

Chasely 35, Auchenflower

Rental appraisal report

Prepared by
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Executive summary

Chasely 35 is a new boutique apartment project being developed at 35 Chasely Street in the inner-Brisbane suburb of Auchenflower, just three (3) kilometres from Brisbane’s Central Business District (CBD), immediately opposite the Wesley Hospital, and only 70 metres from the Auchenflower railway station. **Chasely 35** comprises eight (8) one-bedroom apartments and 12 two-bedroom/two-bathroom apartments. Levels 1-4 comprise four apartments per floor; levels 5-7 have just two apartments per floor. All apartments come with one car parking space and secure bicycle storage is also provided.

Auchenflower has a population of nearly 6,000 residents and a very high proportion (50%) of renter households. Bordering the Brisbane River, Auchenflower offers quick access to the city via road, rail and CityCat (ferry), and a bicycle/walking path that links the CBD to the University of Queensland. This pathway also provides access to South Brisbane, West End and the Southbank parklands. Auchenflower railway station offers services every 15 minutes during weekdays into Brisbane’s Central Station, with a travel time of just seven minutes. Regular bus services also run along Coronation Drive and Milton Road.

The Wesley Hospital is one of the largest private hospitals in Queensland with 538 beds and more than 2,300 staff. With over 800 specialists accredited to practice at the Wesley, and servicing over 80,000 patients from Australia and overseas annually, the Wesley Hospital is a major driver of local demand for permanent and short-stay accommodation.

The apartments proposed for **Chasely 35** are amongst the largest new apartments currently for sale across inner Brisbane. The one-bedroom apartments are sized at 61m² internally with most balconies sized at 18m², giving a typical gross size of **79m²**. The two-bedroom apartments are all sized at 92m² internally and have 18m² balconies, giving a gross size of **110m²**. These are much larger than the average size of new one- and two-bedroom apartments currently for sale across inner Brisbane of 58m² (gross) and 82m² (gross) respectively, as detailed in the table below:

Comparison of average apartment sizes

	One-bedroom apartments	Two-bedroom apartments
Average (inner Brisbane)	58m ²	82m ²
Chasely 35	79m²	110m²
Size differential (average)	36%	34%

Expected rentals for **Chasely 35** would be as follows:

- \$425 per week to \$450 per week for one-bedroom unfurnished apartments (\$525 per week to \$550 per week furnished); and
- \$575 per week to \$625 per week for two-bedroom unfurnished apartments (\$675 per week to \$725 per week furnished).

Gross rental yields for apartments in Auchenflower are currently averaging 5.0% per annum, and 150 new rental bonds are lodged each month in postcode 4066 (which includes Auchenflower). Demand for rental properties has seen median weekly rents for one-bedroom apartments in postcode 4066 increase by \$25 per week over the past 12 months, and by \$15 per week over the past 12 months for two-bedroom apartments. This suggests there will be strong demand for new apartment product such as **Chasely 35**.

Project overview

Chasely 35 is a new boutique apartment project being developed at 35 Chasely Street in the inner-Brisbane suburb of Auchenflower, just three (3) kilometres from Brisbane's Central Business District (CBD), immediately opposite the Wesley Hospital, and only 70 metres from the Auchenflower railway station.

Chasely 35 comprises eight (8) one-bedroom apartments and 12 two-bedroom/two-bathroom apartments. Levels 1-4 comprise four apartments per floor; levels 5-7 have just two apartments per floor. All apartments come with one car parking space and there is ample visitor parking. Secure bicycle storage is provided in the basement.

The apartments proposed for **Chasely 35** are amongst the largest new apartments currently for sale across inner Brisbane. The one-bedroom apartments are sized at 61m² internally with most balconies sized at 18m², giving a typical gross¹ size of 79m². The two-bedroom apartments are all sized at 92m² internally and have 18m² balconies, giving a gross size of 110m². The ground-floor two-bedroom apartments are larger, each with an expansive (65m²) courtyard. Apartments in **Chasely 35** are much larger than the average size of new one- and two-bedroom apartments currently for sale across inner Brisbane of 58m² (gross) and 82m² (gross) respectively.

