

EDITION 19

BRISBANE

# BRISBANE CAPITAL CITY REVIEW

  
PERFORMANCE  
PROPERTY DATA

# BRISBANE AT A GLANCE

## Price Parameters - Adjusted for Current Interest Rate

AFFORDABILITY INDEX		PRICE
AI FLOOR	<b>23%</b>	<b>\$490,000</b>
AI CURRENT	<b>26.5%</b>	<b>\$560,000</b>
AI CEILING	<b>58%</b>	<b>\$1,200,000</b>

3 Year Price Target - \$730,000 - \$780,000 - Low Conviction

## In the current stage of cycle

The Brisbane house market is showing **Buy Investment Value**.  
It would be best suited to a **Medium-Long Term Hold Strategy**.  
We classify the Brisbane house market currently as a **Low Risk** investment.

### Legend

Medium Term Strategy = **4 to 7 years**

Long Term Strategy = **10+ years**

HOUSE  
YIELD **3.8%**

UNIT  
YIELD **5.0%**

## POPULATION



Current: **2,430,180**

Current Growth Rate: **2.2%**

Avg 10 Yr Growth Rate: **2.04%**

## CURRENT MEDIAN

**\$560,000** House

**\$392,000** Unit

## UNEMPLOYMENT RATE

**8.4%**

LONG TERM COMPOUNDED  
GROWTH PA (1990) IS **7.20%** FOR  
HOUSES & **5.79%** FOR UNITS.

Houses the last 3 years have seen 0.72%  
PA growth, units -0.92%.

**7.20%**

## REPORT BRISBANE CAPITAL CITY

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Average Days  
on Market

Houses : **33**  
Units : **45**



# EXECUTIVE SUMMARY

## KEY MARKET INDICATORS

Positive

- Affordability Index HOUSE V. Price Movement
- QLD ST Housing Finance
- Stock on Market V. Avg Days on Market
- Vacancy Rate V. Median Rent
- Job Creation Index

## SUPPLY & DEMAND - Slightly Positive

Does Demand Exceed Supply?

- Population
- State Internal Migration
- QLD Population Movement Type
- QLD LT Housing Finance
- Foreign Investment
- Airport Arrivals
- Dwelling Sales
- Dwelling Approvals V. Population % Change
- Bedrooms V. Population Change

## AFFORDABILITY - Slightly Positive

Is Property Affordable?

- Affordability Index UNITS V. Price Movement
- Price to Income Ratio
- Rent to Income V Affordability
- FHBs as % of Population

Positive

Slightly Positive

Neutral

Slightly Negative

Negative

## CONFIDENCE - Slightly Negative

Is There Confidence In The Market?

- Retail Turnover Growth
- Mortgage Arrears
- Unemployment Rate
- Underemployment Rate
- State Job Vacancies
- Infrastructure Spending per Person
- Business Investment

## MONEY SUPPLY - Slightly Negative

Will There Be More or Less Money Into The Economy?

- State Budget
- Gross State Product V. Median Price Movement
- Economic Benefit V Median House Price
- Coal Price V. House Price Movement

## INVESTMENT VALUE - Positive

Is this market showing value?

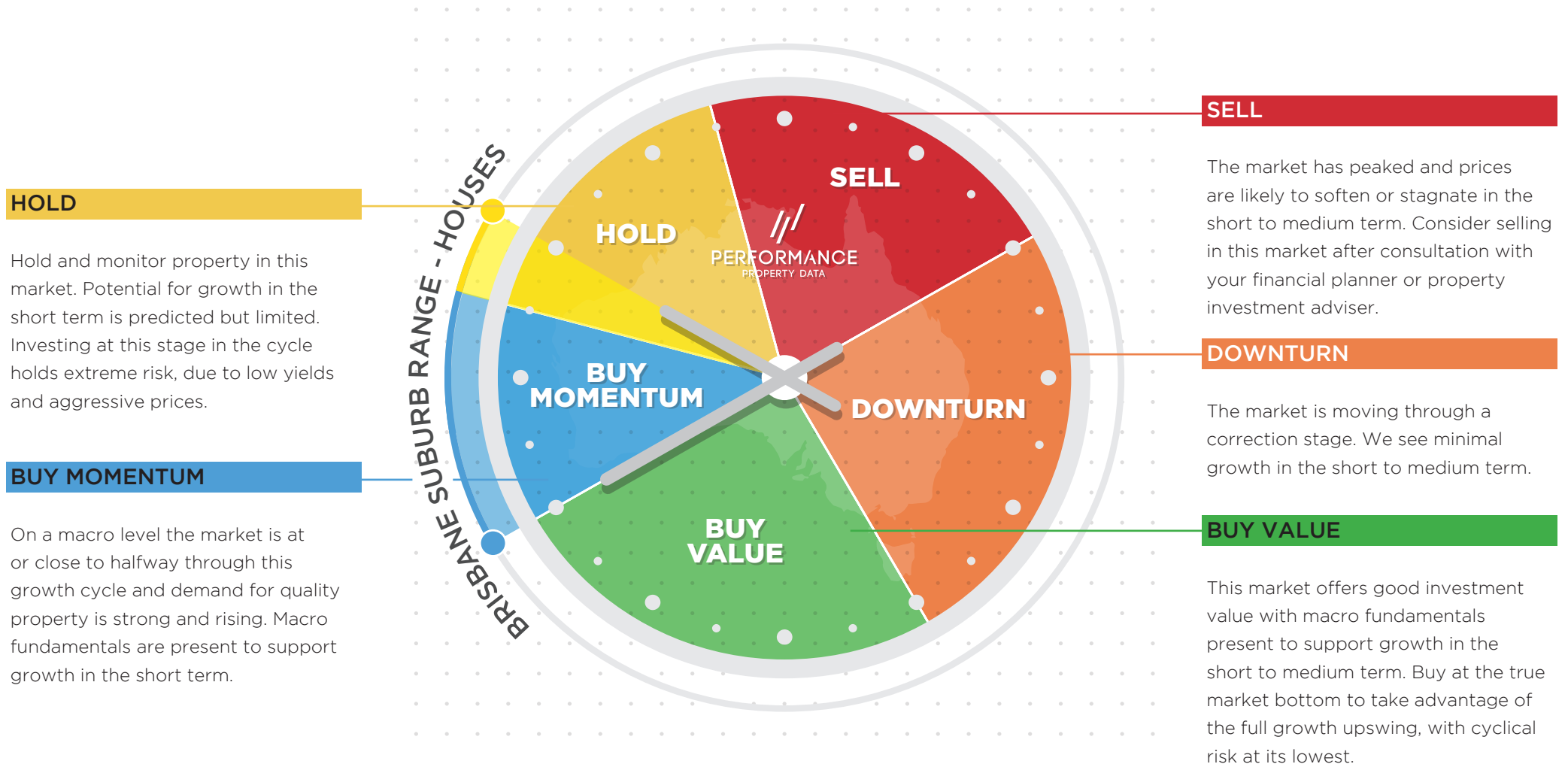
- Current Investment Value - Per Capital City
- Yield V. Interest Rates
- Long Term Trends
- Brisbane V. Sydney HOUSE Price Movement
- Capital City Long Term Price Comparison House

## RISK - Positive

Is there potentially downside Volatility?

- Industry Value Added
- Population Pyramid

# OUR VIEW OF THE BRISBANE HOUSE MARKET

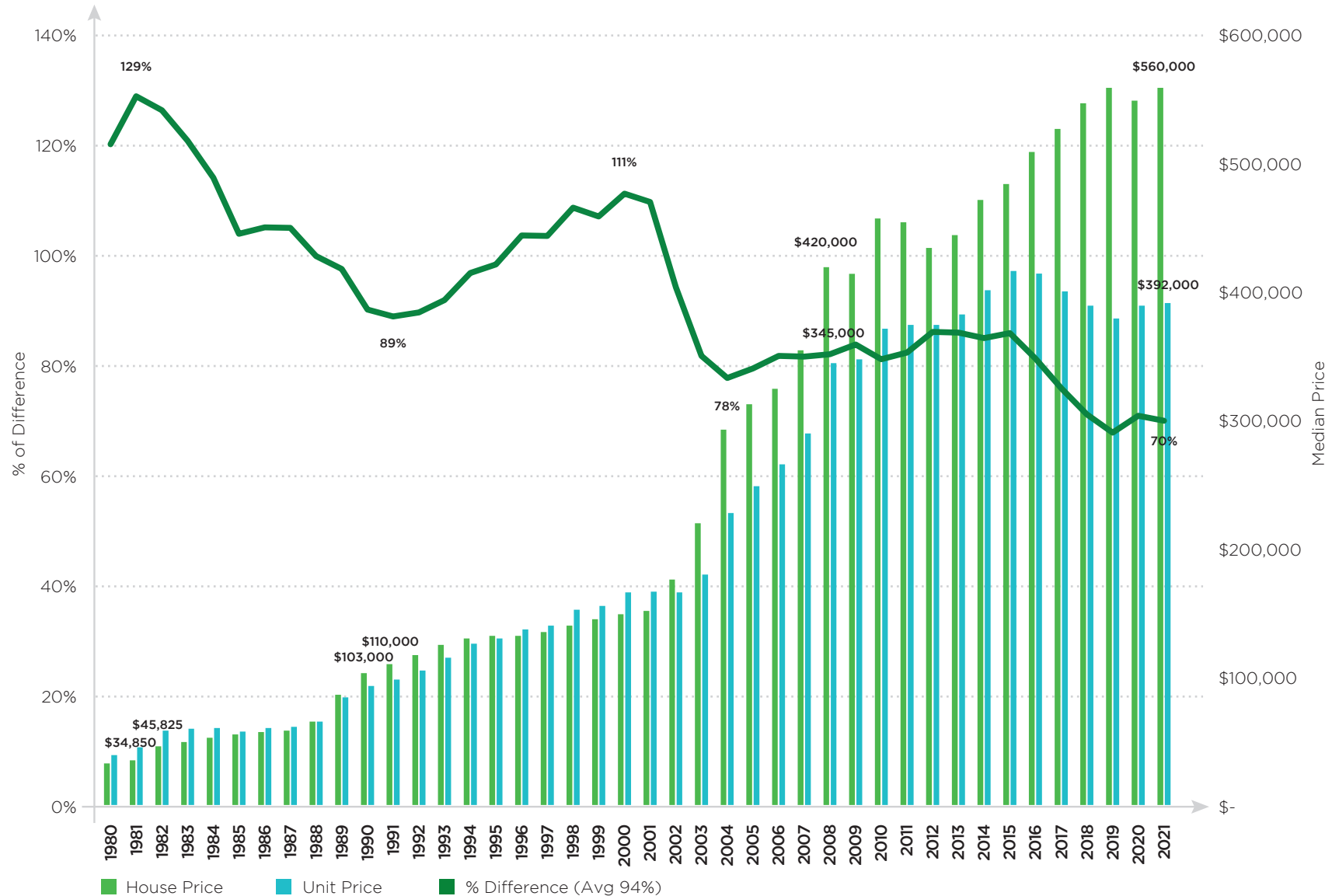


For more information on the Brisbane market, including individual property and suburb information, call to speak to one of our professional property advisors on 1300 088 932.



# BRISBANE UNIT V. HOUSE PRICE COMPARISON

This graph shows the comparison between house and unit price movements and the percentage difference for each year.



**POSITIVE**

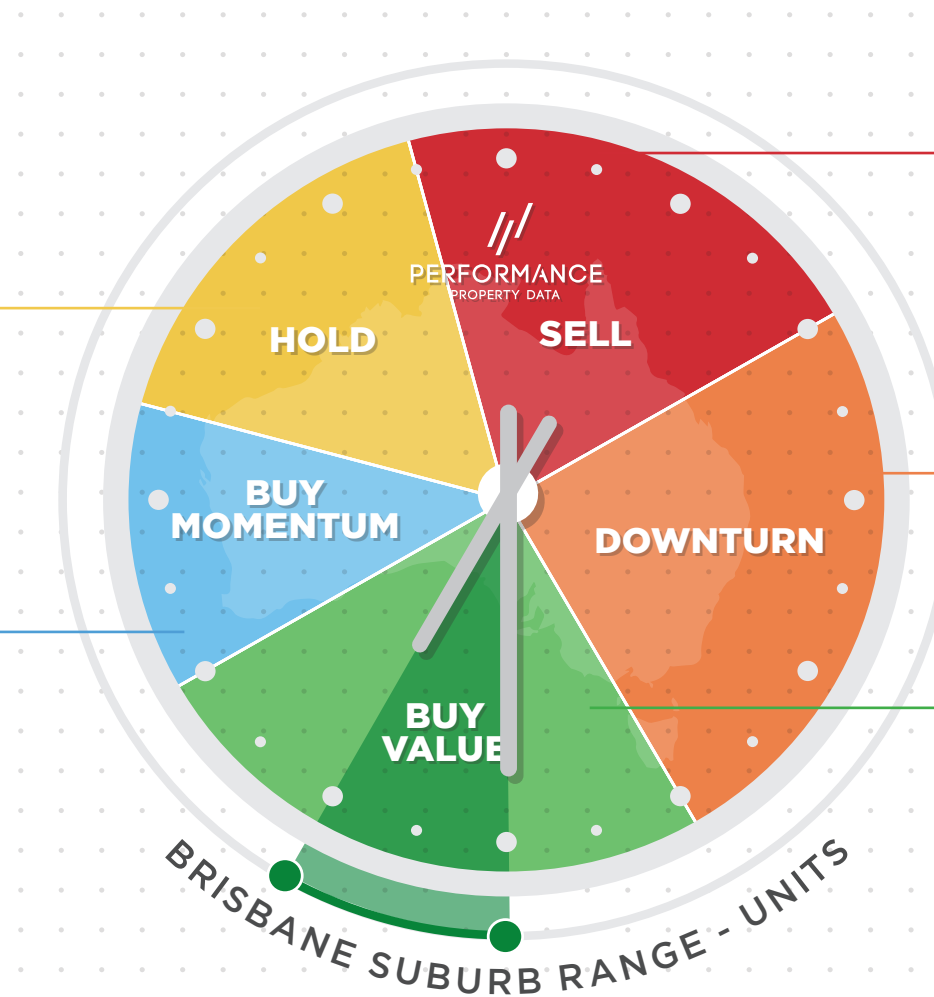
# OUR VIEW OF THE BRISBANE UNIT MARKET

## HOLD

Hold and monitor property in this market. Potential for growth in the short term is predicted but limited. Investing at this stage in the cycle holds extreme risk, due to low yields and aggressive prices.

