

BRISBANE SUPPLY AND DEMAND

There has been and continues to be a huge amount of differing opinions as to the Brisbane apartment market.

Irrespective of various media stories the statistics usually speak for themselves.

But first lets quickly turn to several popular media stories that received worldwide publicity back in 2011- 2012.

Economist Harry Dent urged people in Australia not to buy, and to actually sell their homes "before the 50 percent crash" in prices arrived at their doorsteps.

OOPS.

He probably caused more young Australians than anyone else to miss out on owning their own home, as prices have escalated now out of the reach of many first home buyers especially in Sydney.

The Sydney median house price has risen 80 percent since his 2011 warning. If a buyer had placed a 30% deposit in 2011 that would represent a 266% return on their capital.

Then 4 months later in 2012:

Bloodbath to hit Australian real estate, global property analyst Jordan Wirsz says

OUR love affair with property will be tested amid predictions prices will fall 60 per cent. JANUARY 20, 2012

AUSTRALIA'S love affair with property is about to be tested amid predictions prices will plummet by as much as 60 per cent.

That's the Armageddon-esque warning from leading US real estate analyst Jordan Wirsz, who advises Fortune 500 CEOs and fund managers on investing in real estate.

"Right now is not a time to be buying real estate in Australia," Mr. Wirsz said.

"The market has slowed substantially but residential prices are likely to fall

up to 60 per cent, possibly even more, by 2017 within five years."

The outlook is even grimmer for land investments, which Mr. Wirsz said "are more speculative and will plummet by as much as 80 and 90 per cent in value."

OOPS.

So, putting what the media may report into context, let's examine the statistics and see where we are.

First, building permits in Australia declined a sharp 20 percent from a month earlier in December of 2017.

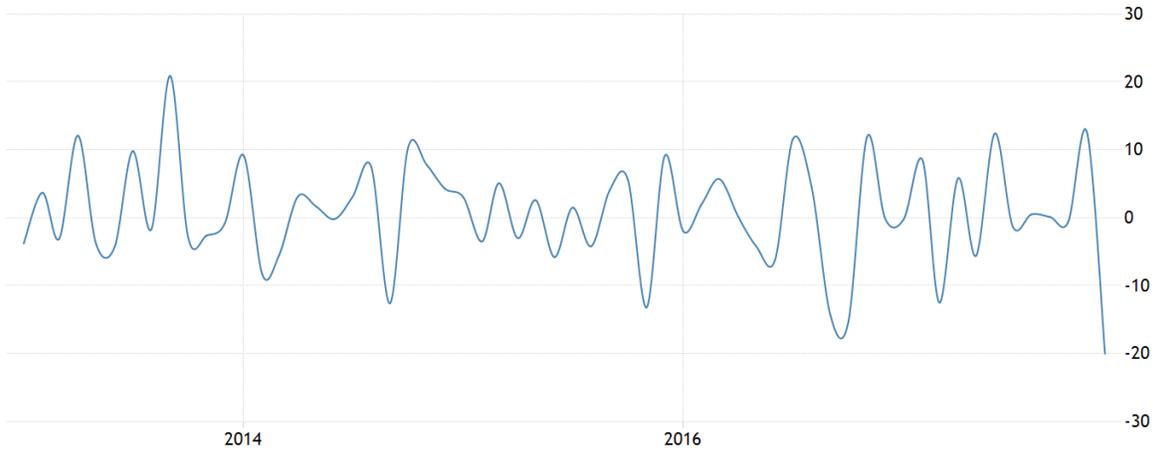
The plunge was mainly explained by a 39.2 decline in private dwellings excluding houses (i.e. apartments) as measures introduced by APRA in April which capped interest-only lending to 30 percent of new loans issued.



