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Apartment projects on the wane

SCOTT MURDOCH
OUTLOOK

The number of apartment projects approved across Australia dropped sharply in September, but construction levels are expected to stay strong with thousands of new units under way and due to be offered for sale over the next year.

The Australian Bureau of Statistics revealed yesterday that building approvals fell by 8.7 per cent in September, compared with one month earlier, and the result missed the financial markets prediction of a 3 per cent gain.

Economists said the rapid fall was driven by a 17 per cent drop in

high-density residential approvals, which was a major turnaround on the 24 per cent gain recorded in August, the strongest growth rate in more than three years.

Industry experts said monthly figures were often volatile and could be skewed by large-scale apartment projects being approved in one month.

JP Morgan economist Henry St John said the approvals decline was evident across the Sydney, Melbourne and Brisbane markets.

"This suggests some adjustment in the housing market is occurring on both a nominal and real basis and suggests a broader housing market stabilisation," he said.

"It reinforces our argument the decline in residential investment will be a gradual story as we move into 2017 rather than seeing any harsh nominal adjustment."

Urban Taskforce chief executive Chris Johnson said while the national apartment approval rates were falling, the metropolitan Sydney market remained in good shape. He said there was normally a one- to two-year lag between project approval being granted and construction finalised.

"The national figures are a little worrying but NSW is very robust and once again the state is performing against the nationwide trend," Mr Johnson said. "There are a lot of big apartment projects

being put up for approval in NSW but that is not happening in the other states of Australia.

"If NSW does start to fall in line with the national trend, then the state will start to slow down."

Property Council of Australia policy director Glenn Byers said the weak result showed the state and federal governments needed to work together to ensure the supply of new residential property remained strong to help ease the housing affordability problem.

"We need the states to ... get on with the job of removing barriers that add to the time, cost and red tape facing projects," he said. "It's also telling that the three eastern seaboard states have suffered

drops in approvals after unveiling new taxes on foreign investment."

Belle Property director Mark Foy said Sydney's inner-city development had centred on apartment projects and the trend was unlikely to change in the near future with few new houses being built in the area. "There are 400,000 people moving to Australia (a year) and the majority of those are coming to Sydney."

"That means that we are going to see more and more demand for high density development, particularly in those inner city areas."

"In the city, apartments are the future and people realise that to live in those areas they need to get use to high-density living."

Raine and Horne auctions director James Pratt said more buyers were starting to move from apartment to apartment instead of buying an existing house because of the high prices in most metropolitan markets.

"For a lot of people, the jump from selling an apartment to getting a house is now just too big," he said. "Traditionally you saw people start with an apartment, save up and then move to a house but now they can't afford that."

Mr Pratt said Sydney's southern suburbs, especially Maroubra and Pagewood, were becoming popular with buyers who had traditionally concentrated on the eastern suburbs.