Apartment sizing is important, as the ability for tenants to share comfortably makes a property more attractive, and is a way to appeal to a wider audience of prospective renters and/or future buyers. As apartment sizes in many new inner-city projects shrink to the extent that long-term residency is compromised, focus is shifting to those projects that offer greater "liveability".

Location, location

Auchenflower has a population of nearly 6,000 permanent residents and a very high proportion (50%) of renter households.

The Wesley Hospital is one of the largest private hospitals in Queensland with 538 beds and more than 2,300 staff. It provides tertiary level medical and surgical services across 30 specialty areas including cardiology, urology, neurosurgery, gastroenterology, orthopaedics, maternity and women's health. These services are supported by an intensive care unit, coronary care unit, cardiac catheter theatres, 24-hour emergency centre, renal dialysis, radiology, radiation therapy, pathology, pharmacy services, IVF, haematology and oncology services.

With over 800 specialists accredited to practice at the Wesley, and servicing over 80,000 patients from Australia and overseas annually, the Wesley Hospital is a major driver of local demand for permanent and short-stay accommodation.

Bordering the Brisbane River, Auchenflower offers quick access to the city via road, rail and CityCat (ferry), and a bicycle/walking path that links the CBD to the University of Queensland at St. Lucia. This pathway also provides access to South Brisbane, West End and the Southbank parklands.

¹ Gross apartment size refers to private internal living space plus balconies and exclusive-use courtyards, but excluding car parks and common areas.

Auchenflower railway station offers services every 15 minutes during weekdays into Brisbane's Central station, with a travel time of just seven minutes. Regular bus services also run along nearby Coronation Drive and Milton Road. **Chasely 35's** proximity to good transport infrastructure also cannot be underestimated, as research has shown that accessibility to major transport infrastructure can translate into a higher property prices, higher rental demand, increased land values, and a wider area from which buyers and renters come.

The adjoining suburb of Milton is home to cosmopolitan Park Road with its many eateries, entertainment and shopping and a number of major employment centres along Coronation Drive and Milton Road, including Suncorp Stadium, the XXXX brewery, a light industrial precinct and the Wesley Hospital. The Coronation Drive Office Park and other commercial centres in Milton have over 216,000m² of net lettable area and employ more than 10,000 people.

Other major employment centres and amenities close to Auchenflower include:

- Toowong Village Shopping Centre has over 46,000m² of retail and commercial space and is currently undergoing a \$50 million refurbishment;
- Indooroopilly Shopping Centre has recently undergone a \$450 million expansion and has 115,000m² of retail and commercial space and more than 350 stores. It is the largest shopping centre in Brisbane's western suburbs and employs more than 3,000 people;
- The St. Lucia campus of the University of Queensland has 37,000 students and 5,200 staff;
- Several other large educational institutions including Brisbane Boys College, Nudgee Junior College, St. Peter's Lutheran College and Indooroopilly High School.

Rental appraisal

Broad Property Research & Advisory Pty Ltd (BPR) has been commissioned to undertake a rental appraisal for **Chasely 35**. BPR is an independent property research firm that offers a wide range of research services for the residential property sector. Being conservative but realistic, our expected rentals for **Chasely 35** would be as follows:

- \$425 per week to \$450 per week for one-bedroom unfurnished apartments;
- \$525 per week to \$550 per week for one-bedroom furnished apartments;
- \$575 per week to \$625 per week for two-bedroom unfurnished apartments; and
- \$675 per week to \$725 per week for two-bedroom furnished apartments.

Rental estimates are based on floor plans and apartment sizes as provided by 35 Chasely Street Auchenflower Pty Ltd. Subsequent variations in apartment configurations may affect achievable rents. Actual rents for individual apartments will depend upon height above ground, views, aspect, and number of car parks. These rents should be achievable with an experienced manager and once the project has been operational for 3-6 months.