SOURCE: TRADINGECONOMICS.COM | AUSTRALIAN BUREAU OF STATISTICS

Now let's see the longer term trend to realise how few permits this is: Building Permits in Australia averaged 0.34 percent from 1983 until 2017, reaching an all-time high of 31.40 percent in May of 2012 and a record low of -22.50 percent in July of 2012. (see below)

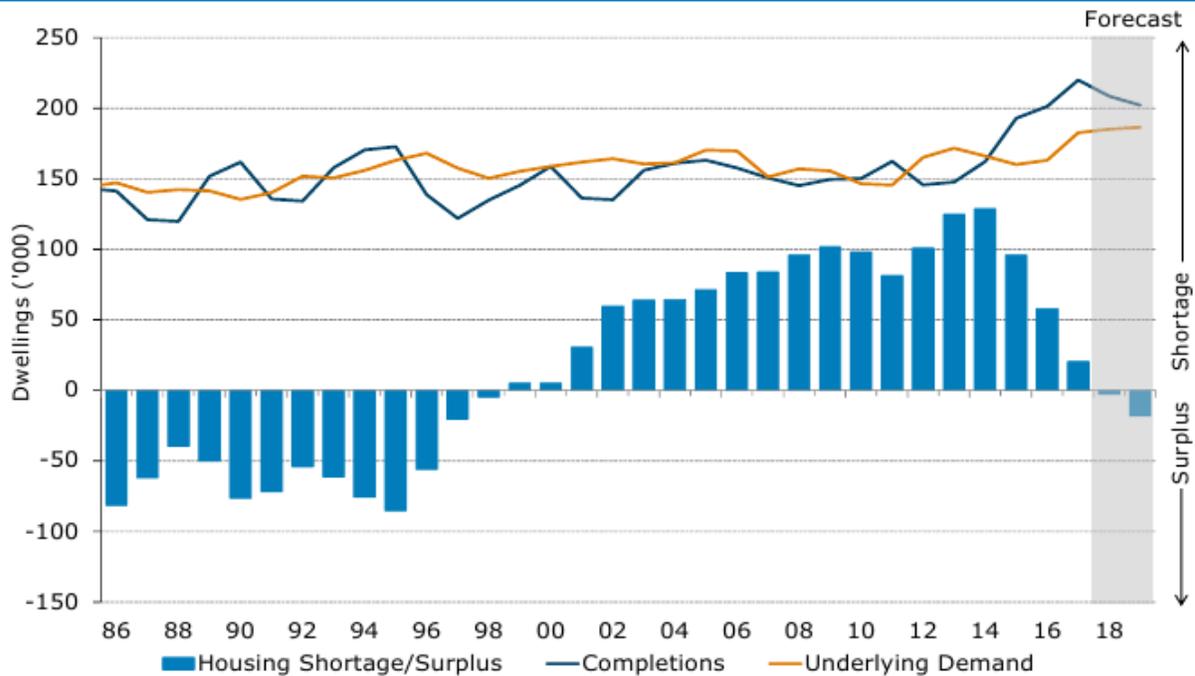
AUSTRALIA BUILDING PERMITS



SOURCE: TRADINGECONOMICS.COM | AUSTRALIAN BUREAU OF STATISTICS

Now let's see overall supply and demand statistics. As can be seen below in 1986 to 1996 there was an acute surplus of supply. Then a "shortage" from 2002 to 2016. During this "oversupply" between 1986 to 1996 what happened to prices?