## BUY MOMENTUM

On a macro level the market is at or close to halfway through this growth cycle and demand for quality property is strong and rising. Macro fundamentals are present to support growth in the short term.



## SELL

The market has peaked and prices are likely to soften or stagnate in the short to medium term. Consider selling in this market after consultation with your financial planner or property investment adviser.

## DOWNTURN

The market is moving through a correction stage. We see minimal growth in the short to medium term.

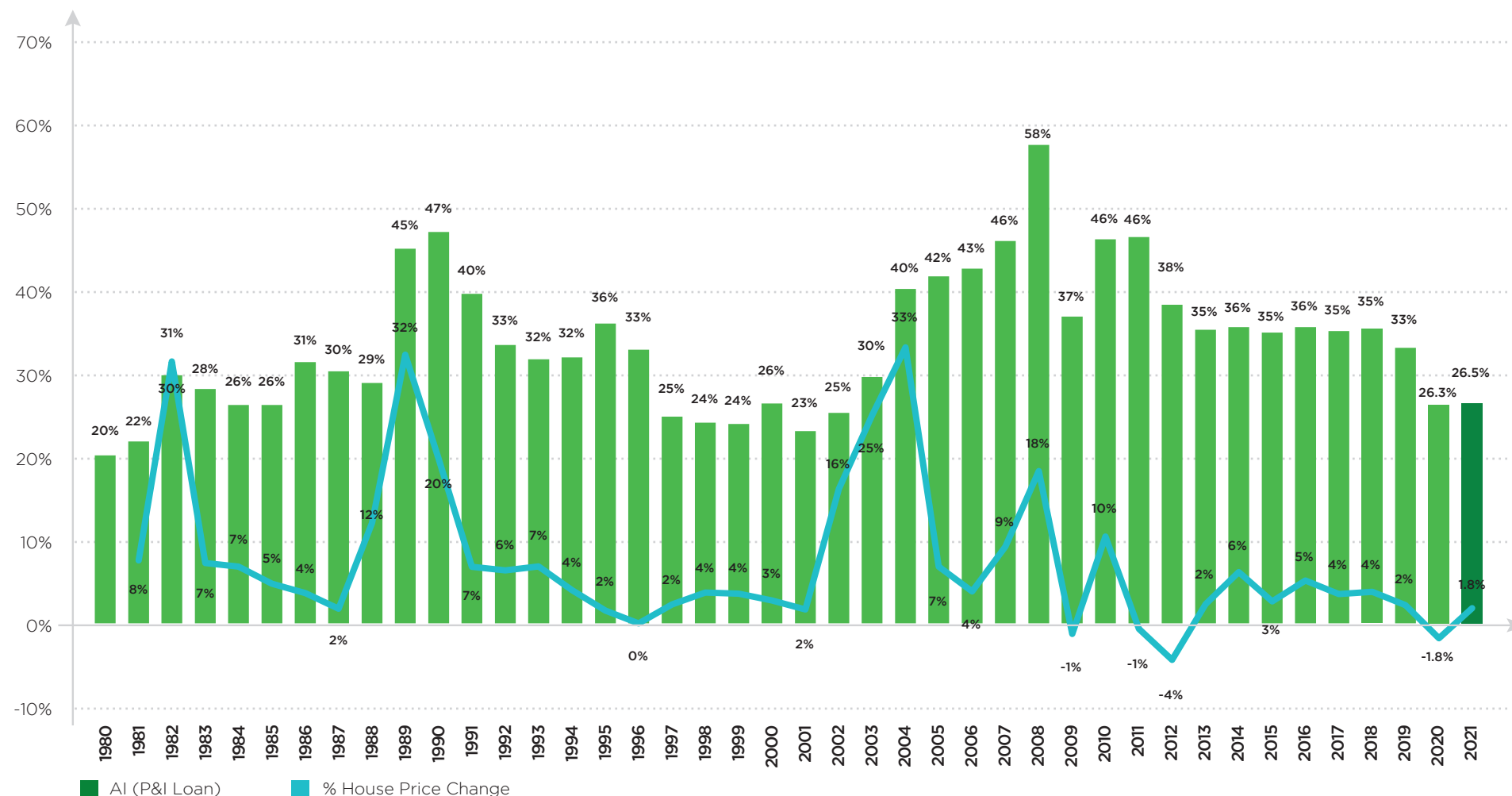
## BUY VALUE

This market offers good investment value with macro fundamentals present to support growth in the short to medium term. Buy at the true market bottom to take advantage of the full growth upswing, with cyclical risk at its lowest.

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# AFFORDABILITY INDEX V. PRICE MOVEMENT - HOUSE

This graph displays the impact interest rates have on house price movements. PPA's Gross Affordability Index (AI) is a measure of the average mortgage repayments versus the average income. The AI is calculated using the median price, average wage (before tax), assumes a 20% deposit, the current variable interest rate and Principle & Interest repayments over a 30 year loan term. The futures market forecast for a 25bp fall has been factored into the forecasted 2020 AI and assumes 0% price growth and 3% wage growth.

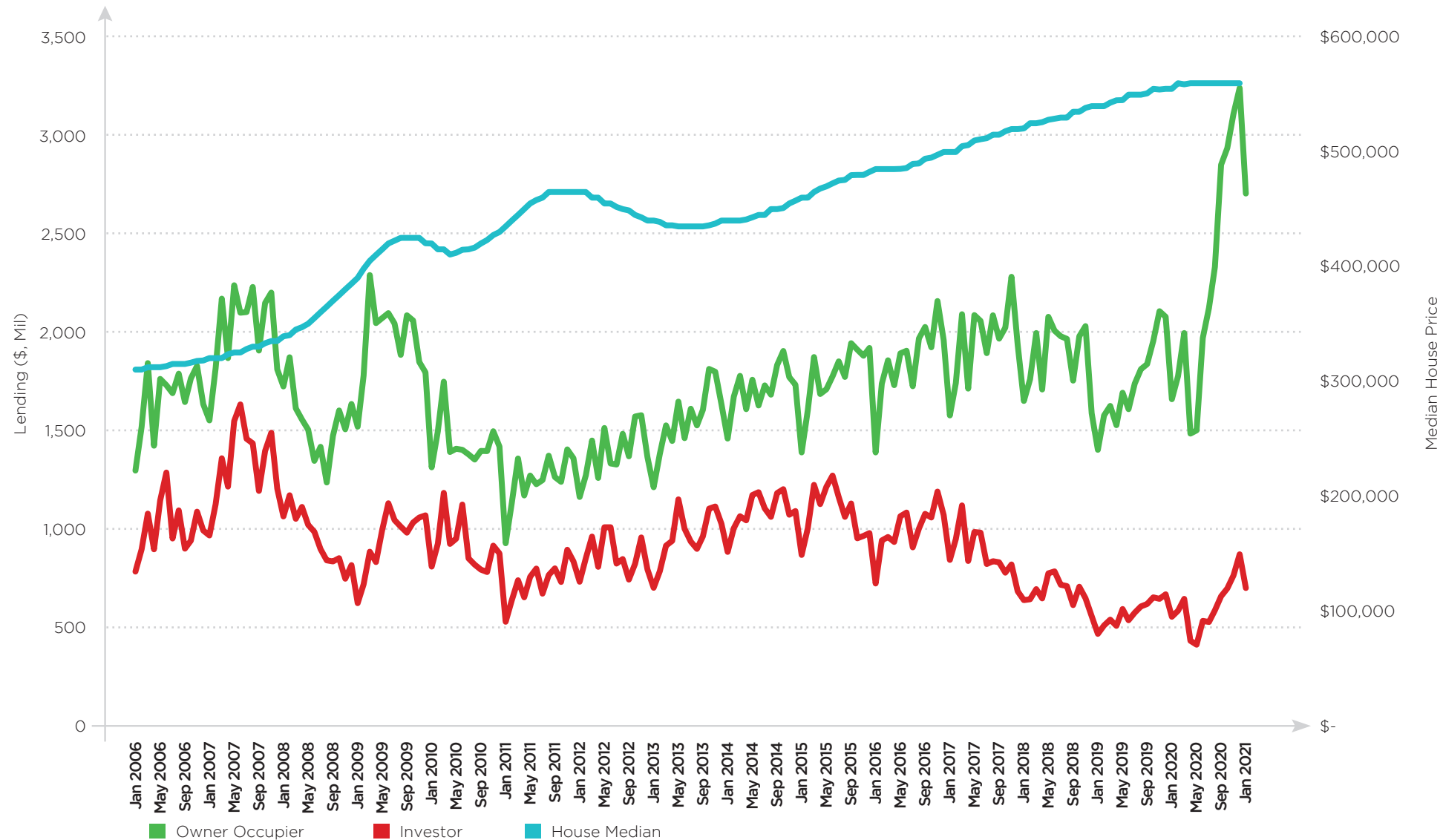


# QLD MONTHLY HH LENDING TO OC V. MEDIAN HOUSE PRICE

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This graph displays the value of housing finance for the state each month for owner occupiers and investors versus the median house price.

**POSITIVE**



# STOCK ON MARKET V. AVG DAYS ON MARKET

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This graph displays the average days on market and stock on market.

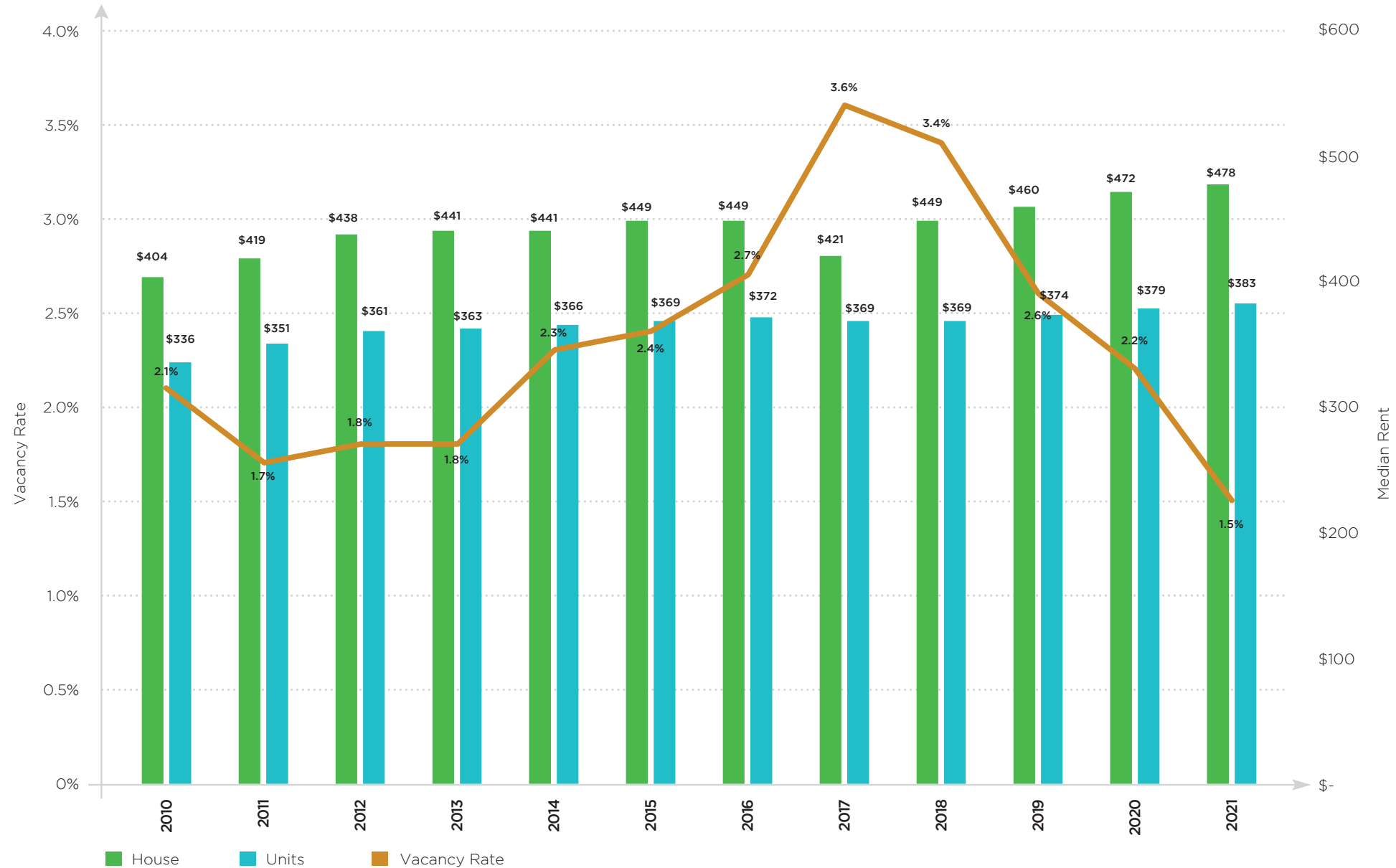
**POSITIVE**

# VACANCY RATE V. RENT

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This graph displays the relationship between rental growth for both houses and units and the vacancy rate.

