

PEOPLE
FEB 24, 2017

Where to from here?

How are the lessons of 2016 shaping decisions in 2017?

Expert insights are provided by Leonard Teplin of Marshall White Projects, Christian Grahame of Grocon, Michael McCormack of Milieu Property, Paul Osborne of Secret Agent Buyer Advocates, Sam Tucker of Kokoda Property, and David Carabott of CHT Architects.



Industry experts from across the property sector discuss what they learnt in 2016, and how those lessons are influencing their decisions in 2017.

Marshall White Projects Director, Leonard Teplin

The buying public is becoming far more shrewd and less willing to compromise on inferior layouts, location and services. Meaning those who didn't get the location and design of their projects right last year found it difficult to make sales.

Comparatively those who invested in amenity and design came up trumps, with developments in the wealth and private school belts proving the most desirable and profitable. 308 Carlisle Street and 525 High Street are prime examples of this with both projects, which consist of 38 and 45 apartments respectively selling out within just nine weeks.

Looking to the year ahead, a project's success or fail will continue to be underpinned by the sales and marketing strategy. The work done upfront, in terms of defining a unique selling proposition and identifying how to effectively communicate this to your target audience, will make or break a development.

Developers must consider the different steps involved in taking their projects to market, how they can in-build a greater element of flexibility here (i.e. allowances for customisation), reinforce a positive message and increase prices without increasing their own exposure.

Grocon Head of Residential, Christian Grahame

2016 was a year that showed continued strength in the apartment market overall. We saw apartments continuing to increase in popularity particularly in the middle suburbs of Melbourne. Pleasingly local owner occupiers reemerged, demonstrating that well designed projects in areas with amenity and services are in demand. Grocon's 'Greenwich' project in Fairfield, near sold out in just over a month late last year, with buyers attracted by well-considered design and its charming leafy neighbourhood setting.

However, an overreliance on offshore and investor sales alone, without regard for liveability, worked against some developers, as buyers and financiers became increasingly discerning, and foreign investor taxes were increased by State Governments.

In 2017 Grocon will continue to target high amenity neighbourhoods in Melbourne, and Sydney with good design, for owner occupier and investors alike. In Melbourne we believe that the Government's recently released apartment standards will help to ensure that new projects will have an increasing focus on good design, and that's good for everyone.

Milieu Property Director, Michael McCormack

2016 demonstrated that purchasers and banks are becoming increasingly more discerning of developments off the plan.

Purchasers are after smaller density, high quality projects in great locations and are willing to wait for the right one.

The sale conversion process and timeline has increased as a result of buyers doing their homework, looking around and not making quick decisions.

We have learnt that disclosing all the information up front is actual a great thing; Buyers are now trying to find a distinction between the good and the great and are looking past the glossy imagery and great marketing collateral. We are providing prices, sizes, floor plans and other in depth details of a project as well as our beautiful imagery and branding. This has helped win the attention and trust of our buyers.

Secret Agent Buyer Advocates Director, Paul Osborne

Last year was another stellar year for property owners liquidating their assets into the marketplace. Low holding costs have reduced quality offerings for some years now as competing asset alternatives (bonds, shares, fixed income, etc.) offer limited returns and incentivise owners who just sit and hold.

A trump presidency, local employment conditions, capital controls imposed from Beijing as well as a tightening in local banks attitudes to investors and developers will impose headwinds in 2017. This long bull run will end and the unknown is whether 2017 will be the year that it concludes. And whether the manner will be in the form of plateau or correction.

Appetite is still robust for inner city dwellings close to lifestyle, transport and employment. Down-sizers are using their strong cash balances to out muscle younger demographics and we expect more of this to come in the year ahead.

Overall a strong start to the year expected with rising stock levels set to put that strong start under some strain.

Kokoda Property Marketing and Sales Director, Sam Tucker

There are many lessons to be taken from 2016, yet the most significant was the overwhelming movement and evolution of a much more discerning buyer, both investor and owner-occupier alike. Savvy buyers now expect a much higher level of quality and amenity within developments, which underpins longer term capital growth and the lifestyle appeal for downsizers and quality tenants.

We experienced unprecedented sales, despite the negative sentiments being touted by the media across most capital cities. This has heightened the need for leading edge through (in some cases international) interior designers and architects, which strengthen the value proposition and appeal to a wider market.

In 2017, our developments will strive to offer a higher level of amenity and designs inspired by some of the best hotels and architecture around the world.

CHT Architects Director, David Carabott

Last year was an important lesson learned for developers – in particular, that speed to market is really critical. Today you have to get your planning permits and sell in the same market you purchased in. That means working with a team that is quick and efficient to allow you that speed.

2016 also saw a change in purchaser aspirations and a shift in market to owner-occupiers who are looking for design excellence, quality, location and amenity. 2017 will see continued reliance on greater amenity within developments and an emphasis on the reputation of those working on the process – from architects and builders to agents. This is especially important for owner-occupiers.

The last part of 2016 was unsettled due to planning uncertainty with the introduction of new guidelines, the Better Apartment Design Standards. In 2017 it's essential that industry members understand and incorporate those standards into all of their residential work.