

Changing buyer demands in the luxury multi-residential market

What are the long-term ramifications of a global pandemic on the multi-residential sector? While there are plenty of forces yet to be revealed, we are already starting to see some significant shifts, as reported by Chris McCue (Director, Carr), Michael Armstrong (Partner, Kay & Burton Armadale) and Ed Farquharson (Managing Director, Moda).





A MATTER OF SPACE

Past demand vs future demand

One of the more obvious and immediate requests following the pandemic has been a rise in home offices. “REA Group has reported that their searches for home offices have gone through the roof throughout COVID,” says Michael Armstrong, Partner at prestigious real estate office Kay & Burton in Armadale. In his 17 years in real estate, Michael elaborates that he has seen all the buzzwords come and go but, “this shift to working from home is different.”

Ed Farquharson, Managing Director of property development firm Moda, echoes the same sentiment. “Despite the temporary nature of a ‘pandemic’ the impact on the way people live will last for generations. There is obviously a lifestyle change happening as a result of the stay-at-home orders. Families are needing to juggle home schooling, having a home office (or two), exercise and entertainment all within the confines of their home. Smart and efficient home design has never been more important, and we’ve seen this drive the desire for dedicated private spaces for home offices and gyms, which are now viewed as a priority over spare bedrooms.”

But it is not just the internal or private spaces that require a new level of consideration. Transition spaces, entries, car parking and lifts also come under the spotlight when considering the need for social distancing and cleanliness. This could see the introduction of new technologies, seamless and frictionless entries, wide thoroughfares, and additional area given over to what would otherwise contribute to the apartment floor plans. “The entire journey through a building is now being scrutinised from a design perspective. How can a project instil a sense of hygiene and how can you subconsciously make residents feel safe?” asks Chris McCue, Director at Carr.

A new kind of amenity

Part of the key selling proposition of most multi-residential projects is the inclusion of amenities. Traditionally this has been things such as shared entertaining spaces, rooftop spaces, terraces or gardens, pools and gyms. Throughout the pandemic these spaces have been closed, cutting residents off from the extras that often make apartment living desirable.

While research on the usage of gyms in multi-residential buildings is limited, Michael believes the numbers are likely not that high, and yet it is something that owners pay for through body corporate fees – regardless of whether it’s open throughout a pandemic or not. “I don’t necessarily think a gym is required. It also depends on which end of the market you’re looking at. At the higher end, these residents most likely have memberships to their own clubs, making the inclusion of a gym rather redundant,” says Michael.

Reinforcing that line of thinking, Ed says they find that when the purchaser has the means to do so, “they will purchase two or three apartments, combining them to create their own perfect home to include a dedicated office, gym or multi-purpose space.”

It leaves the question open for how should the spaces dedicated to shared amenity be reconfigured or reimagined? One idea that Chris and the team have been working on is creating separate office spaces within the same building, but outside of the apartment as a purchasable or leasable addition to the home. “It’s an NSA to the main apartment. It creates options for a potential buyer who may, for example, still be working on various boards or consulting, and has the need for a dedicated space that is separated from the home yet conveniently in the same building. We’re still testing the ratio and looking at designs that can be easily adapted but we think there is desire for this in the market,” shares Chris. From a sales perspective, Michael believes this could be a great way to fulfill buyer needs, saying, “It is currently untested but if designed with flexibility in mind, there is a new kind of thinking that means developers are getting yield, while buyers are getting the best outcome.”

An alternative amenity proposition is to incorporate a shared office space, which is another avenue that the design team has been investigating, tempering any concerns around hygiene and operational requirements through the integration of technology. 'Zoom Rooms' or virtual business hubs could be bookable through a centralised system, designed in a way that makes them suitable for video conferencing, equipped with the best sound, lighting and audio for important meetings.

Both options come with pros and cons and have potential to reshape the offers that hit the market. Ultimately the demands of the buyer will inform what gets included and what is seen as either necessary or highly sought after. Whether in development or in sales, being flexible, innovative and open to changing what has been done before is key. Ed agrees, "We understand every buyer has differing needs, particularly in the current environment. Developers need to be extremely adaptable with optional layouts, flexible floorplans and purchaser changes to meet the changing lifestyle and needs of the end user."

Sound decisions

As many people have already discovered with remote working, the need for quiet spaces, separate from the family or main living area is important, particularly when conducting lots of meetings. This will in turn impact a series of design decisions from spatial planning to materiality, as all have an impact on controlling noise. Luxury can be expressed through the senses, by the solidity and quietness that can be achieved through acoustic separation between each apartment and between floors. "There is no doubt more people will work from home in the future, designers will need to consider privacy, noise control and separation of spaces. Potentially even a pull back from the open plan living we've all become accustomed to," says Ed.