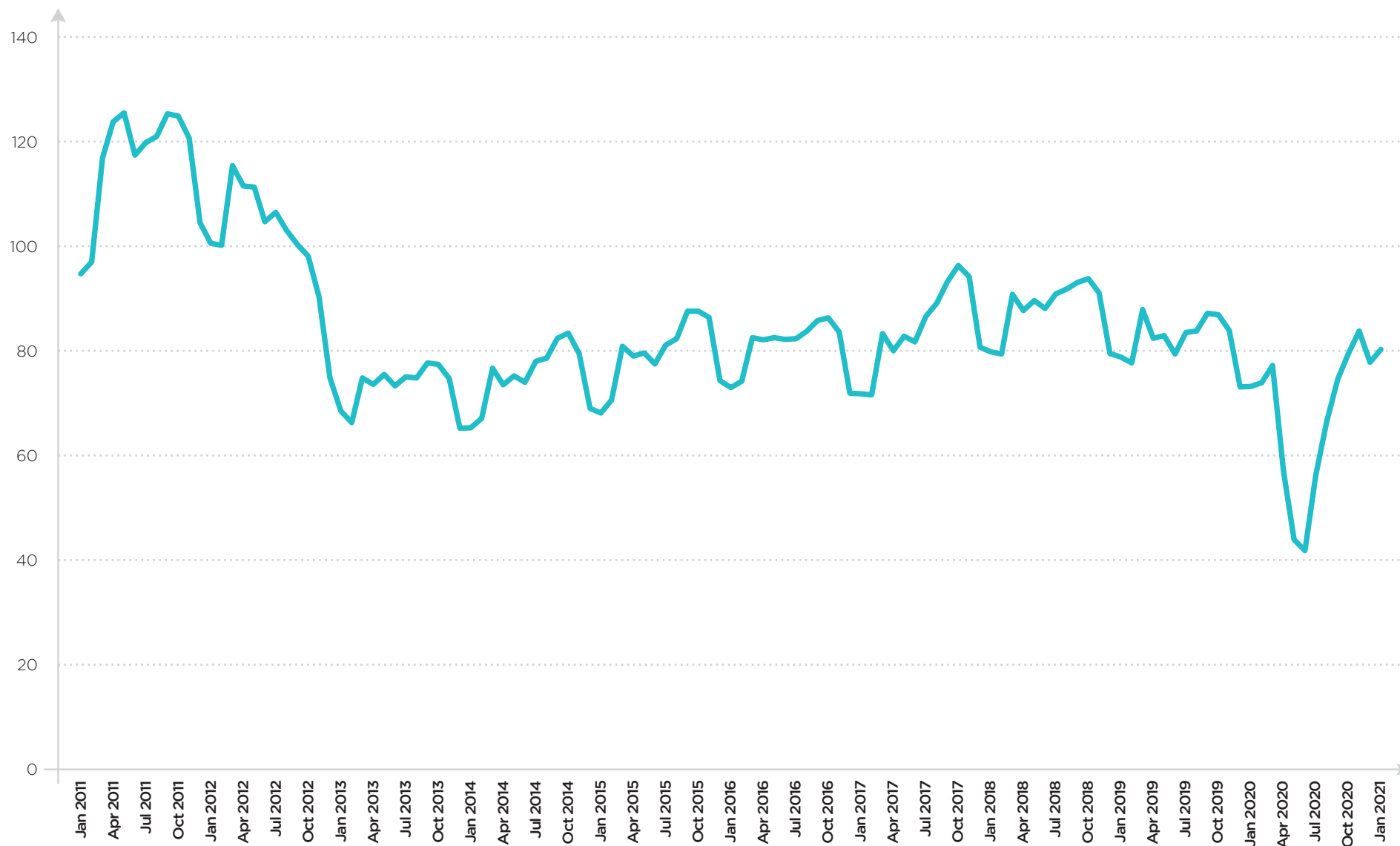
**SLIGHTLY  
POSITIVE**

# JOB CREATION INDEX - ADELAIDE

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This graph shows the internet vacancy index for online job advertisements on the three major job boards.

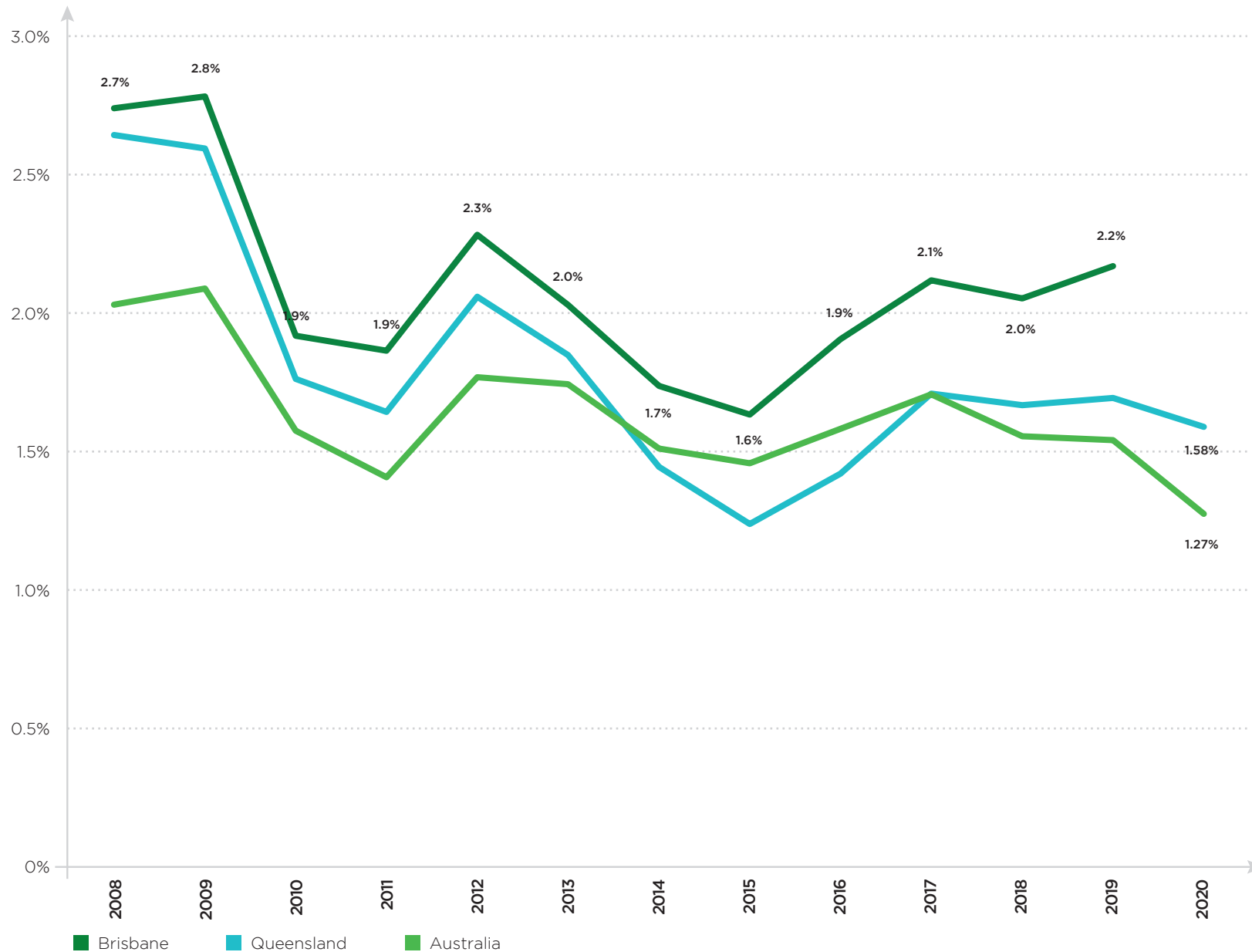
**NEUTRAL**

# CHANGE IN POPULATION

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This graph shows the percentage change in the population growth rate for the city, state and Australia.



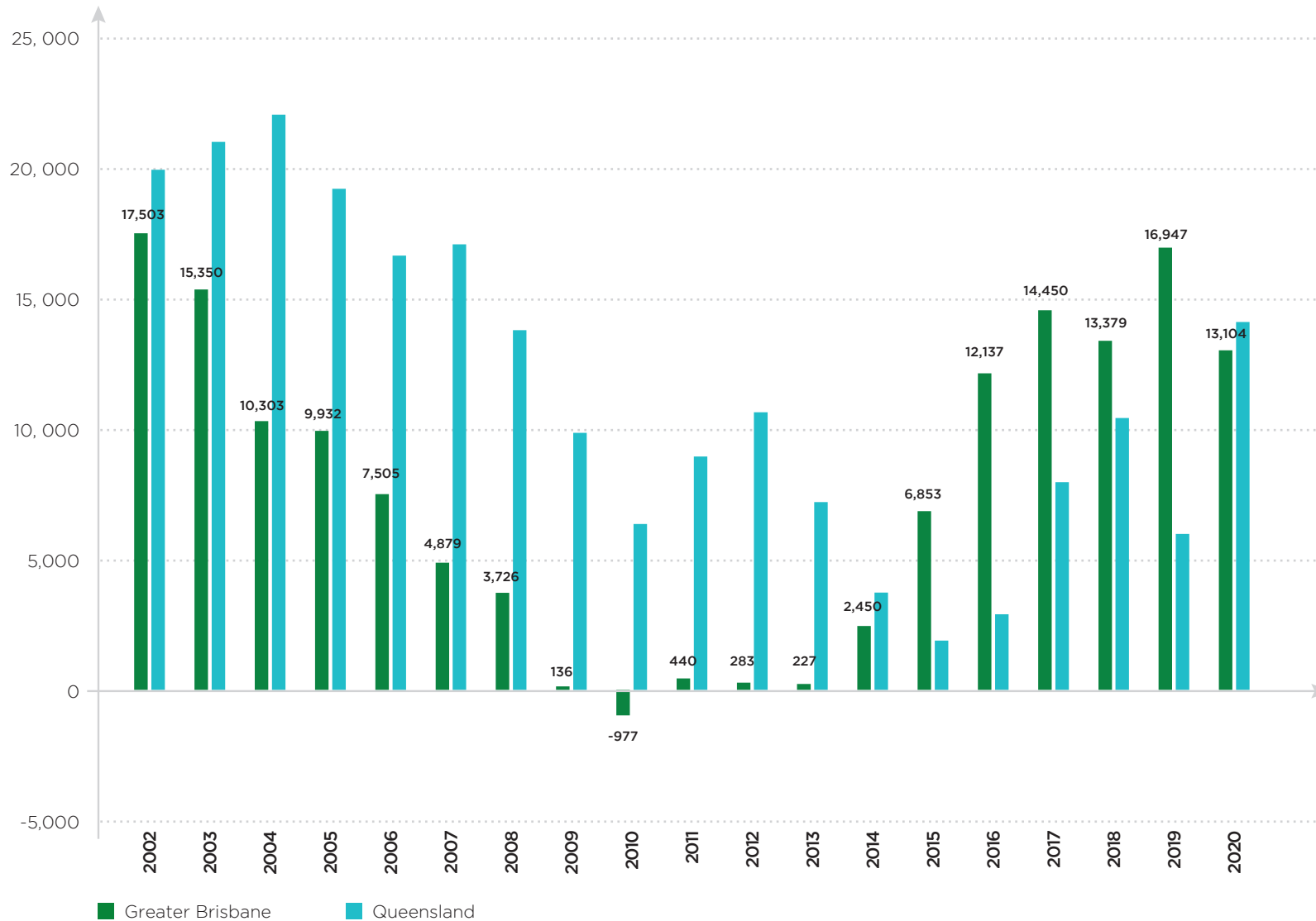
**POSITIVE**

**PERFORMANCE**  
PROPERTY DATA



# STATE INTERNAL MIGRATION

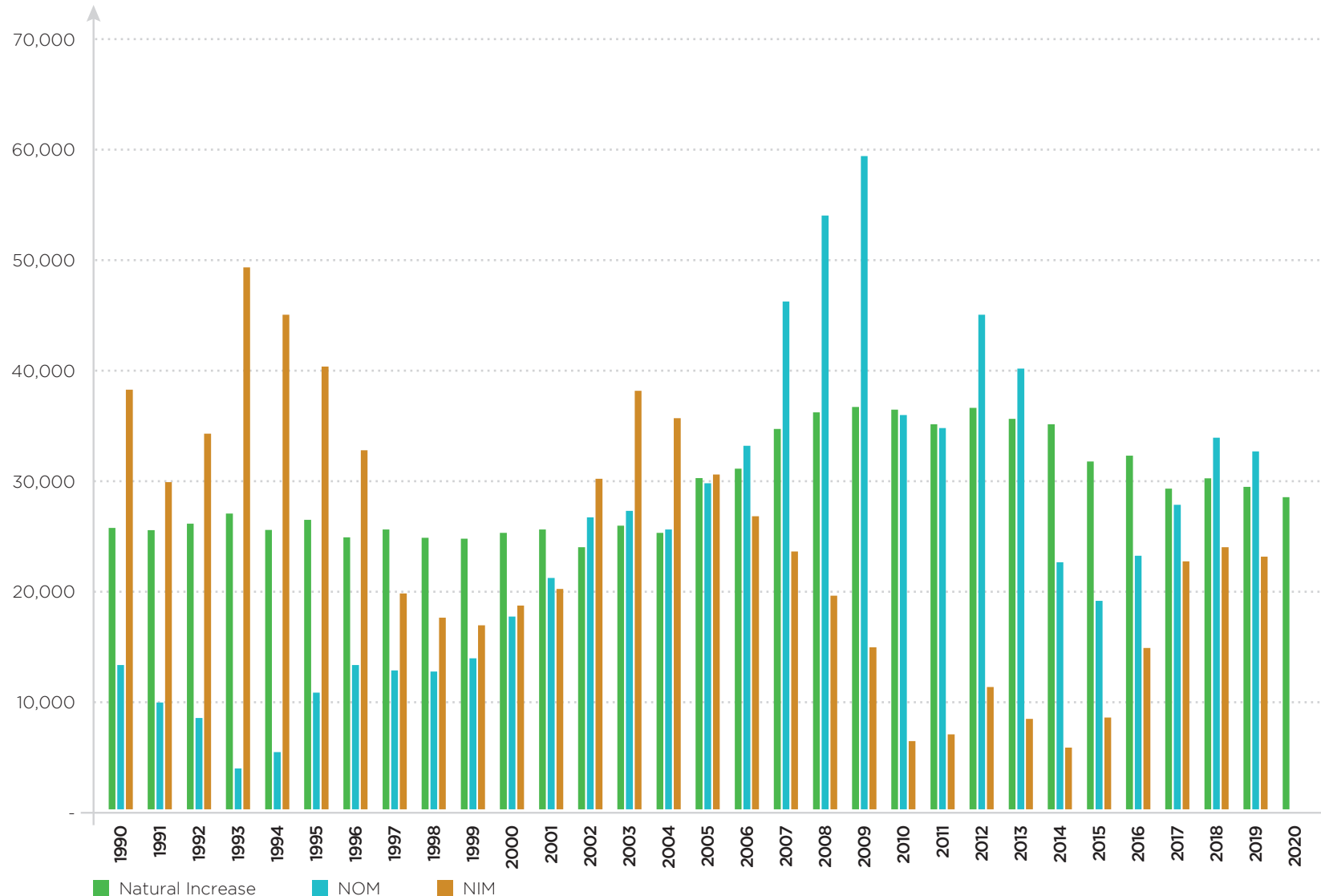
This graph displays the number of Inter and Intra Population movement of Greater Adelaide and the rest of South Australia



