeled around the neighbouring successful Emporium development.
- Leighton Properties Mosaic mixed-use development is due for completion in 2013. The multi-million development will contain 227 apartments, commercial offices and ground floor retail.

## Inner North – Infrastructure & Development

**Future Infrastructure expansion**

Project	Details	Value	Delivery timeframe	Ownership/ Developer
Northern Busway Project 1: Stage 1 -2	The Northern Busway connects with the Inner Northern Busway which was completed in 2008. Stage 1 of the Northern Busway from the Royal Children's Hospital at Herston to Windsor was completed in August 2009. Stage 2 is earmarked for completion by 2012.	\$743 million	Stage 1: Complete Stage 2: 2012	Queensland Government and City North Infrastructure Pty Ltd
Northern Busway Future Projects	Future projects to expand and improve the Northern Busway to the Outer Northern suburbs include the Kedron to Chermside extension; Carseldine/Fitzgibbon bus station; Chermside Station and early works; RCH to Bracken Ridge – interim HOV.	\$426 million	2012+	Queensland Government and City North Infrastructure Pty Ltd
Clem7 - Clem Jones Tunnel	The 6.8kilometre toll-tunnel connects Woolloongabba in the south to Bowen Hills in the North, allowing motorists to reduce travel time by up to 30%. Clem Jones Tunnel effectively links to five existing major motorways and arterial roads on the north and south sides of the Brisbane River, which combined carry approximately 400,000 vehicles every day.	\$2.8 billion	Complete	Brisbane City Council & RiverCity Motorway Group
Airport Link	A 6.7km toll road, connecting the Clem 7 Tunnel, Inner City Bypass and local road network at Bowen Hills, to the northern arterials of Gympie Road and Stafford Road at Kedron, Sandgate Road and the East West Arterial leading to the airport. Both the Airport Link and Northern Busway will reduce car travel growth on Bowen Bridge, Lutwyche and Gympie roads –reducing traffic up to 45% on Lutwyche Road.	\$3.3 billion	2012	Queensland Government and City North Infrastructure Pty Ltd
Newstead Riverpark Development	The 17-hectare gasworks site is to be transformed into a residential, business and retail hub to take advantage of the prime riverfront location. Construction began in 2009.	\$1billion	Mid 2010 - onwards	FKP, Mirvac, Watpac
RNA Showgrounds redevelopment	Stage 1 of the redevelopment will include a substantial investment by Lend Lease in infrastructure, public domain and commercial, retail and residential uses as part of the 22-hectare mixed-use development of the site. This project is one of Brisbane's largest urban renewal projects which is expected to generate approximately 2000 jobs each year, construction of Stage 1 is due to commence post the 2009 Exhibition.	\$3 billion	Late 2009 - 2026	Lend Lease Group & RNA
Cross River Rail Project - Inner City rail upgrade	The Queensland Government has committed \$7.3billion to improving and upgrading the Inner City rail networks. Phase One will connect the southern (Beenleigh/Gold Coast) rail line to the Northern (Caboolture/ North Coast) through the Inner City by 2016. New routes, tunnels and underground stations are key features of the proposed upgrade. This includes potential upgrade to Exhibition Station at Bowen Hills.	\$8.2 billion	2016-2026	Queensland Government – Department of Transport
Northern Link Tunnel	A mainly underground toll road proposed to connect the Western Freeway at Toowong to the Inner City Bypass at Herston. The primary purpose is to improve access to the western suburbs, and reduce travel times between the western suburbs and the north, east and inner city suburbs. The design and timing of the project has been under review due to budgets and funding availability. At this stage it is unsure when the project will proceed.	\$1.8 million	2014+	Brisbane City Council, Infrastructure Australia
Perry Park	The proposed renovation will include a multi-purpose community indoor sport and recreation centre and will make the ageing facility the heart of the urban footprint for Bowen Hills. It will provide courts and facilities for netball, soccer, futsal, basketball and recreational activities.	\$10.7million	2011+	State Government, Brisbane City Council, YMCA and the Clem Jones Group
Mac & Ann – Laing O'Rourke Mosaic – Leighton Properties	The proposed development of both Mac & Ann by Laing O'Rourke and Mosaic by Leighton Properties are poised to deliver more than 500 new residential apartments into Fortitude Valley's chronically undersupplied market. These developments have both been modeled around cosmopolitan mixed use environments – representing the new face of development within Fortitude Valley	\$260 million \$120 million*		Laing O'Rourke Leighton Properties*
<b>Total proposed and committed value</b>		<b>\$19.965 billion</b>		

Source: Resolution, Brisbane City Council, Queensland State Government Major Projects, ULDA – March 2011

\*Mosaic construction figure an estimate only

## Future Supply – Inner Brisbane Apartment Market

### Future supply / competitive landscape

The tables below provide an overview of the future supply landscape across inner Brisbane as at March 2011. The key findings are as follows:

- There is currently potential for 13,004 units to be released to market.
- Of these, 2,563 have been deferred, resulting in a net future supply position of 10,441 apartments.
- Across 2011 and 2012 just over 3,250 apartments are forecast for release based on existing development application information. At the time of writing this report, 2011 is likely to account for the largest releases of product, with new supply injections contracting across 2012 before kicking off again in 2013.
- Looking forward to 2013 to 2015 there are around 950 units on the drawing board for market release, although this figure is likely to increase as we move further into the peak of the cycle.
- The highest volume of supply is forecast for the inner east principally focussed within the Boggo Road Urban Village and The Boulevard, Dutton Park.
  - This is followed closely by the inner north which is likely to be the focus of increased development activity over the coming years as further applications are lodged within the Bowen Hills UDA, Newstead Riverpark and Hamilton Northshore.
- Just under 800 deferred apartments are contained within the CBD – and for this reason the CBD represents a noteworthy threat to future product releases as sites are likely to trade across 2011 as market conditions continue to improve.

### Possible future supply landscape by precinct – 2011 to 2013

Precinct	Total Units	2011-2012	2013-2015	Deferred / unlikely to proceed
<b>CBD</b>	2,088	3,259	952	796
<b>Inner north</b>	6,184	1,257	0	627
<b>Inner east</b>	52	8	0	0
<b>Inner south</b>	4,255	1,439	1,280	1,013
<b>Inner west</b>	425	218	0	127
<b>TOTAL</b>	<b>13,004</b>	<b>6,181</b>	<b>2,232</b>	<b>2,563</b>

Source: Resolution Research – Reed Construction Data – Brisbane City Council – March 2011

\*excludes service apartments