See **appendix 1** (attached) for our suggested rents for all 22 apartments at **Chasely 35** on both a furnished and unfurnished basis. Assuming the apartments are rented for 50 weeks per annum, our forecasts deliver gross rental yields of around 5.0% per annum on an unfurnished basis, which is excellent in the current investment climate.

Supporting evidence

To provide guidance in our rental estimates, BPRB has undertaken an extensive analysis of rents currently being achieved in a number of new and near-new apartment complexes across inner Brisbane. Our survey of over 50 projects has ascertained the following:

- Weekly rents for unfurnished one-bedroom apartments across inner Brisbane with a car park range from \$395 to \$500 per week, with an average of \$435 per week;
- Weekly rents for furnished one-bedroom apartments across inner Brisbane with a car park range from \$500 to \$610 per week, with an average of \$540 per week;
- Weekly rents for unfurnished two-bedroom/two-bathroom apartments across inner Brisbane with at least one car park range from \$520 to \$675 per week, with an average of \$600 per week; and
- Weekly rents for furnished two-bedroom/two-bathroom apartments across inner Brisbane with at least one car park range from \$640 to \$800 per week, with an average of \$700 per week.

These research findings show that the rent premiums for fully-furnished apartments in Inner Brisbane are on average around \$100 per week. This is the amount we have adopted for **Chasely 35**. However, the premium for furnished apartments can vary depending upon the quality of furniture packages and the number of furnished apartments offered for rent in the project. We have also undertaken a comparative rental analysis of a number of local projects, as detailed in the table below:

Comparative rental analysis – Chasely 35, Auchenflower

Project	1-bedroom unfurnished	1-bedroom furnished	2-bedroom unfurnished	2-bedroom furnished
Fairthorpe				\$720 pw
Founda Gardens				\$650 pw
Iceworks Paddington	\$450 pw		\$650 pw	
Inn on the Park	\$450 pw			
Lara Villas		\$650 pw		
Marcella			\$550 pw	
Milton Edge		\$555 pw		\$660 pw
Platinum on Dunmore			\$560 pw	
Regatta Riverside	\$480 pw		\$630 pw	
Rivers on the Park	\$435 pw		\$575 pw	\$750 pw
The Fortitude			\$550 pw	\$745 pw
The Oasis - Chasely			\$520 pw	\$590 pw

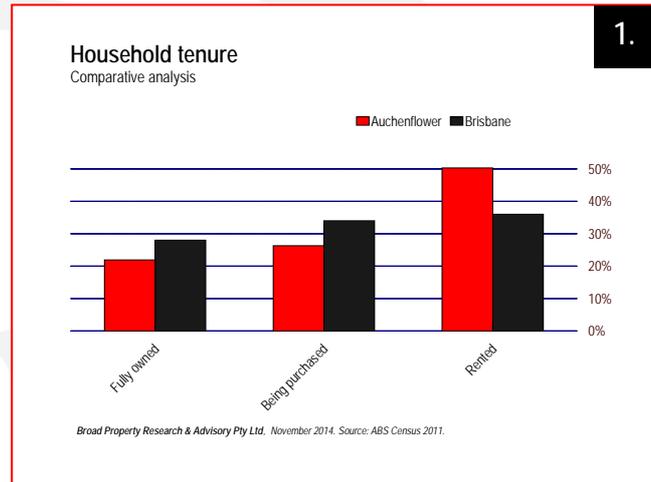
Broad Property Research & Advisory Pty Ltd, December 2014. Information has been obtained direct from property managers and/or project websites.

Further details of these comparable projects can be found in **appendix 2** (attached).

Competitive advantages

According to Walk Score™, Chasely Street Auchenflower is “very walkable” with a score of 80 out of 100. By way of comparison, the average Walk Score for the greater Brisbane area is just 49 out of 100. Research into the Brisbane market has found a very strong correlation between a suburb’s Walk Score and a property’s investment performance. In particular, inner Brisbane suburbs with higher walkability achieve higher gross rental returns and resale listings sell faster.