**POSITIVE**

# QUEENSLAND POPULATION MOVEMENT TYPE

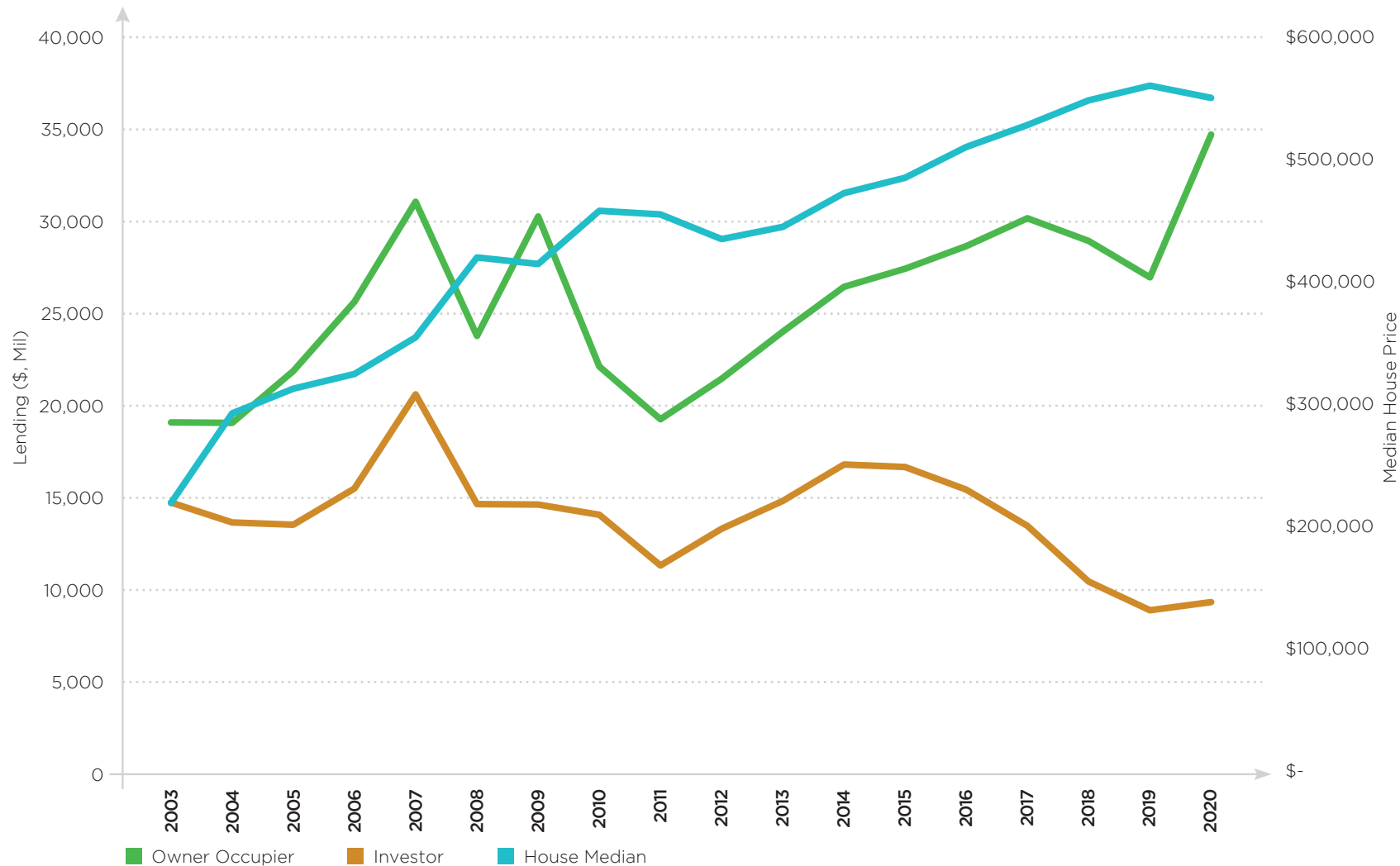
This graph demonstrates the breakdown of Natural Increase, Net Overseas Migration (NOM) and Net Interstate Migration (NIM) for the state.



**POSITIVE**

# STATE LENDING TO HOUSEHOLDS V. MEDIAN HOUSE PRICE

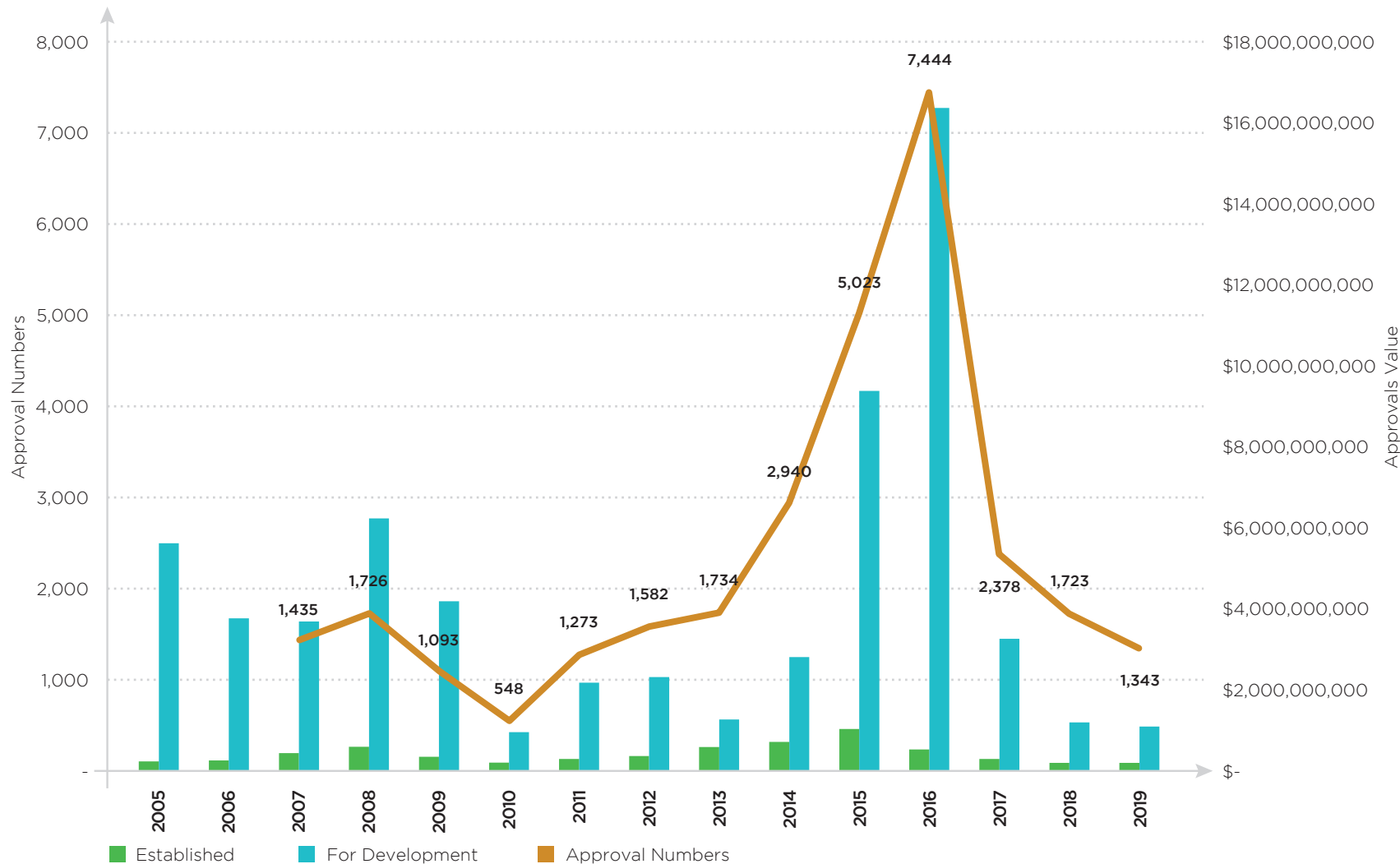
This graph displays the value of housing finance for the state annualised for owner occupiers and investors versus the median house price.



**POSITIVE**

# FOREIGN INVESTMENT APPROVALS - NEW V. ESTABLISHED PROPERTY

This graph shows the amount of foreign investment approvals for the state's residential market since 2005. Approvals are broken down into established property and developed/for development.