The housing balance



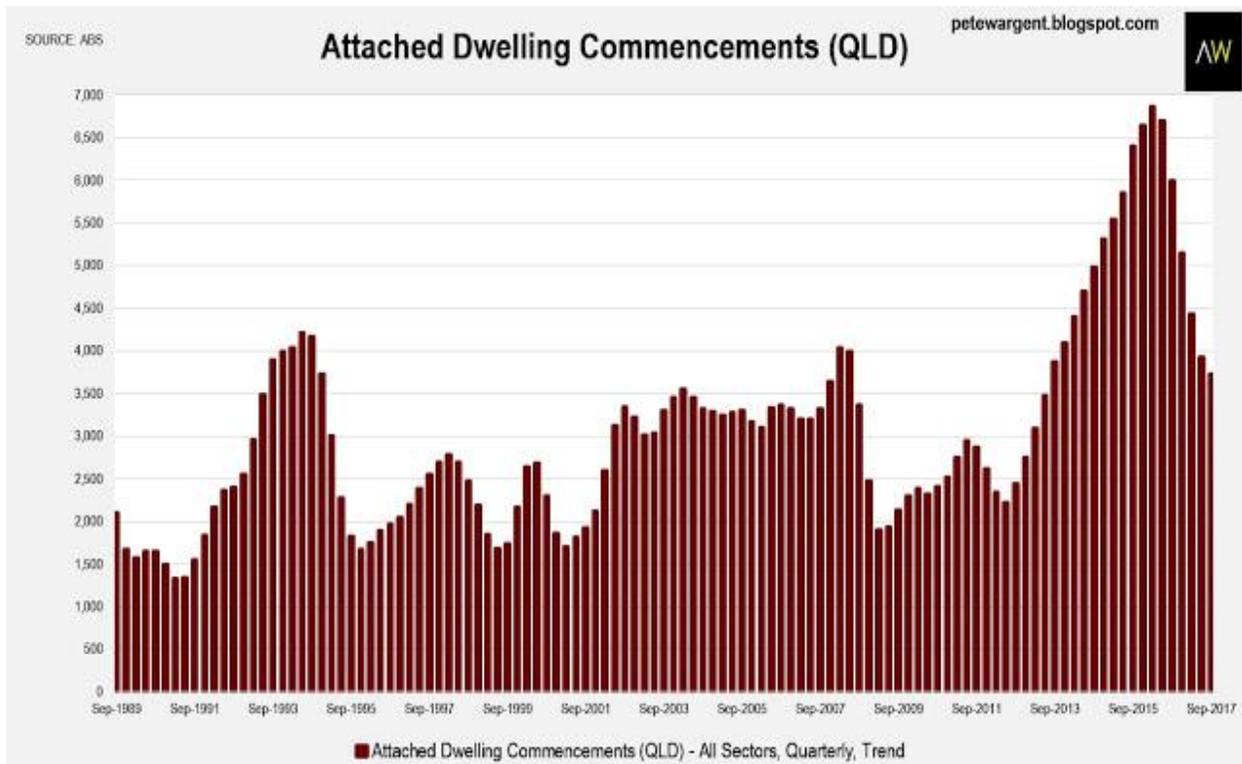
*The housing balance is calculated as the cumulative sum of demand, less completions. The year 2000 is assumed to be in balance, and subsequent years of demand exceeding completions moved the market into shortage.

