

High-rise unit boom to defy flat market

Phil Bartsch

THE Gold Coast's famous skyline may be awash with unsold new apartments, most of them in receivers' hands, but despite a predicted slow recovery developers already have big plans for the city's next boom.

Latest figures show the tourist strip boasts a significant supply pipeline comprising 2834 apartments with development approval and another 3045 awaiting the tick.

At one of its last meetings of the year, the Gold Coast City Council signed off on more than \$1.7 billion worth of projects.

The approvals were for three multiple-tower projects comprising more than 1600 apartments.

Reflecting a growing dominance of overseas developers in Australia's residential apartment sector, two of the Coast's biggest planned developments include the Chinese-backed \$950 million Jewel tri-tower project with 623 apartments and a Korean-

backed \$700 million twin-tower building with 715 apartments in Surfers Paradise.

"There's always people looking to build apartment towers hoping that the market will accept them and they often look to overseas buyers to pump it along," said Gold Coast-based analyst, Bill Morris.

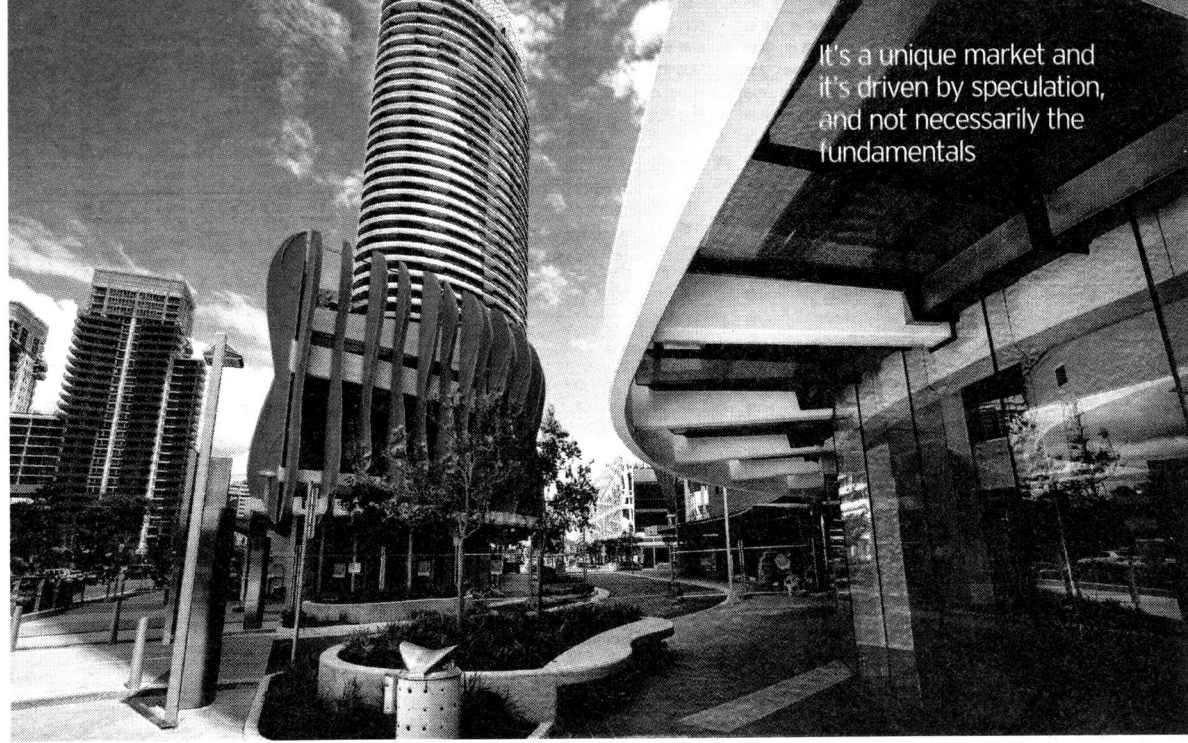
"If they think they've got a window of opportunity to sell, they'll go ahead with it.

"The high-rise market on the Gold Coast is nothing like any other Australian market.

"It's a unique market and it's driven by speculation and not necessarily the fundamentals. But we just don't need any more high-rise developments for the moment."

Mr Morris said his latest research indicated there were 625 new high-rise apartments for sale on the Coast. That represented a 2½-year supply based on the average sales rate over the past two years.

"But the figure is a bit camouflaged



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HIGH HOPES: Foreign developers are bankrolling the two largest unit projects approved for the Gold Coast.

by a rather big project in Southport – Philip Usher Constructions' \$200 million H20 on Broadwater development, which is completed, but has not yet been put to the market.

"So there's another 350 apartments just sitting there which, when they get released for sale will add another year to supply, increasing it to 3½ years." In the wake of the GFC, the Gold Coast high-rise apartment market has been hit by spiralling valuations and two high-profile victims of receiver-

ship, Southport Central and the twin-tower The Oracle Broadbeach.

It has led to heavy discounting of stock, with prices of some luxury apartments slashed by as much as 30 per cent.

But Mr Morris believed prices could fall even further throughout 2012.

"Most of the stock on the Gold Coast is held by receivers and the prices are not being driven by the market. They're being driven by what the receivers have to do to get rid of

the debt," he said. "So it's quite possible the average price of new apartments could sink below the average price of resale stock."

Research by the Oliver Hume Real Estate Group shows the Coast's total supply of available apartments – low, medium and high-rise – has reached 1626, down from its peak of more than 2000 over the past couple of years. And the figure is expected to continue to fall with predictions of the strongest summer sales since the GFC.