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Will the recent floods affect Brisbane property prices?

As you know the last couple of weeks have been crazy with COVID headlines taking a back seat to massive flooding. The war in Russia/ Ukraine is another unsettling event on the world stage. Then, closer to home, Warnie died! We have a Federal election coming up, an Olympics to prepare for and the rising incidence of building companies going broke.

Let's look at these in isolation:

The floods.

I suspect many riverside or flood affected suburbs will have lost in one week what was gained over the past 12-18 months of massive price growth. Inundated properties - or those close - will almost certainly take a long time to bounce back. I suspect that houses in flood zones will be massively impacted for some time (the post 2011 belief of 'we now have 100 years to go before the next big flood' is now gone.) Statistically we have a 20% chance of a major flood event every year (that's 1 in 5 years, not 1 in 100!)

I expect that when the dust (or mud) settles the demand for 'safe' or low flood risk properties will increase as the pool of buyers gravitate towards those properties in low or no flood risk areas. There will be fewer buyers - as many 'upgraders' will have severely diminished equity positions as a result of the floods. 2011 hit at a totally different time in the property cycle. I think there is too much demand for these floods to affect the value of dry properties in isolation and if anything they will probably perform better than if the floods never came. I'm predicting 5-10% growth for dry properties on top of the exceptional growth they have already seen over the past 12-18 months.....but the market is definitely slowing! <T: I concur with this. This past month has enquiry around purchasing drop to post XNY (January) levels ie nearly non-existent>

The Federal election

We will be graced with a Federal election sometime in April and May. Things usually hit pause between the time an election is called and done. I personally don't think this will be as much the case this time. I think most people will make property decisions irrespective of whether our PM wears a red or a blue tie. Or yellow. There doesn't seem to be much confidence in either side of Politics at the moment.

Interest rates.

It is clear that rates can only go one way. In isolation I don't think increases in rates will impact the property market significantly in Brisbane over the next 12 months. Affordability is still better than our Southern states and most banks calculate affordability at a higher rate than the rate being charged. Banks assessment of valuations may impact approval levels.....but again, this is more likely to be an issue for flood affected postcodes. <T: Agree though I think those who have used the Govt schemes on minimal deposits are the highest risk category. Most of our Clients have good cash buffers in their HL's/Offsets so don't see any pain here.>

COVID.

I suspect the impact of lockdowns and disruption that COVID caused the economy has not been realised yet. We are however starting to see building companies go pop at an increasing rate and of course that has a knock on effect with subcontractors not getting paid etc. Supply issues are driving up building costs at an almost unsustainable rate - so again this is driving up existing housing demand when the cost of new building keeps rising. There is still strong migration into Qld from southern states and many expats coming back to Queensland - probably largely as a by-product of the disruptions caused by COVID. They all need somewhere to live.

The Olympics.

The emergence of infrastructure upgrades and the associated additional employment to prepare for the Olympics will continue to be positive for housing demand in Qld. An already apparent housing shortage (which the floods will also exacerbate) and the increasing spotlight as an Olympic city will continue to buoy demand (and subsequently prices) for houses on hills.

Russia/Ukraine.

At the moment I don't think that this will have an impact on our property market. There will almost certainly be implications which will drive fuel prices up which flow into other sectors. This will be another reason why inflation (and interest rates) will move up sooner rather than later!

Summary

Overall, it's uncertain and unsettling times but demand for quality properties will continue to underpin the performance of the Brisbane property market. While I don't think we can expect to see anywhere near the 40-50% growth that many suburbs have seen over the past 12-18 months I'm confident that we will see continued (single digit) growth across Brisbane's dry suburbs. Matusik is one of my favourite commentators - and a recent article of his suggests that the market in Brisbane has effectively peaked already but goes on to say there could be up to 5% left to run. I think this is a bit conservative given the increasing pressure on demand for housing in our City.....but he is way smarter than me! In saying that, I also think his view that flood affected properties may decrease around 10% is a bit on the lighter side of what we will actually see.

<T: As at writing, while enquiry levels are down for us, there is also a lack of stock on the market. While this remains, pressure on prices will continue. Notwithstanding this, if a property is well overpriced (because the Agent hasn't cottoned on to the fact 40-50% growth can't continue), it remains entrenched as 'for sale' in the RE.com search list...>



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