**Well, Sydney house prices ROSE by 125%
Melbourne rose by 82% and Brisbane rose by 120%.**

(Source: Bis Shrapnel, Residential Property Prices, 1986- 1996)

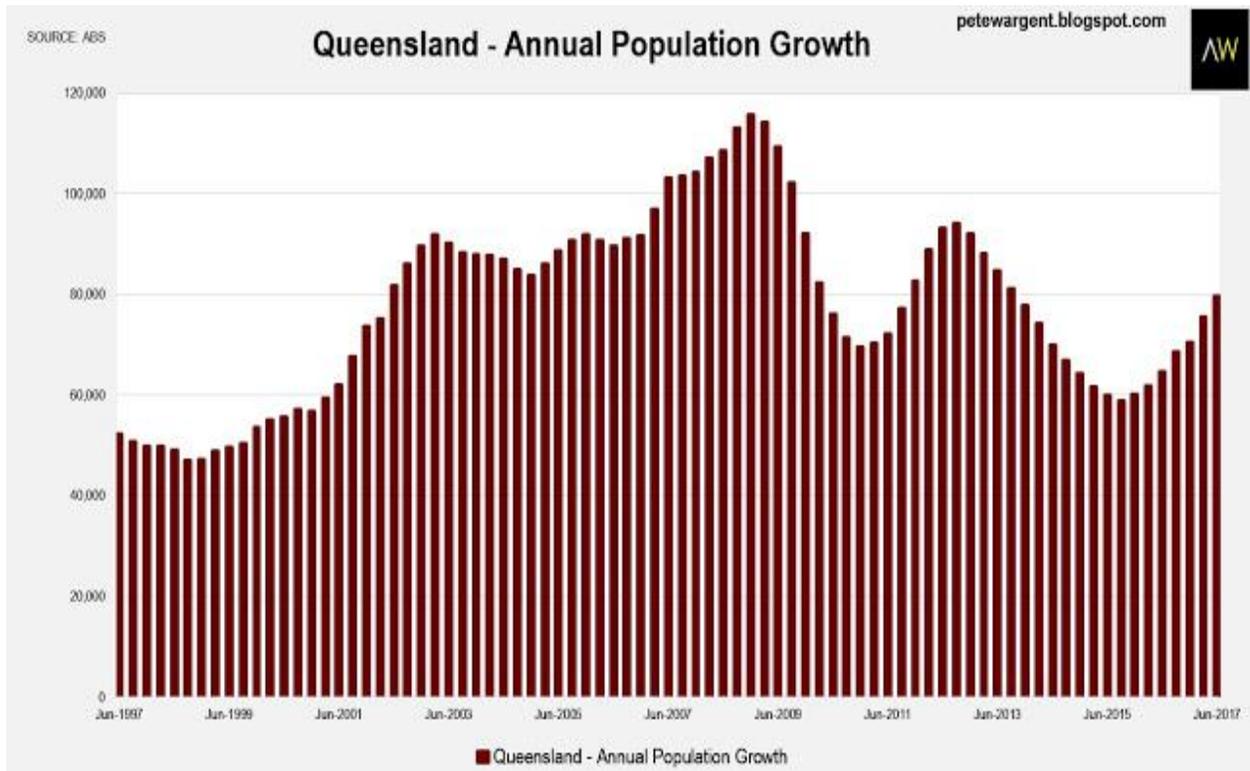
So it's clearly NOT all about over supply/under supply.