Gross rental yields for apartments in Auchenflower are currently averaging 5.0% per annum (source: Australian Property Monitors) and according to the Residential Tenancies Authority, 150 new rental bonds are lodged each month in postcode 4066 (which includes Auchenflower). Demand for rental properties has seen median weekly rents for one-bedroom apartments in postcode 4066 increase by \$25 per week over the past 12 months, and by \$15 per week over the past 12 months for two-bedroom apartments.



The strong demand for rental accommodation that exists in Auchenflower is not surprising given that over 50% of households in the suburb are renting. This suggests there will be strong demand for new apartment product such as **Chasely 35**. See **chart 1** above.

According to the latest Census data, the median weekly household income in Auchenflower of \$1,796 per week is 45% higher than the average median weekly household income across all of Queensland of \$1,235 per week. This is mainly due to the fact that Auchenflower has a much higher proportion of employed residents aged over 15 that are professionals (41%) compared to just 19% across Queensland as a whole. This provides a pool of quality tenants willing to pay high rents for well-positioned property.

Chasely 35 will have strong appeal to the investment-buyer market as the apartments will be readily rented by a large pool of potential tenants. These include staff of the Wesley Hospital and the many other businesses in the immediate locality, university students (both domestic and international), academics and other University of Queensland employees, and people working in Brisbane’s CBD. Appealing to such a wide range of potential renters is important, as it insulates investors from a slow-down in any one market segment. However, the project may also attract interest from first home buyers looking to enter the market, especially given the project falls within the parameters of the Queensland Government’s \$15,000 “Great Start Grant”.

Disclaimer

Whilst the information contained in this report has been carefully compiled, no warranty or promise as to its correctness is made or intended. Interested parties should undertake independent inquiries and investigations to satisfy themselves that any details herein are true and correct. The recommendations contained in this report assume that Australia’s economic conditions remain favourable and any future interest rate increases are modest. Past information about capital gains or price and rental growth does not imply such gains or growth will be made in the future. We do not accept any responsibility or liability for any loss or damage arising out of reliance on the information in this document. Data sources used include Australian Bureau of Statistics, Australian Property Monitors, Colliers International, Matusik Property Insights, Place Advisory, Residential Tenancies Authority, RP Data, and Urbis.

APPENDIX 1 - RENTAL APPRAISAL
Chasely 35, Auchenflower

Level	Unit No.	Bed/bath/car	Aspect	Size (internal)	Balcony	Size (gross sqm)	Rent (UNF)	Rent (FURN)
7	22	2-bedroom	NE	92	18	110	\$625	\$725
7	21	2-bedroom	NW	92	18	110	\$620	\$720
6	20	2-bedroom	NE	92	18	110	\$620	\$720
6	19	2-bedroom	NW	92	18	110	\$615	\$715
5	18	2-bedroom	NE	92	18	110	\$610	\$710
5	17	2-bedroom	NW	92	18	110	\$605	\$705
4	16	2-bedroom	NE	92	18	110	\$600	\$700
4	15	2-bedroom	NW	92	18	110	\$595	\$695
4	14	1-bedroom	SE	61	18	79	\$450	\$550
4	13	1-bedroom	SW	61	18	79	\$450	\$550
3	12	2-bedroom	NE	92	18	110	\$590	\$690
3	11	2-bedroom	NW	92	18	110	\$585	\$685
3	10	1-bedroom	SE	61	18	79	\$440	\$540
3	9	1-bedroom	SW	61	18	79	\$440	\$540
2	8	2-bedroom	NE	92	18	110	\$580	\$680
2	7	2-bedroom	NW	92	18	110	\$575	\$675
2	6	1-bedroom	SE	61	18	79	\$435	\$535
2	5	1-bedroom	SW	61	18	79	\$435	\$535
1	4	2-bedroom	NE	92	65	157	\$590	\$690
1	3	2-bedroom	NW	92	65	157	\$585	\$685
1	2	1-bedroom	SE	61	18	79	\$430	\$530
1	1	1-bedroom	SW	61	7	68	\$425	\$525

Broad Property Research & Advisory Pty Ltd, December 2014.

Weekly rental estimates are based on floor plans and apartment sizes as provided by 35 Chasely Street Auchenflower Pty Ltd.