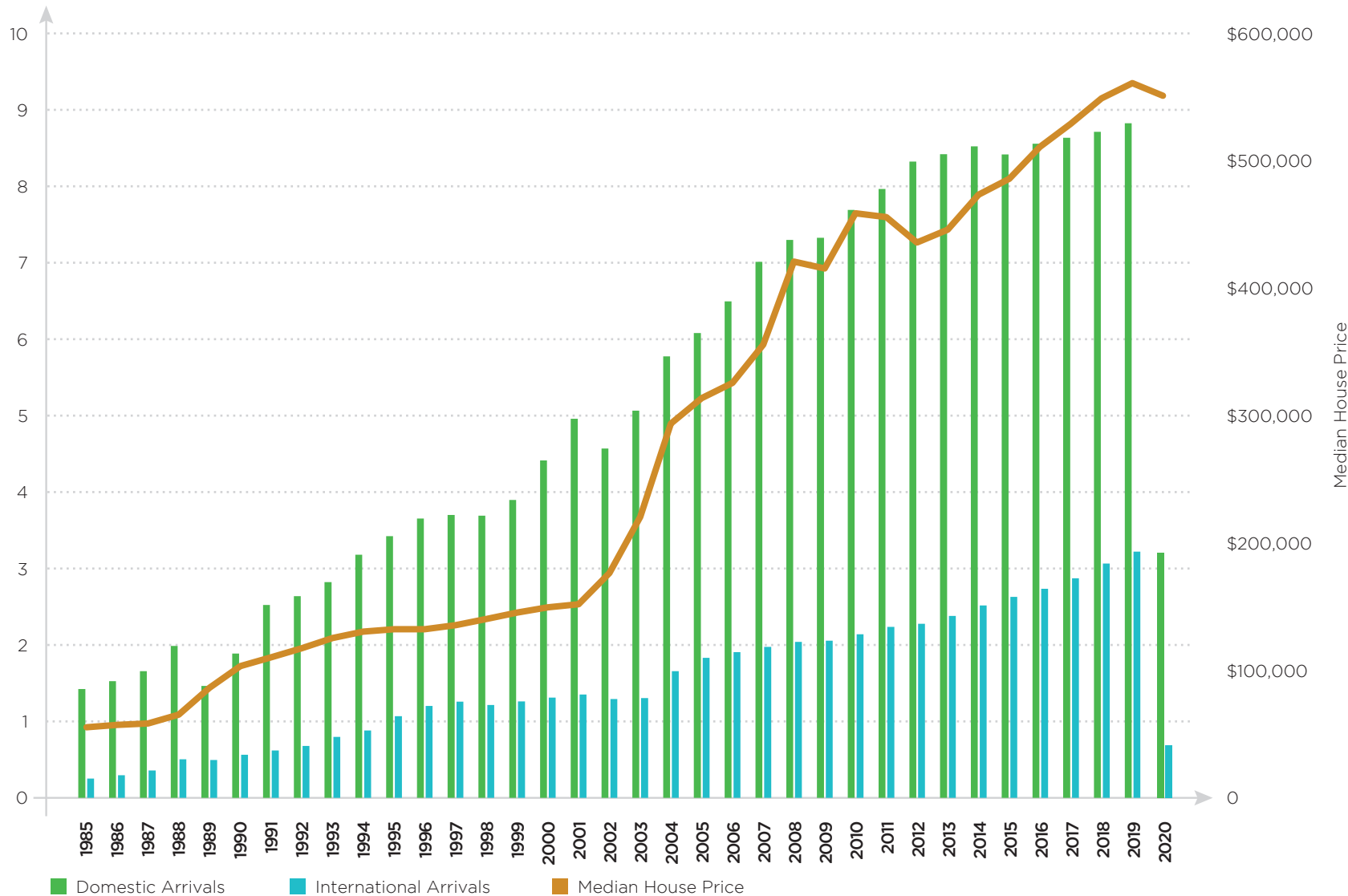


**SLIGHTLY  
POSITIVE**



# AIRPORT ARRIVALS V. MEDIAN HOUSE PRICE

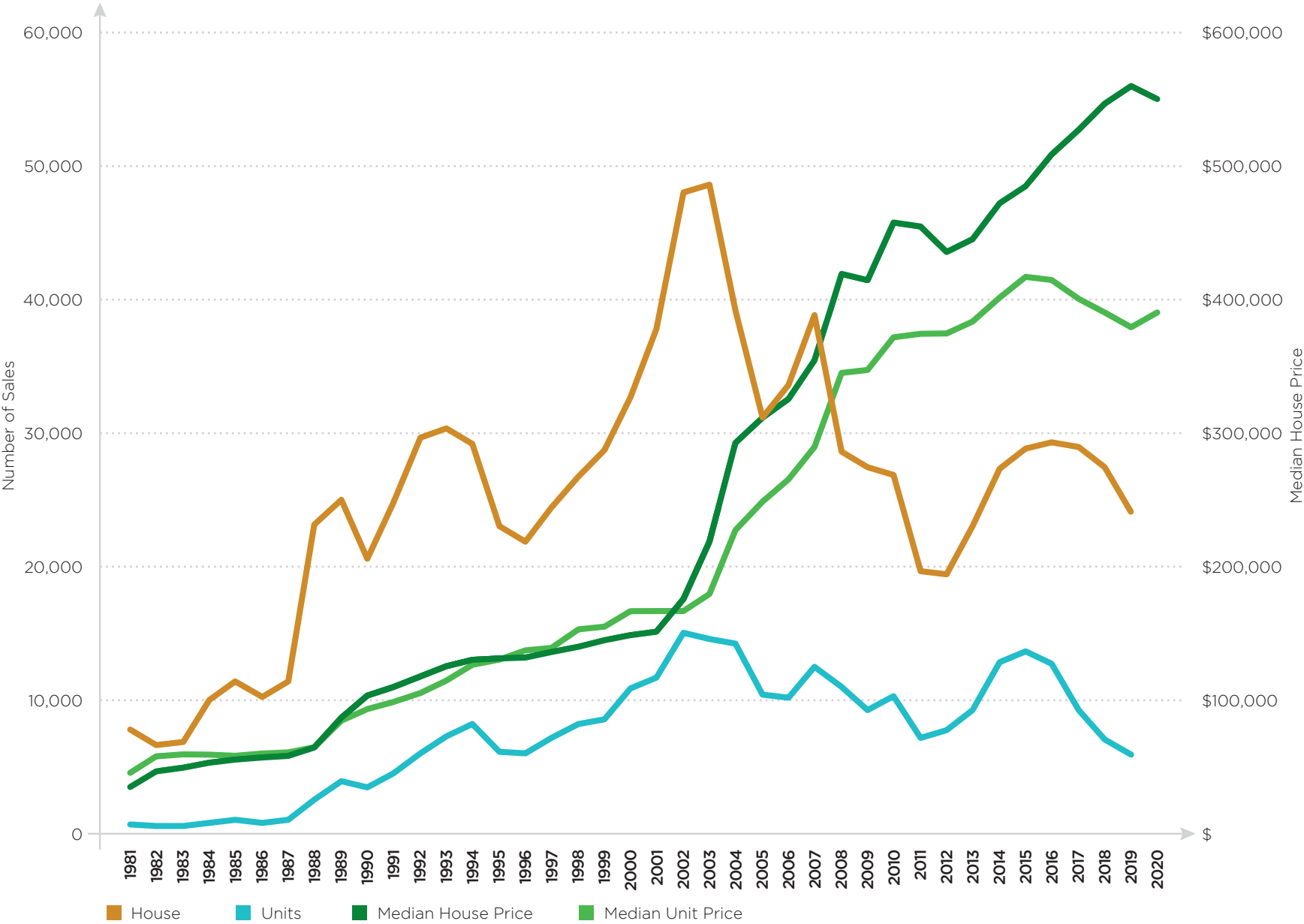
This graph shows the numbers for International and Domestic arrivals into the city's airport from 1985 plotted against the median house price.



**NEGATIVE**

# DWELLING SALES

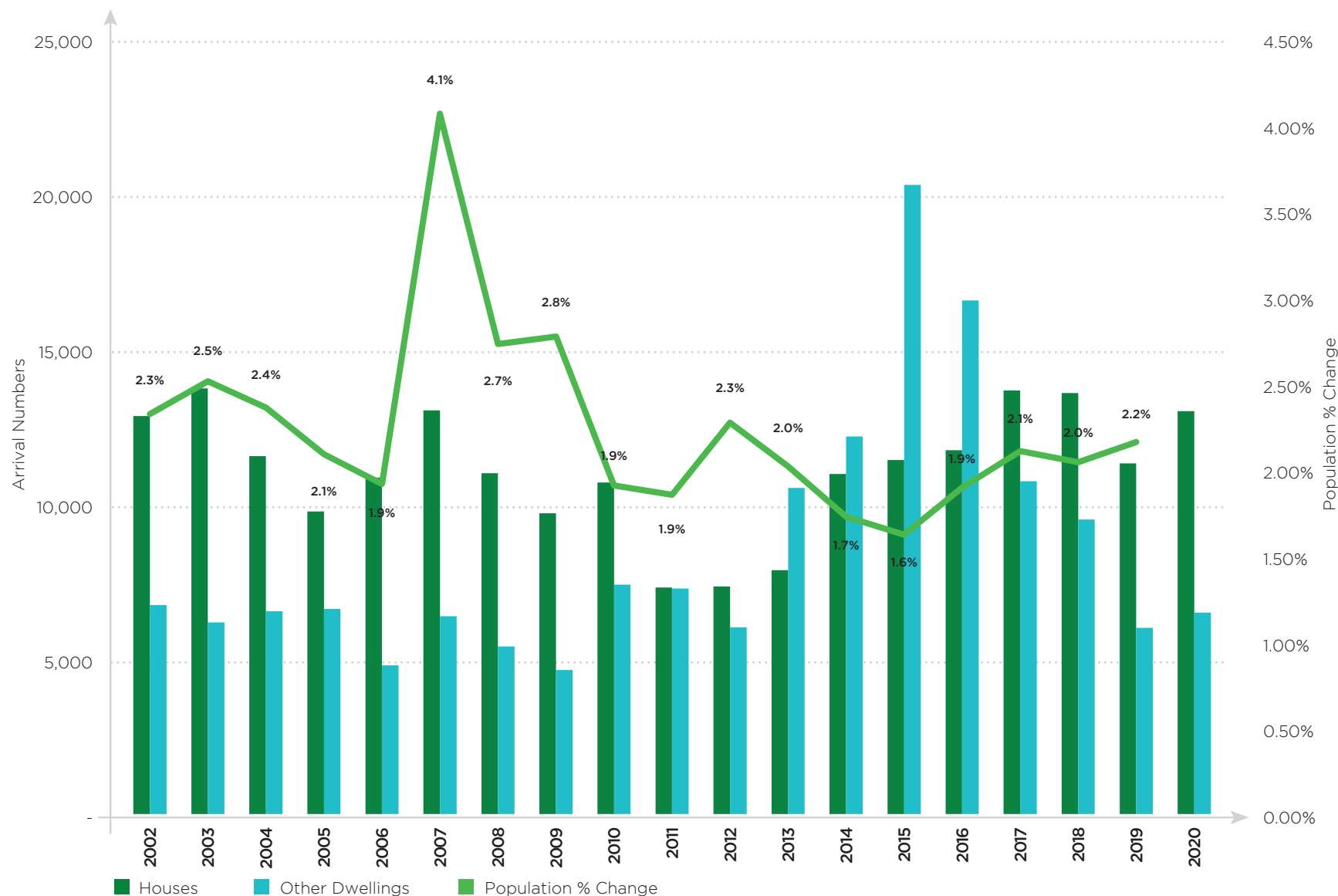
This graph displays the number of unit and house sales.



NEGATIVE

# DWELLING APPROVALS V. POPULATION

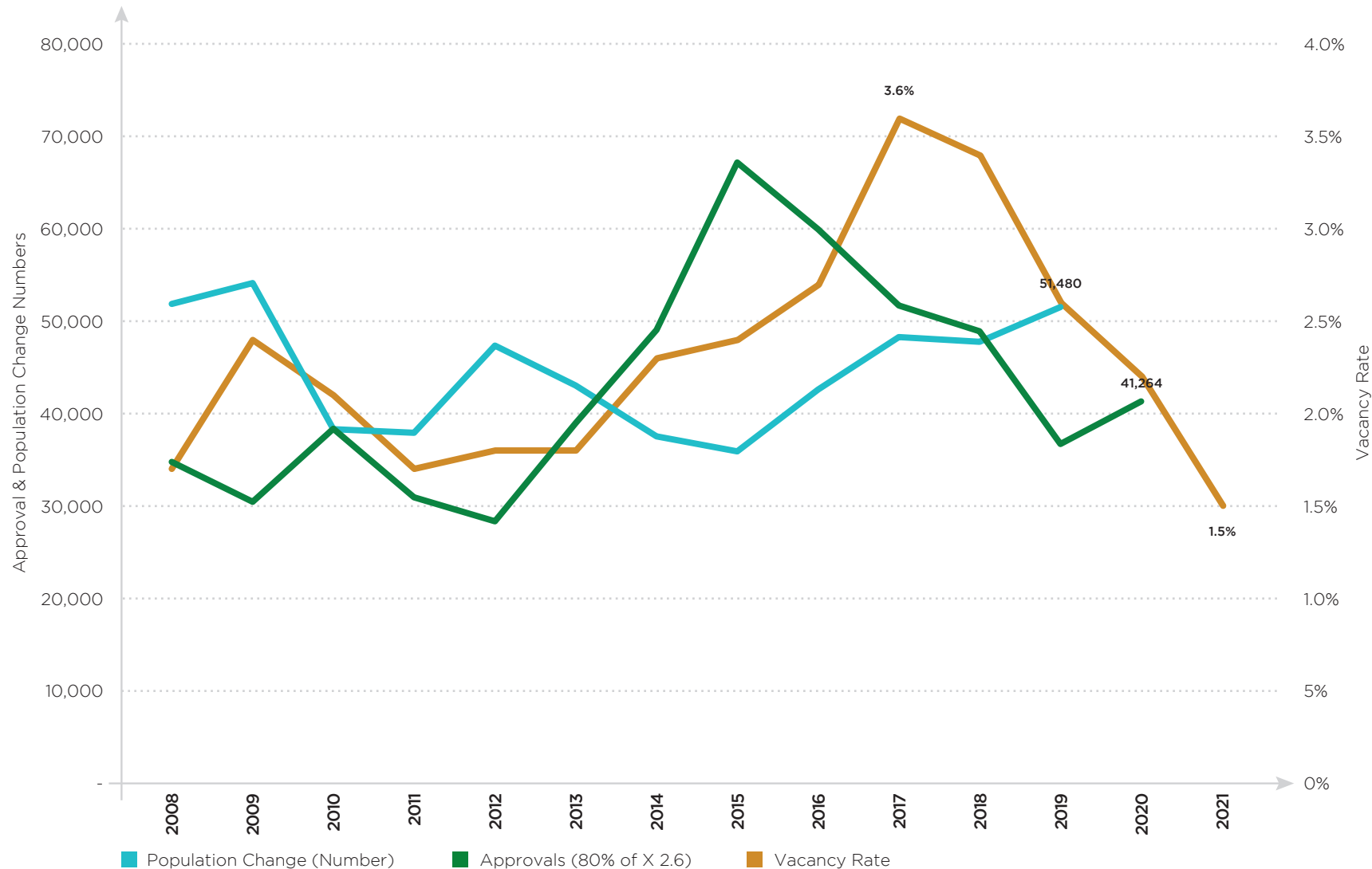
This graph shows the relationship between population growth and dwelling approvals in the Greater City region.



**NEUTRAL**

# BEDROOM APPROVALS V. POPULATION CHANGE

This graph shows the relationship between the assumed number of bedrooms being commenced, the change in population numbers and the vacancy rate. PPA calculates this assuming 80% of approvals commence, and multiplying by the average household size of the city.

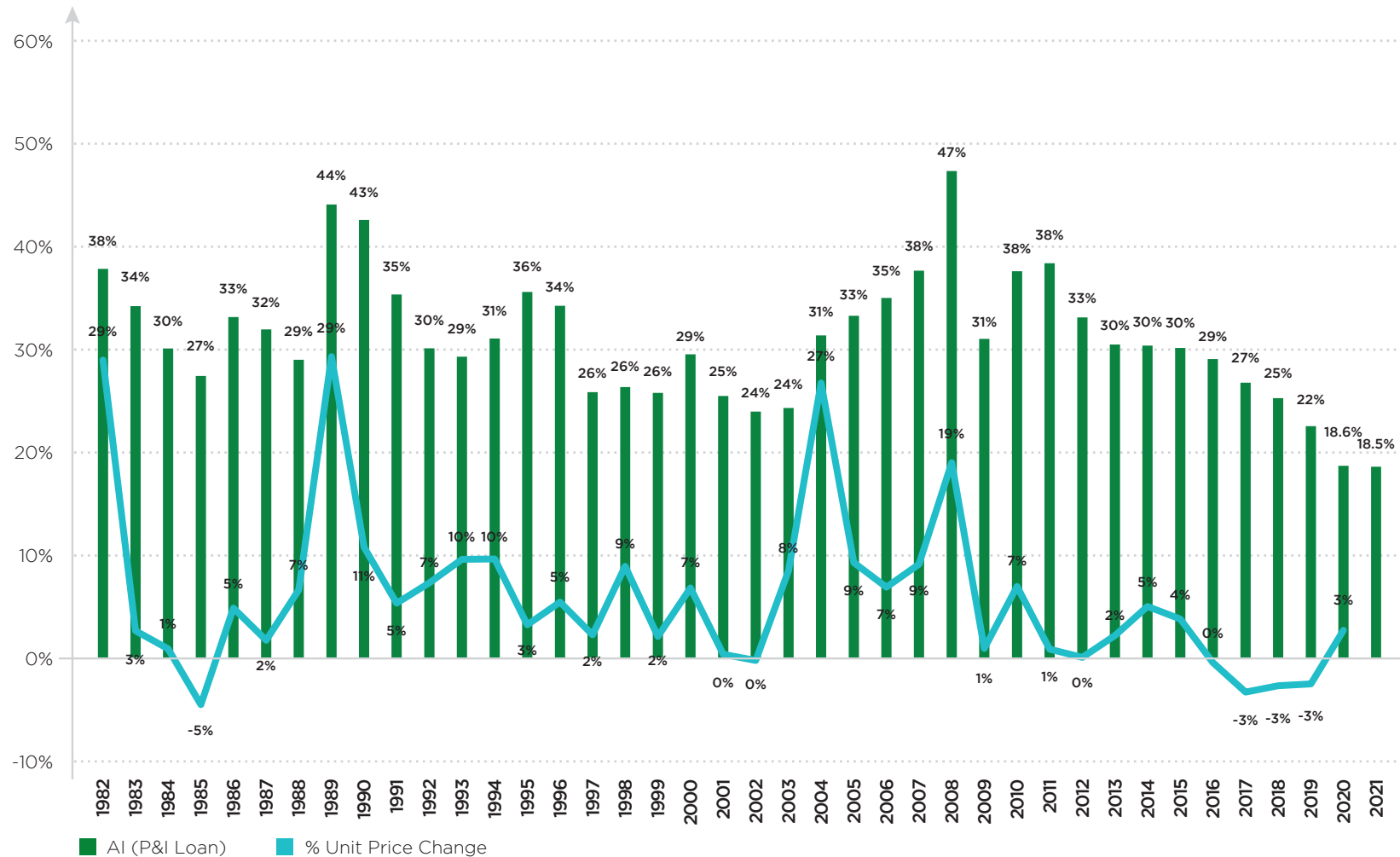


**POSITIVE**



# AFFORDABILITY INDEX V. PRICE MOVEMENT - UNIT

This graph displays the impact interest rates have on unit price movements. PPA's Gross Affordability Index (AI) is a measure of the average mortgage repayments versus the average income. The AI is calculated using the median price, average wage (before tax), assumes a 20% deposit, the current variable interest rate and Principle & Interest repayments over a 30 year loan term. The futures market forecast for a 25bp fall has been factored into the forecasted 2020 AI and assumes 0% price growth and 3% wage growth.