Now let's turn our attention to Queensland. The decline in "attached dwelling" approvals (townhouses and apartments, excluding houses) is in a serious decline



Meanwhile, following a turnaround in jobs growth, population growth is picking up all the time in Queensland.

In fact, if current trends persist, by about the end of this year the annual population growth in Queensland could be topping ~100,000, which would well & truly wipe out any apartment glut.

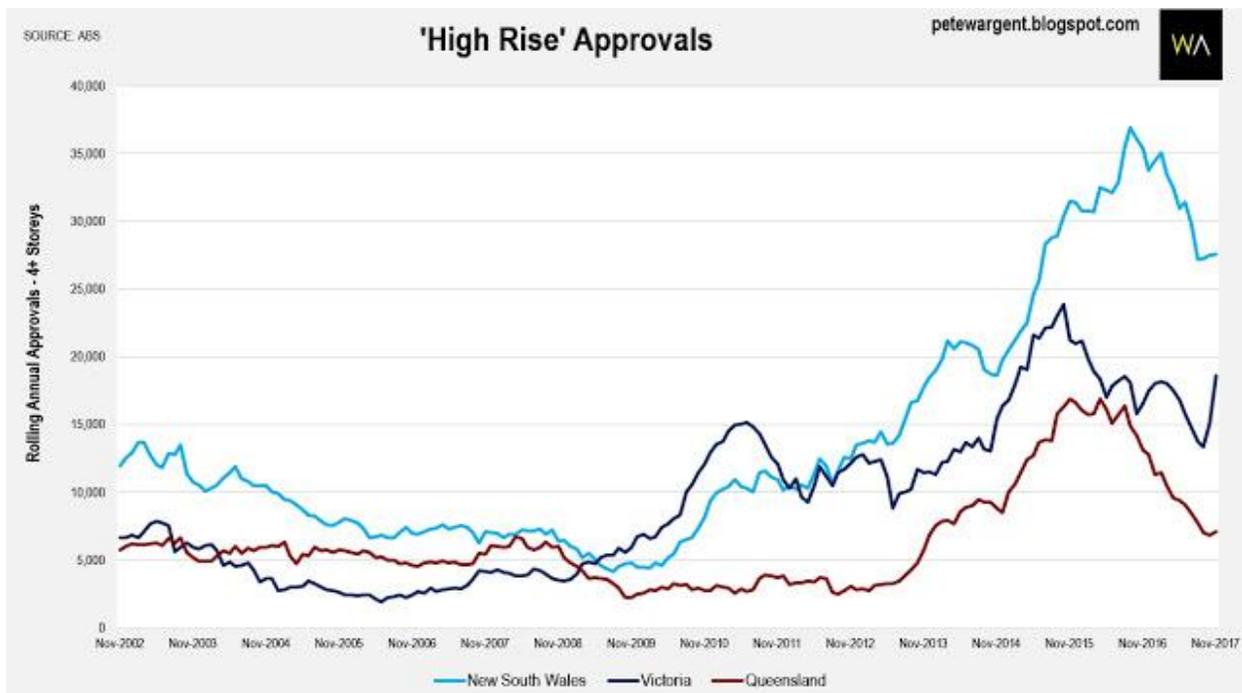


The other thing to note is that units in Brisbane are now relatively speaking very affordable, which itself is attracting buyers within Queensland and from mainly Sydney.

Developers with good quality, spacious apartments are reporting excellent sales, both off the plan and completed stocks.

However, developers with mass produced, tiny and/or poor quality apartments are being hammered by bank valuations and sales.

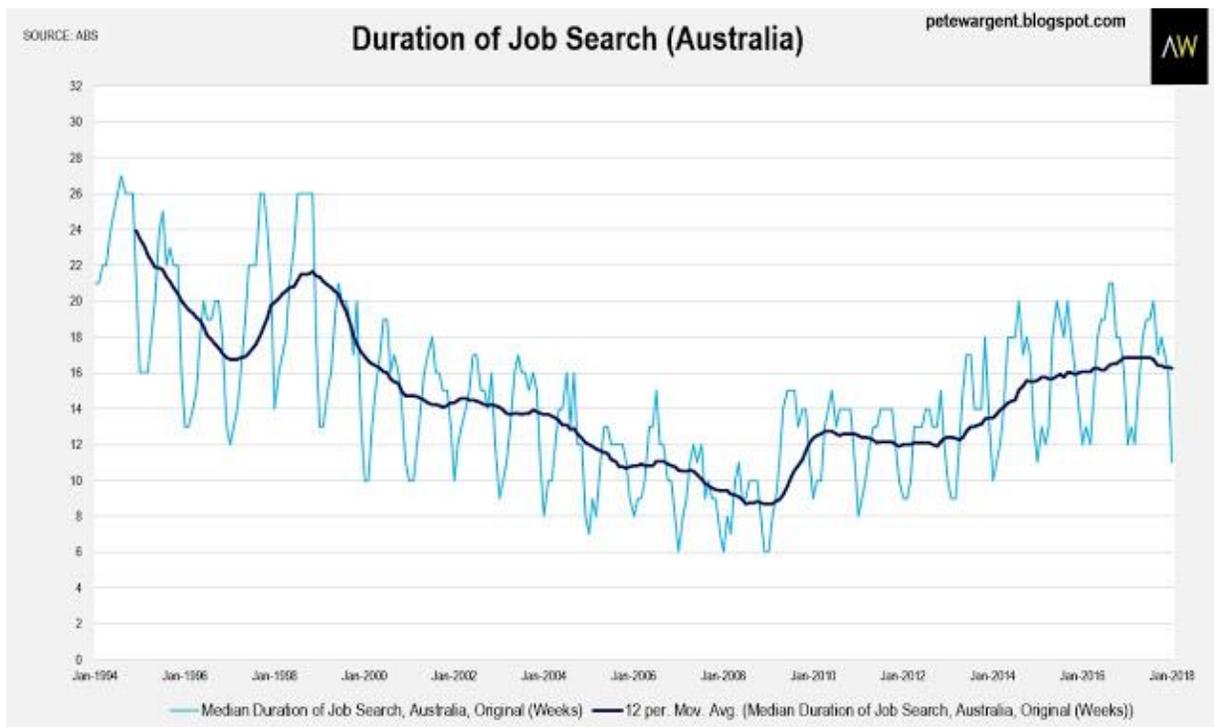
Now when we look at high approvals, the figures are even more obvious.