Subsequent variations in apartment configurations or car parking allocations may affect achievable rents.

Actual rents for individual apartments will depend upon height above ground, views, aspect, and number of car parks.

These rents should be achievable with an experienced manager and once the project has been operational for 3-6 months.

APPENDIX 2

Fairthorpe

An older (circa-1990) high-rise project located at 56 Dunmore Terrace, this project has an upper-level two-bedroom/two-bathroom apartment with river views and one car park renting for \$720 per week furnished. The river views achievable from this project are counterbalanced by its age. Considered broadly comparable to **Chasely 35**.

Founda Gardens

Located at 14-18 Dunmore Terrace, this project dates from 1997 and comprises 28 apartments. Currently advertising two-bedroom/two-bathroom furnished apartments for \$650 per week (long-term lease) and \$890 per week (short-term). Considered directly comparable to **Chasely 35**.

Iceworks Paddington

Located in the adjacent suburb of Paddington, this 47-apartment project built in 2008 is currently achieving \$450 per week for unfurnished one-bedroom apartments and \$650 per week for unfurnished two-bedroom apartments. Its mixed-use location and resident facilities makes this project marginally superior to **Chasely 35**.

Inn on the Park

Located on Patrick Lane in Toowong, this 2002 project comprises 87 apartments. One-bedroom unfurnished apartments are currently renting for \$450 per week. The good river views achievable from many apartments in this project are negated by its noisy location. Noise and the age of this project make it slightly inferior to **Chasely 35**.

Lara Villas

Located on the corner of Lang Parade and Lima Street, this project dates from 2000 and comprises 20 apartments. One-bedroom apartments with one car park are renting for \$650 per week fully-furnished. Considered directly comparable to **Chasely 35**.

Marcella

An older (circa-1990) low-rise project located adjacent to the subject site at 31 Chasely Street, this project has two-bedroom/two-bathroom apartments renting for \$550 per week unfurnished. Considered inferior to **Chasely 35**.

Milton Edge

Located at 18 Manning Street in Milton, this project built in 2003 is currently advertising a furnished one-bedroom apartment with one car park for \$555 per week and a furnished two-bedroom/two-bathroom apartment for \$650 per week. Considered slightly inferior to **Chasely 35**.

Platinum on Dunmore

Located at 51 Dunmore Terrace, this 41-apartment project built in 2009 comprises all two-bedroom/two-bathroom apartments sized on average at 126m² (gross) which are currently renting for between \$540 and \$560 per week unfurnished. Considered directly comparable to **Chasely 35**.

Regatta Riverside

This project in Toowong, dating from 2001/02, is currently advertising an unfurnished one-bedroom apartment with river views for \$480 per week and unfurnished two-bedroom apartment with river views for \$630 per week. The good river views achievable from many apartments in this project and their quite generous sizes are negated by its noisy location. Noise and the age of this project make it slightly inferior to **Chasely 35**.

Rivers on the Park

This project in Toowong, dating from 2004, is currently renting unfurnished one-bedroom apartments for between \$420 and \$435 per week; unfurnished two-bedroom apartments with non-river views for \$575 per week; and furnished two-bedroom apartments with river views for \$750 per week. The river views achievable from this project are counterbalanced by its age and busy location. Considered broadly comparable to **Chasely 35**.

The Fortitude

Located at 12 Fortitude Street, this near-new (2013) project has two-bedroom/two-bathroom apartments currently renting for \$550 per week unfurnished and \$745 per week fully-furnished. These rents appear a little low and a bit high respectively although in general terms this project is considered directly comparable to **Chasely 35**.

The Oasis - Chasely

Located at 5 Chasely Street, on the corner with busy Coronation Drive, this project dates from 2001. Two-bedroom apartments are currently renting for \$520 per week unfurnished and for \$590 per week furnished. Despite having resort-style facilities, this project is considered inferior to **Chasely 35** because of its age and extremely busy location. The modest premium associated with the furnished apartments is most likely a reflection of the age and/or inferior quality of the furniture package.