

SE Business
HD **Apartment** prices on way up
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Property: The wave of **apartment** developments is stoking land and building costs across the major capital cities, putting further pressure on **apartment** prices and seeding a potential boom-bust scenario in some markets.

Veteran developer David Devine is selling a Brisbane **site** to a **Chinese group** for \$46 million, more than double the \$22m he paid for the South Brisbane **property** in December.

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While declining to comment on the **sale** of the former TAFE college, Mr Devine whose Metro **Property** Development has 1465 apartments in the pipeline and another 1000 planned, said land prices in Brisbane had risen 60 per cent in the past year on the back of strong demand from Asian developers.

"The result will be that **apartment** prices will increase," Mr Devine said. Former head of **property** for Macquarie **Group** Bill Moss said the rash of development would push up building costs and flow on to the price of apartments.

"It's a classic building cycle. We don't have inflation, sheer demand will send costs up." The cost pressures would take another year to build a head of steam, he said. But what could temper a potential boom-bust scenario was ongoing Asian, and particularly **Chinese**, investment in Australia's **residential** market, Mr Moss said.

While offshore developers were contributing to the building boom, increasing demand from **Chinese** buyers could put a floor under the local **apartment** market, he said.

"One of the biggest risks will be if **Chinese** buyers walked away from their deposits." A report released yesterday by **property** advisory **group** Deep End Services and previewed by The Australian last month, estimated offshore-backed developers have 36,000 units either planned or under construction in Australia.

The consultants expect the 60 separate offshore, mostly Asian, companies would build an average of 6000 apartments a year in Australia between this year and 2018.

"As the projects become larger and take longer to build, we anticipate the number of completions is likely to rise substantially in 2016 before peaking in 2017," Deep End said.

Deloitte Capland Real **Estate** Advisory partner Damian Winterburn said less experienced developers were likely to see margins squeezed.

"Eighteen months ago the building pipeline was very soft, but now they (builders) are busy and looking at what business they will chase," he said.

While Australian Bureau of Statistics figures showed a slight uplift of 0.3 per cent in construction work for the March quarter, the volume of construction was expected to fall in coming years, Mr Winterburn noted.

This would take pressure off the building trades as some moved from the **commercial** to the **residential** sector, he said.

Mr Devine sees a strong **apartment** market particularly in Brisbane for the next three to four years.

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CO mcqbnk : Macquarie Group Limited

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NS ccat : Corporate/Industrial News

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