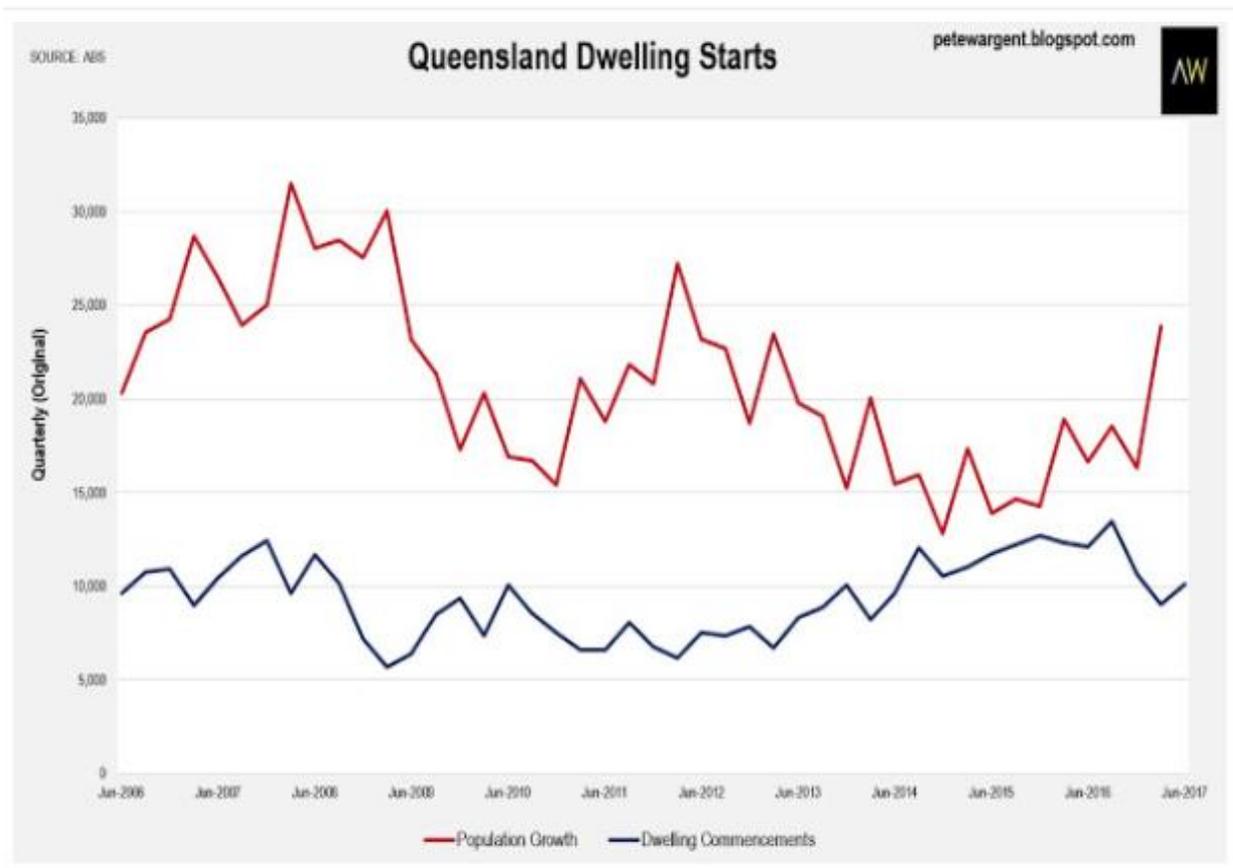
Another indication of the improving Queensland situation is it is easier to find work

The median duration of job search also now looks to be falling.

The fastest city to find a job in recent years has been Sydney, (now down to 9 weeks in January), but Melbourne (9 weeks) and Brisbane (9 weeks) also joined Sydney in January.



At the other end of the scale, while it took under 5 weeks to find a job in Perth at the peak of the mining boom that number has been rising over the past decade towards 19 weeks on an annual average basis.



Finally, what about the rental market? Again, good quality apartments, in good locations, with facilities and transport nearby, are being fully rented and giving investors a good 5% rental return.

International property agent Citylife International Realty reported in February 2018 that all of their buyers in the award winning One South City project stage one recently completed in Woolloongabba have had their apartments rented out well before the end of the rental guarantee period, in many cases with the rental achieved being higher than the guaranteed rent of 5%.

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