Connection to the outdoors

Having spent so much time in the confines of our homes, being connected to the outdoors, landscaping and views can create a real sense of wellness. Michael confirms that second to the searches for home office spaces, the next most sought-after thing he has found buyers asking for is courtyards and green spaces. "The importance of a good outdoor space and connection to nature has been heightened throughout COVID. Landscaping has also become more sophisticated, there are spaces that add to lifestyle with lighting, BBQ areas, privacy and lots of seating," shares Michael.

In this regard, desirability for a project can be added by designing with thought for interior comfort and biophilic responses, for example dual aspect apartments bringing daylight, ventilation and airflow. Balconies, courtyards and terraces also create an attractive offer that can bring added value to a project.

MARKET FORCES

Adapting the sales model for downsizers

In addition to the way that the design and amenity offers of high-end multi-residential projects might change, the way they are progressing to site, and the sales process is also shifting. We're seeing a maturing of the residential market with regards to downsizers, and this demographic has important life decisions to make and significant buying power. As the market is tightening, the traditional avenues that a project might take to get investment is not bringing the certainty required to secure these buyers.

"We are seeing developers seek out investment from mezzanine funders rather than just the banks, and while this carries more risk for the developer, getting construction on site sooner creates a much-needed sense of security to potential buyers. We currently have several projects progressing onsite without the typical sales being reached and although this does come with more risk, a realised property can garner a higher sale price versus off the plan. Right now, developers need to be aware of the many factors shaping the influence of a project in these times, especially given there is a lot of power and demand in downsizing purchasers at the high-end of the market," shares Chris.

These forces are also playing out across other regions, which JLL recently reported. "As institutional investors have taken a step back this year to assess risk, private capital — which was already expanding in its influence before COVID-19 — has emerged as an increasingly important source of liquidity," says Fraser Brown, Head of Capital for EMEA at JLL, "COVID-19 has prompted these investors to look at assets that they may not have previously been able to secure due to the larger volumes and the competitiveness of capital."

The regional move

Off the back of remote working becoming the accepted norm for many workplaces, and one that research confirms will continue even after a return to COVID normal, [there has been a marked rise in those moving to regional and coastal areas across Australia](#). This is of course having a dramatic impact on the property market with sales activity being bolstered in regional and lifestyle-orientated areas, while inner city areas have decreased.

Considering the effects of this into the future, Michael contemplates how this may have an influence on the multi-residential space. "The amount of people looking or purchasing property in rural/coastal/lifestyle areas has been increasing. Off the back of that comes the need for a smaller place in town. I think we will see the demographic skew to younger people or even families downsizing. These are people who can work remotely, spend more time at the beach or on the property and keep an apartment equipped with everything in the city."

KEY TAKEAWAYS

- Demand for dedicated home office spaces set to continue, is a study nook enough? Not likely
- There is opportunity for savvy developments to create a new kind of amenity through additional office space sold as an NSA to an apartment
- Landscaping and green spaces add real value, as well as tangible benefits for health and wellbeing
- Good design principles – sound attenuation, materiality, views, dual aspects – are all important considerations when spending more time at home
- Uncertainty in the market is pushing projects forward with different financing to what has been standard in the past, but is necessary to create the stability that buyers demand
- Regional, coastal and lifestyle properties are on the rise – this could have a big impact on the downsizing demographic, potentially creating a younger segment of downsizers who seek out a family apartment in the inner city, while living full time in a regional home

PROFILES

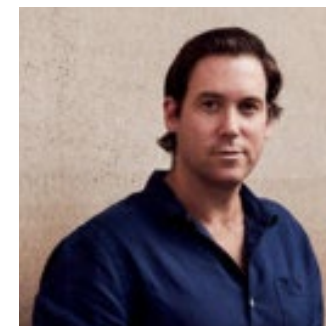


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Chris McCue brings an astute design eye that continues the studio's vision of contemporary, timeless design. As a leader at Carr, Chris ensures that our architectural projects exceed our client's expectations.

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Led by Founder and Director Ed Farquharson, Moda is forging a reputation as one of Melbourne's most innovative and intelligent developers.

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Completely at home with new generation concepts and technology, Michael brings deep experience and knowledge to his work with clients. His technical ability adds an extra level of value to his service however his great strength is the ability to form meaningful relationships with the people who depend on him to sell their homes.

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