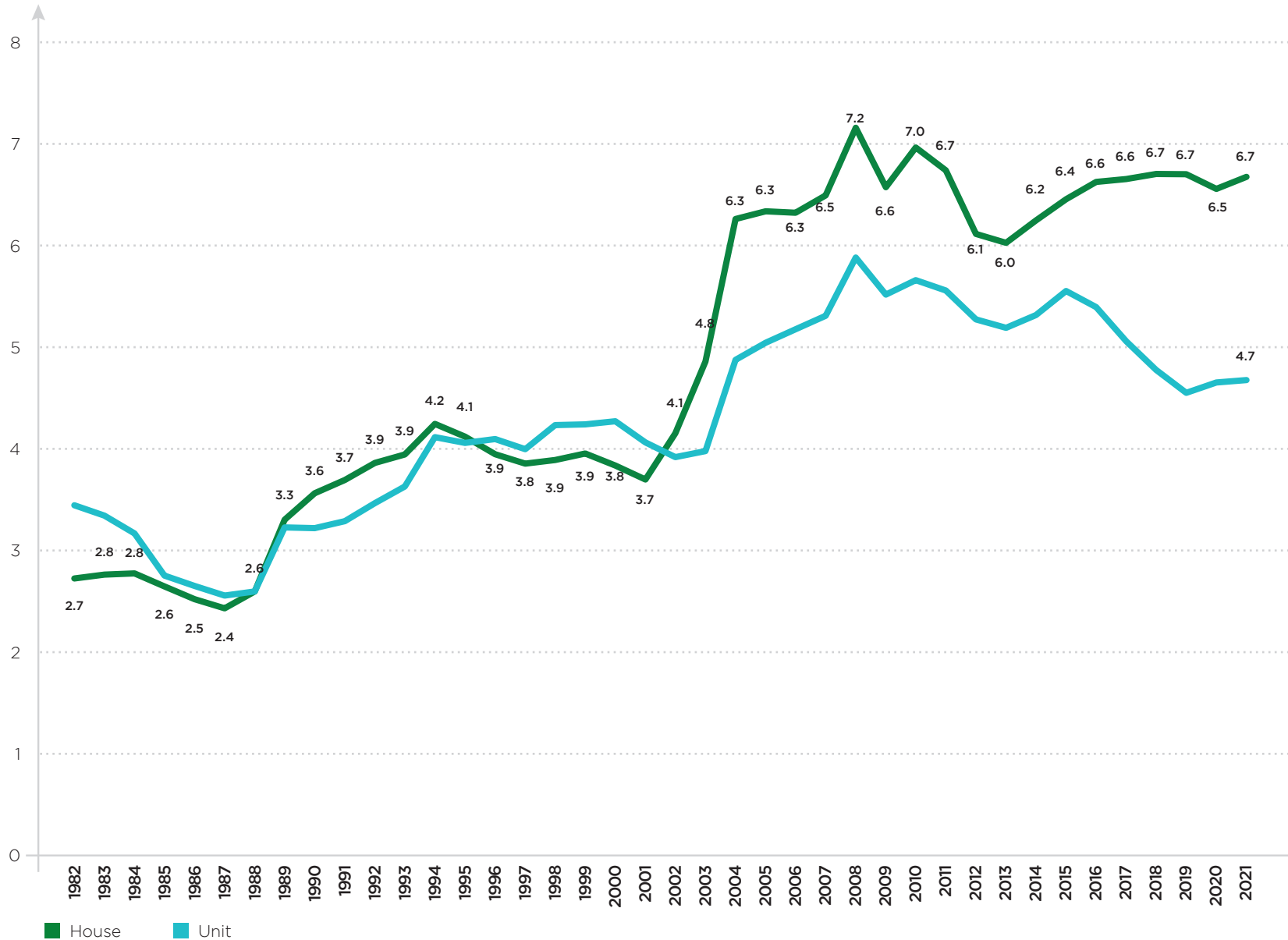
**POSITIVE**

# PRICE TO INCOME RATIO

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This graph displays the price to income ratio which is the relationship between the median house price and the average annual income. This also represents the average time taken to save a 20% deposit when assuming 20% of the average wage is saved.

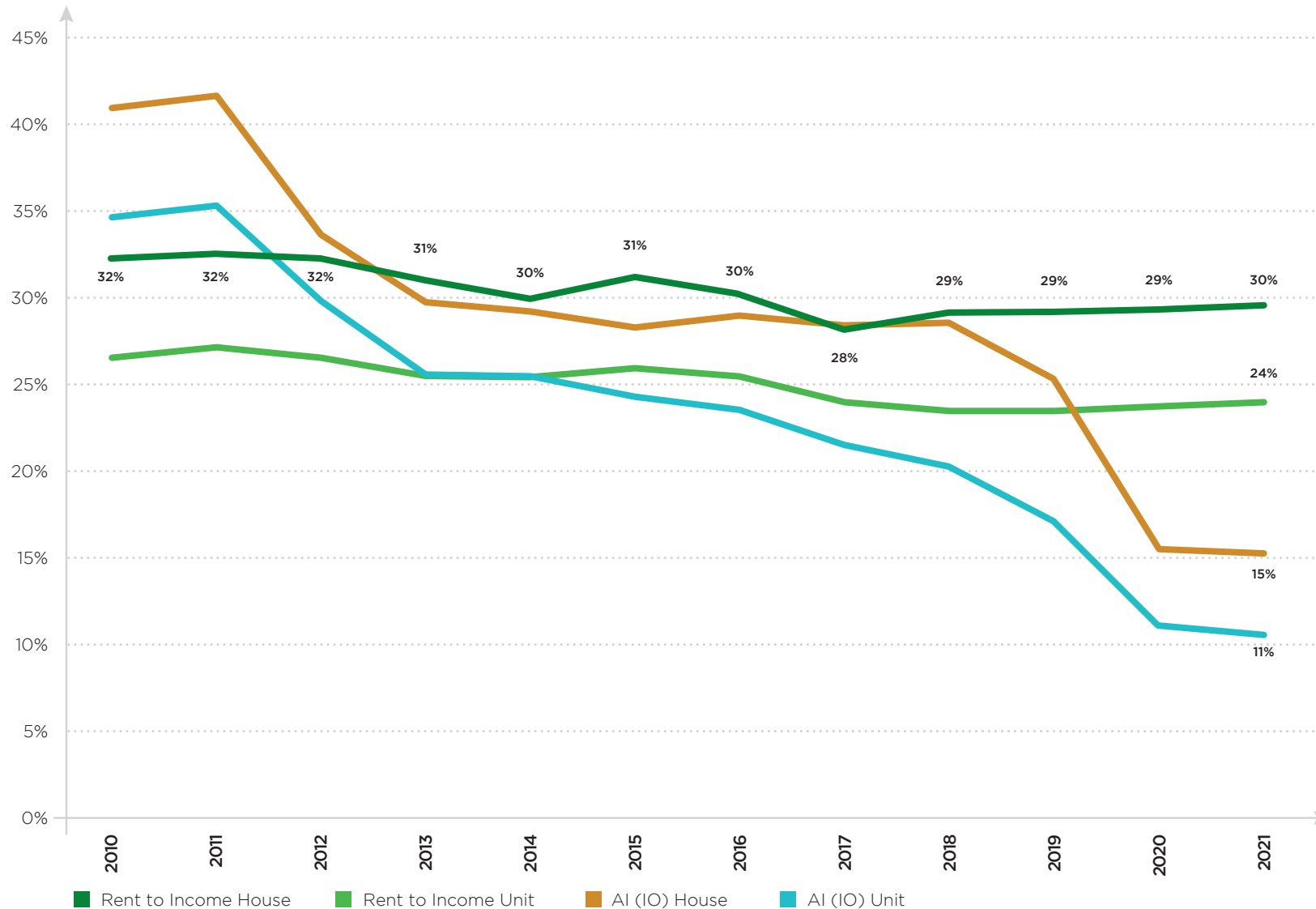


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# INCOME TO RENT V. AFFORDABILITY INDEX

This graph displays the percentage of the average wage that pays the median rent versus the PPA Affordability Index for houses and units using an Interest Only loan.



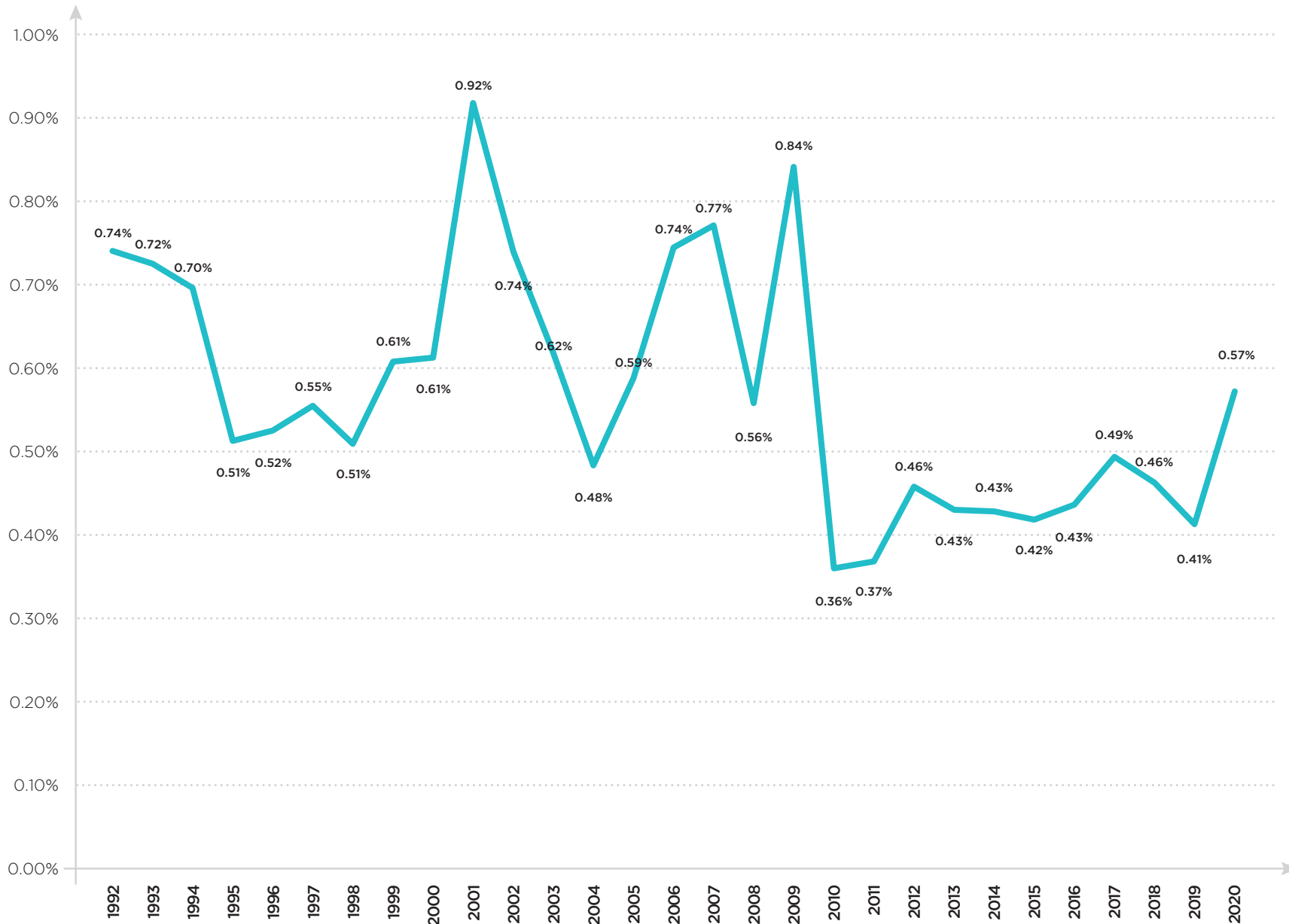
**POSITIVE**

# FHBS AS A % OF POPULATION

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This graph shows the percentage of first home buyers (FHB) relative to the state population.

