

Property market update: Brisbane, July 2019

Property market update: Brisbane, July 2019

by Bianca Dabu | August 07, 2019 | 1 minute read

Amid the decline experienced by the property markets of Sydney and Melbourne, Brisbane has remained resilient, ultimately becoming increasingly popular among investors. How can they maximise wealth-creation opportunities in the Sunshine State.

Following the conclusion of the federal election, the property market has regained stability as a result of the securing of negative gearing and capital gains tax, the Reserve Bank slashing interest rates to its lowest ever levels and the Australian Prudential Regulation Authority (APRA) removing the serviceability buffer for borrowers.

With consumer confidence rising, experts believe that the worst is over for the Australian property market and, by 2020, property prices are likely to show considerable growth.

Through the turbulence in some major capital city markets, Brisbane managed to power through, remaining slow and steady in terms of property price growth, according to experts.

Patrick Leo's managing director James Nihill: "(Brisbane's) affordable housing market allowed the city to bypass the impact of the restrictive lending criteria that other major capital cities felt."

CoreLogic's data showed that the capital city's property market saw dwelling prices rising by 0.3 of a percentage point for the year to November and by 0.1 of a percentage point over the past three months.

Over the next three years, Brisbane could be looking at up to 20 per cent growth as a result of high levels of interstate migration, steady population growth and major infrastructure projects, including the new Queen's Wharf and the construction of Brisbane's second airport runway, BIS Oxford Economics predicted.

"The July home value index results provide further confirmation that the housing market has reacted positively to the recent stimulus of lower mortgage rates and improved credit availability; however, the response to date has been relatively mild," CoreLogic's head of research Tim Lawless highlighted.

However, the property expert doesn't foresee a fast recovery for the overall property market. As a result, Brisbane may continue its slow and steady ascent, with significant growth far off in the future.

According to Mr Lawless: "Housing credit policies remain much tougher than they were prior to the [banking] royal commission as lenders continue to move away from the Household Expenditure Measure and examine borrower spending behaviours and expenses more closely."

"The ongoing tightness in housing credit is expected to keep a rapid rebound in housing values at bay, despite the lowest mortgage rates since the 1950s."

Property values

Over the past year, property markets have collectively shown signs of recovery, with five of the major capital cities showing price jumps, according to CoreLogic.

The home value index showed the dwelling prices rose in Melbourne, Sydney, Brisbane, Darwin and Hobart. Combined, the rise is modest at 0.1 per cent, but nonetheless represents a turnaround to the consecutive months of falls.

Meanwhile, in the past month, Darwin recorded the sharpest monthly increase, with values rising 0.4 per cent. This was followed by Hobart, where values increased 0.3 per cent, then Sydney, Melbourne and Brisbane, each recording monthly spikes of 0.2 per cent.

On the other hand, dwelling values decrease in Perth, Adelaide and Canberra by 0.5 per cent, 0.3 per cent and 0.2 per cent, respectively.

Over the quarter, Brisbane, in particular, continued to fall with a 1.4 per cent drop in median house prices and a 3.1 per cent drop for unit prices.

According to Domain's latest House Price Report, tighter lending conditions and the apartment construction boom have weighed down on property prices for the city, but strong population growth has meant the correction in unit prices was not as severe as predicted.

The share of Brisbane suburbs with a median house value under \$500,000 declined by 12.1 per cent—that is, from 52.4 per cent in 2014 to 40.3 per cent in 2019, based on data from CoreLogic.

Additionally, 12.5 per cent of Brisbane suburbs have a current median unit value in excess of \$500,000—up from 8 per cent of suburbs five years prior.

Supply and demand

CoreLogic data showed that, over the second weekend of July, 854 homes were taken to auction across all capital cities over the weekend, returning a preliminary clearance rate figure of 69 per cent.

The weekend result comes after the previous weekend recorded "the highest final clearance rate since April last year" when 953 homes were taken to auction with a final clearance rate sitting at 64 per cent.

However, a state-by-state breakdown showed a mixed result across the country's capital cities.

Brisbane, in particular, found buyers for only 30 per cent of the 70 houses and 7 units sold at auctions over the said weekend.

Based on the data, the city's auction clearance rate was recorded as lower than the same weekend in 2018, when 70 properties returned a 37.9 per cent clearance rate.

During that time, the median house price in the Queensland capital sits at \$720,000.

Further softening the demand for housing in Brisbane is the losses to internal migration, according to a new analysis from Propertyology.

Based on data from the Australian Bureau of Statistics (ABS), only 10 per cent of all internal migrants to Queensland settled in Brisbane.

Propertyology managing director Simon Pressley suggested that the Brisbane labour market “will need to improve for it to be a major beneficiary of Sydney and Melbourne’s housing affordability squeeze”.

While Mr Pressley believes that examining where Australians are choosing to move and settle is a good indicator for where growth is to be expected, he argued that population growth is not the sole factor that drives growth into property markets.

“Far too much emphasis is placed on the role population mass and population growth plays on property price fluctuations,” he said.

“Even if an individual town or city had zero population growth, there will still be between 3 to 5 per cent of dwelling stock that will change hands within a typical year. Depending on the volume of dwellings listed for sale in that year, property prices may still grow.”

In contrast with capital cities, ‘tier-2 and tier-3 cities’ saw significant boosts to internal migration, including the Gold Coast, the Sunshine Coast, Geelong, Maitland and Port Macquarie—all of which also saw increased median house prices to match the growing demand.

The Sunshine Coast saw a median house price increase of 4.3 per cent in the year ending June 2018, while Geelong saw an increase of 11.9 per cent.

According to Mr Pressley, housing affordability and desirable lifestyle opportunities were key factors in the demand and growth of these areas.

Strategy

Investors who are keen to take advantage of the housing affordability in Brisbane are encouraged to look into buying units or high-rise apartments in and around the CBD as the Brisbane unit market sits at a ‘point of equilibrium’, according to the director of Right Property Group, Steve Waters.

Simply, areas at a point of equilibrium have enough supply and enough demand, he said.

“We’re starting to see rents increase there – that’s a sure sign of where the demand is, and the supply for that matter.”.

“This has come off the back of being heavily oversupplied,” Mr Waters highlighted.

Apart from studying the level of current supply, the property expert also strongly advised investors to look into ‘what’s in the pipeline’ in order to get an understanding of the growth potential of the property market.

He said: “It’s not just a matter of what’s constructed now but what’s in the pipeline in terms of DAs or just beginning construction and what have you.”

“Investors who can identify those good areas with the right fundamentals and perhaps take advantage of a market now where not everybody is in should be able to set themselves up for the future.”

“But once again, buying in the correct area is paramount.”

<https://www.smartpropertyinvestment.com.au/research/19897-property-market-update-brisbane-july-2019>