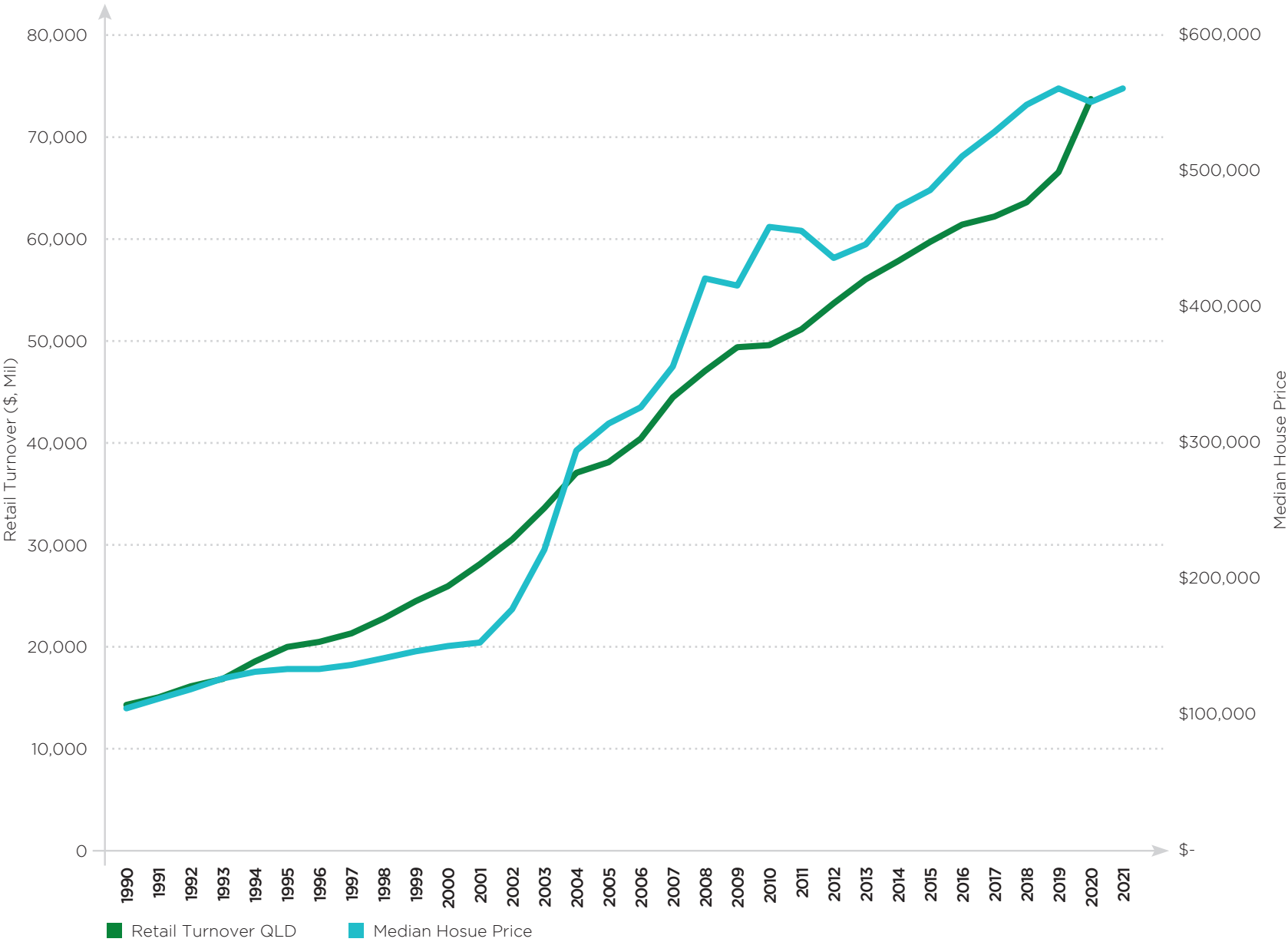


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# RETAIL TURNOVER GROWTH

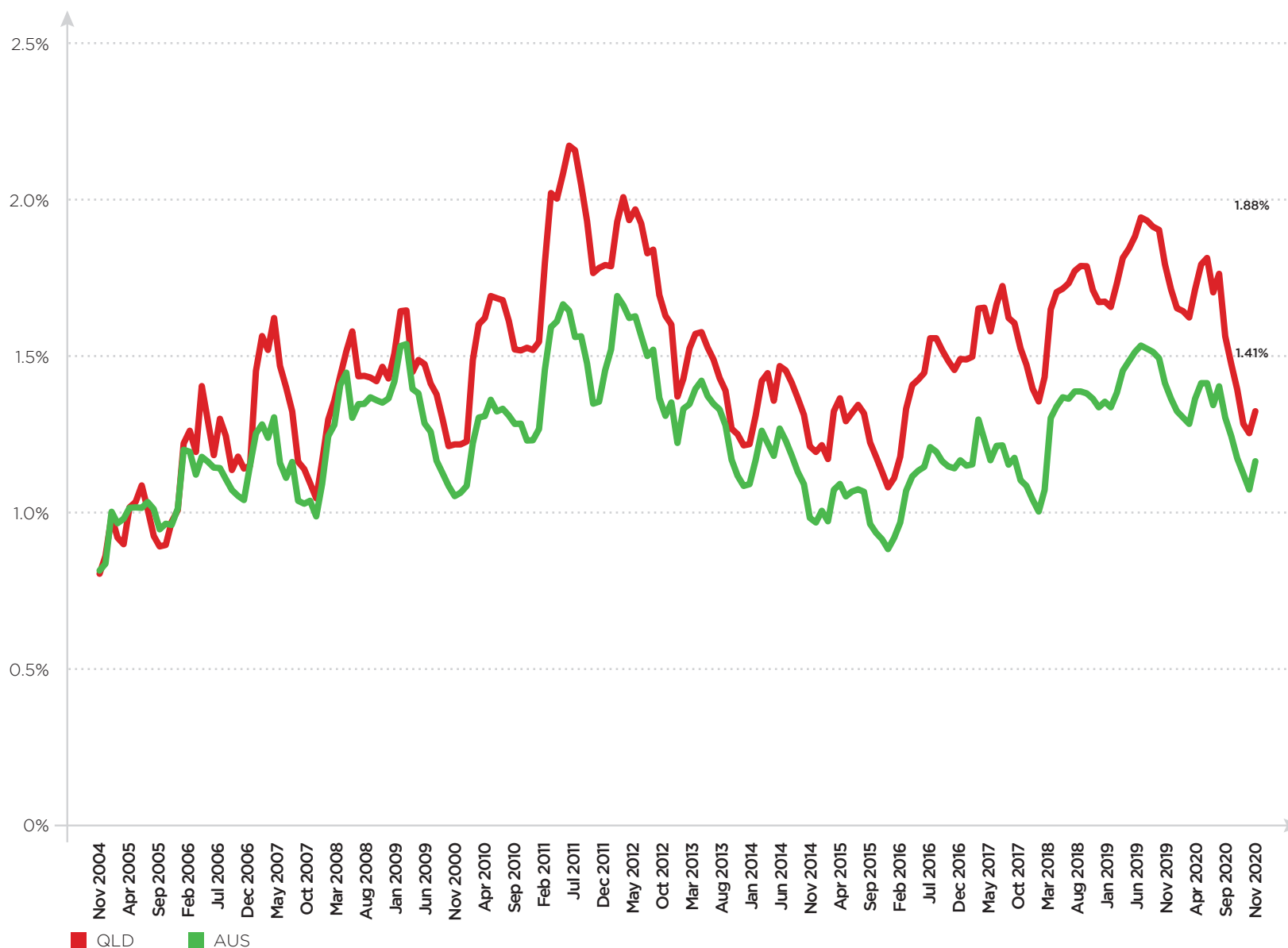
This graph displays levels of retail turnover for the state charted against the median house price.



POSITIVE

# MORTGAGE ARREARS

This graph displays the percentage of mortgages that are 30+ days in arrears in the state and Nationally. Supplied by Standard and Poor's Global Ratings.



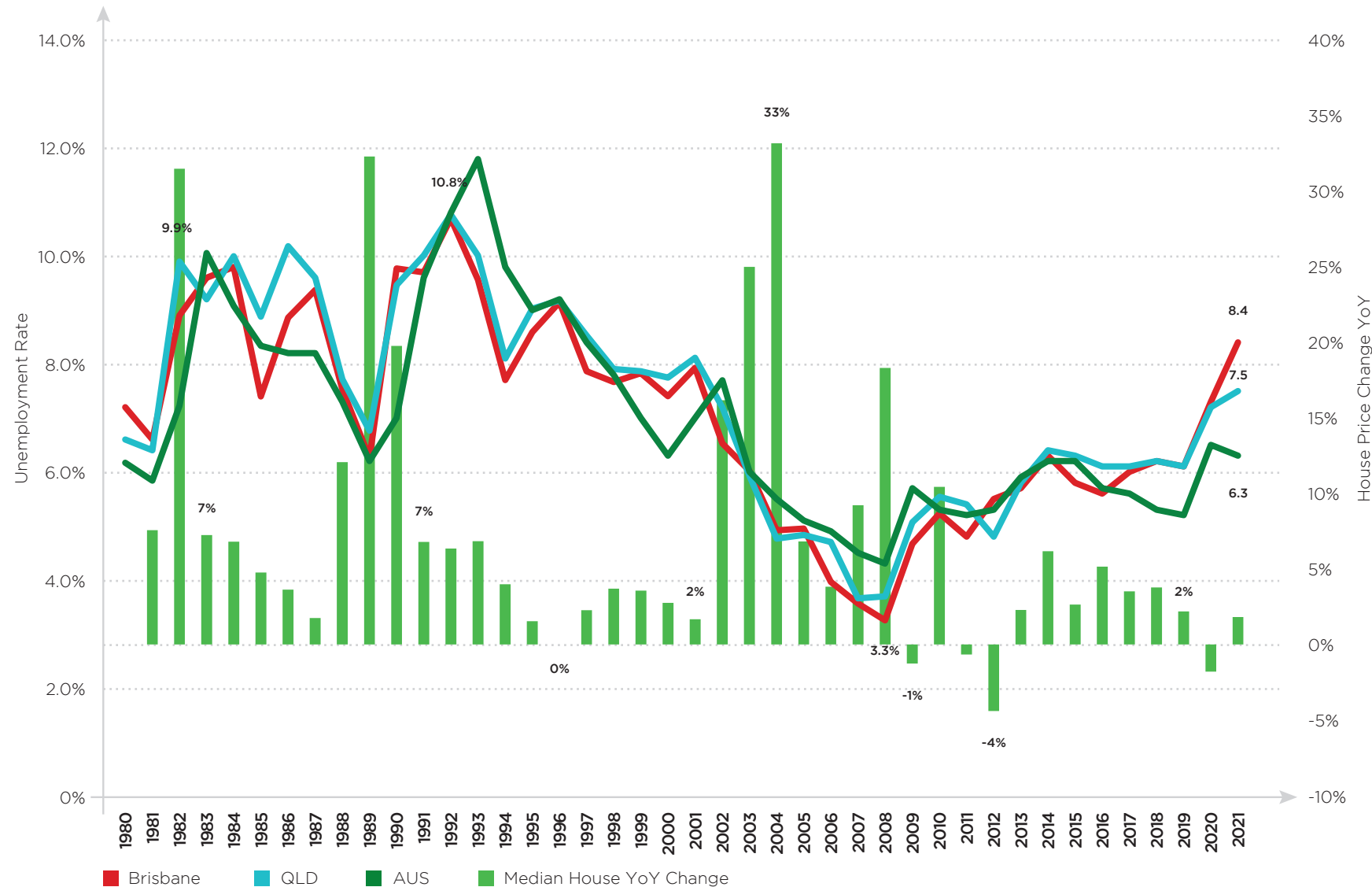
**NEUTRAL**



# UNEMPLOYMENT V. MEDIAN HOUSE PRICE CHANGE

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This graph shows the relationship between the state and national underemployment rate as a yearly average from 1980 and the current, most recent rate.

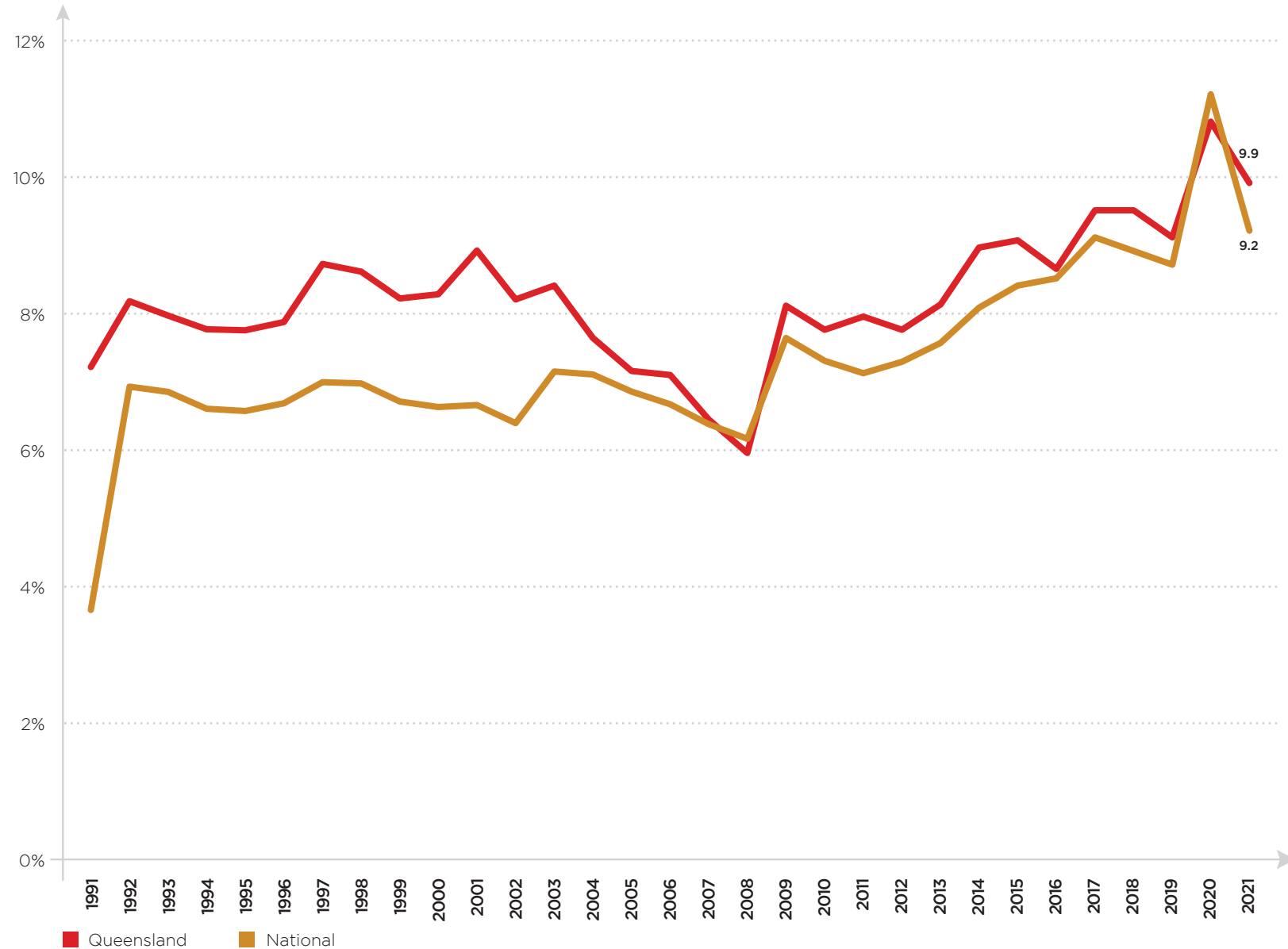


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# UNDEREMPLOYMENT

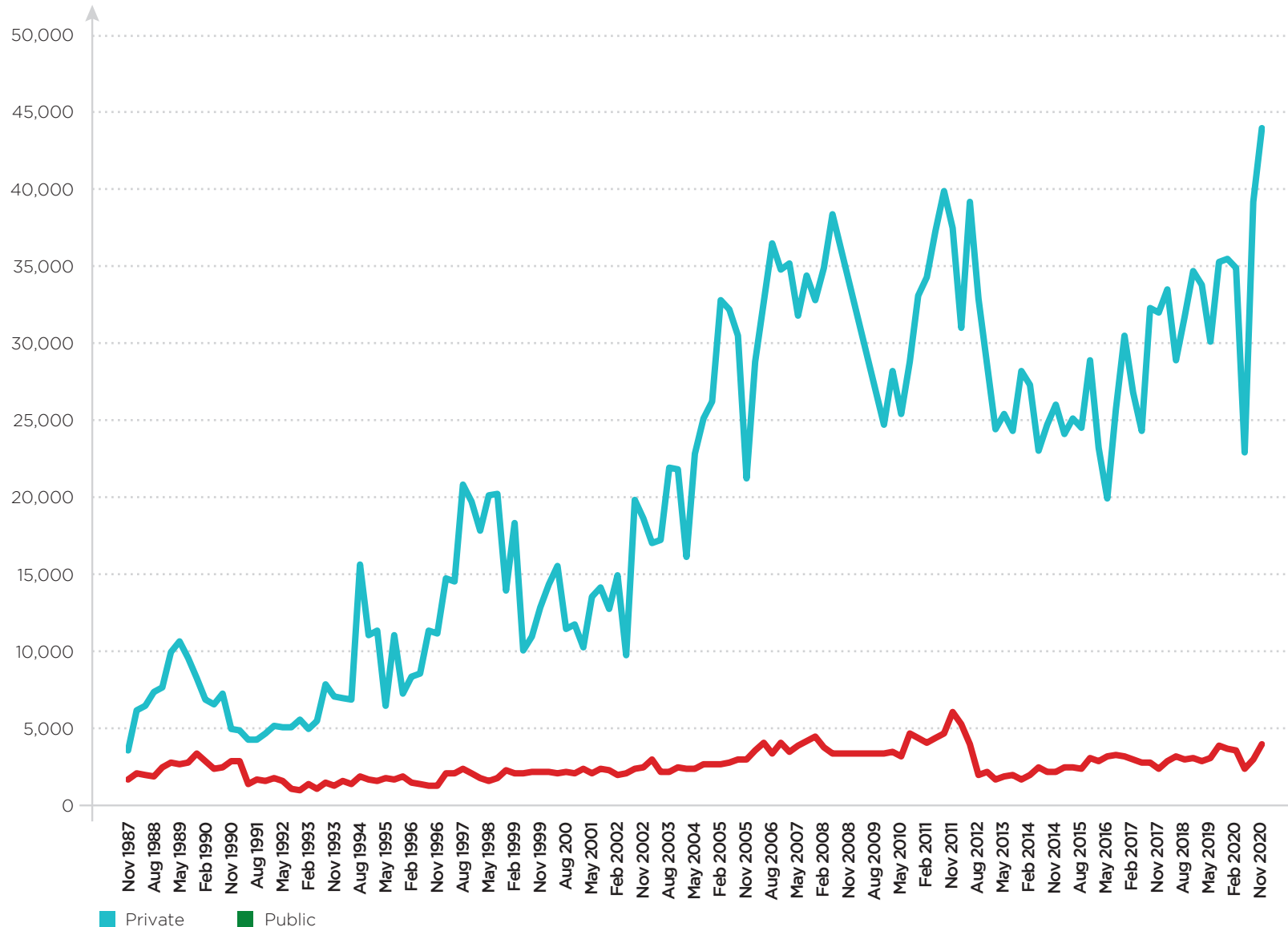
This graph shows the relationship between the state and national underemployment rate as a yearly average from 1991 and the current, most recent rate.



**SLIGHTLY  
NEGATIVE**

# STATE JOB VACANCIES - PRIVATE & PUBLIC

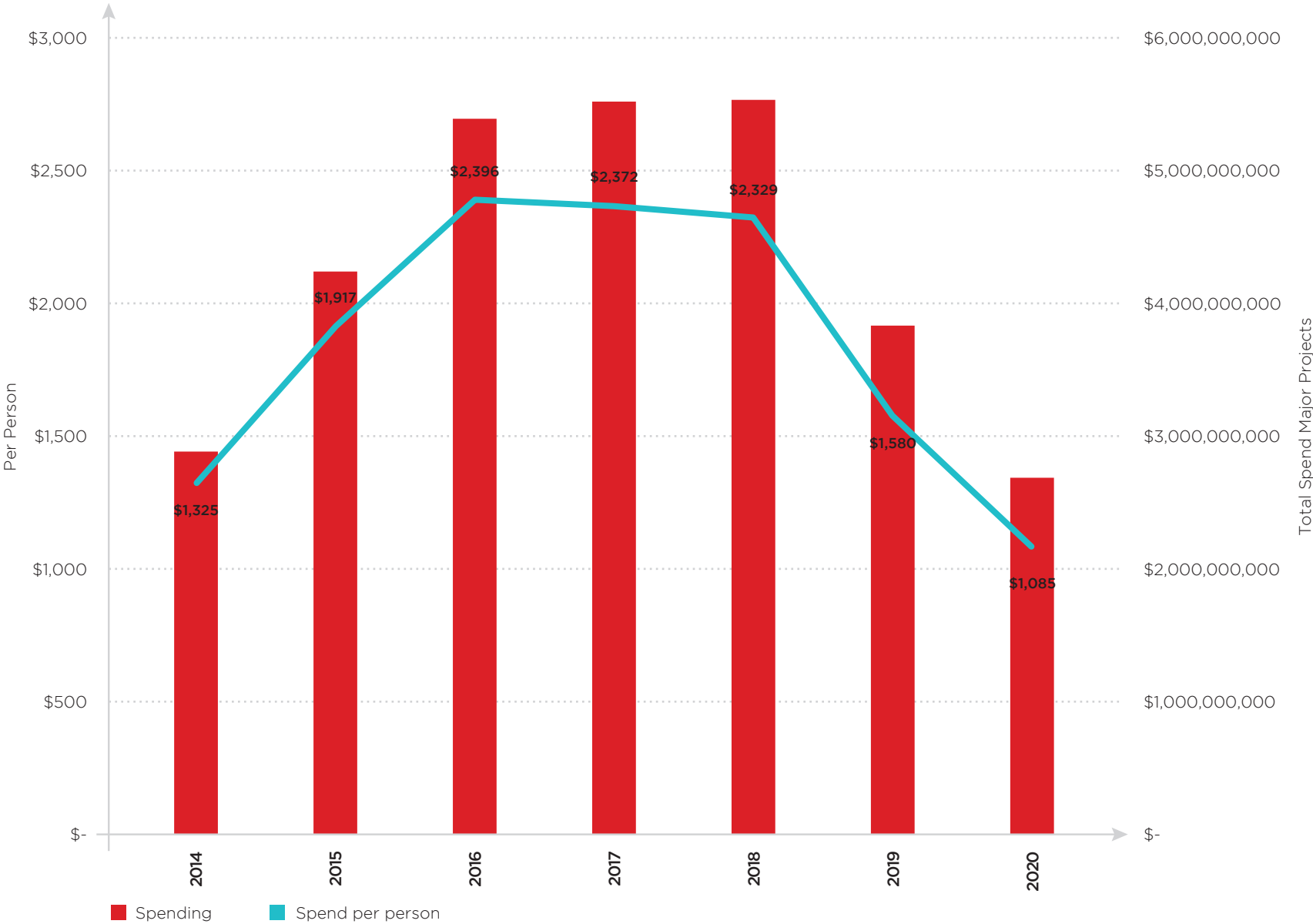
This graph displays the ABS figure for the number of jobs created in the private and public sectors state wide.



**POSITIVE**

# INFRASTRUCTURE SPENDING

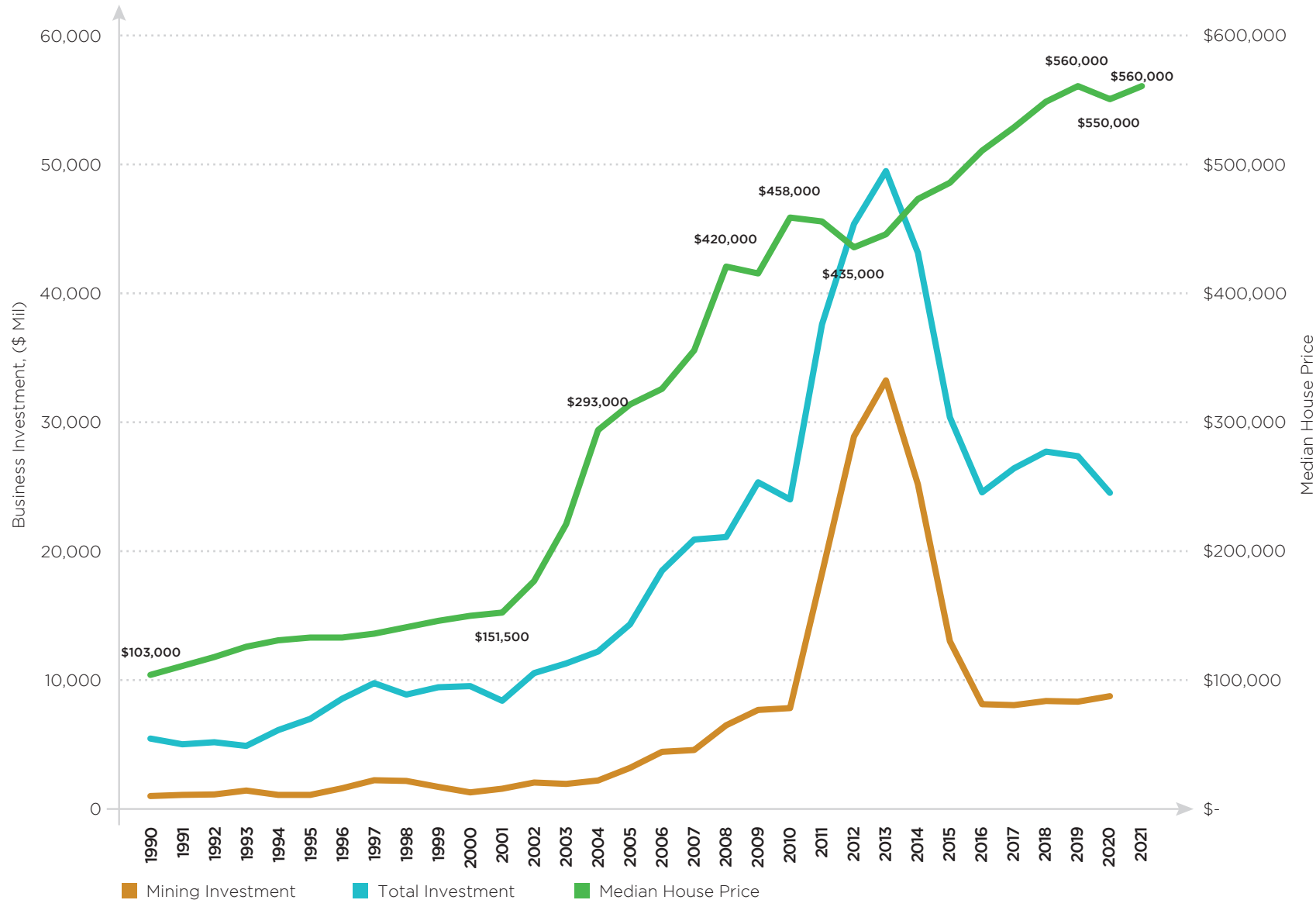
This graph displays the total infrastructure spend on projects over \$10 million, in the public and private sectors in Brisbane and the spend broken down into a per person figure. The average spend per person in Australia is just under \$3,000.



**NEGATIVE**

# STATE PRIVATE BUSINESS INVESTMENT

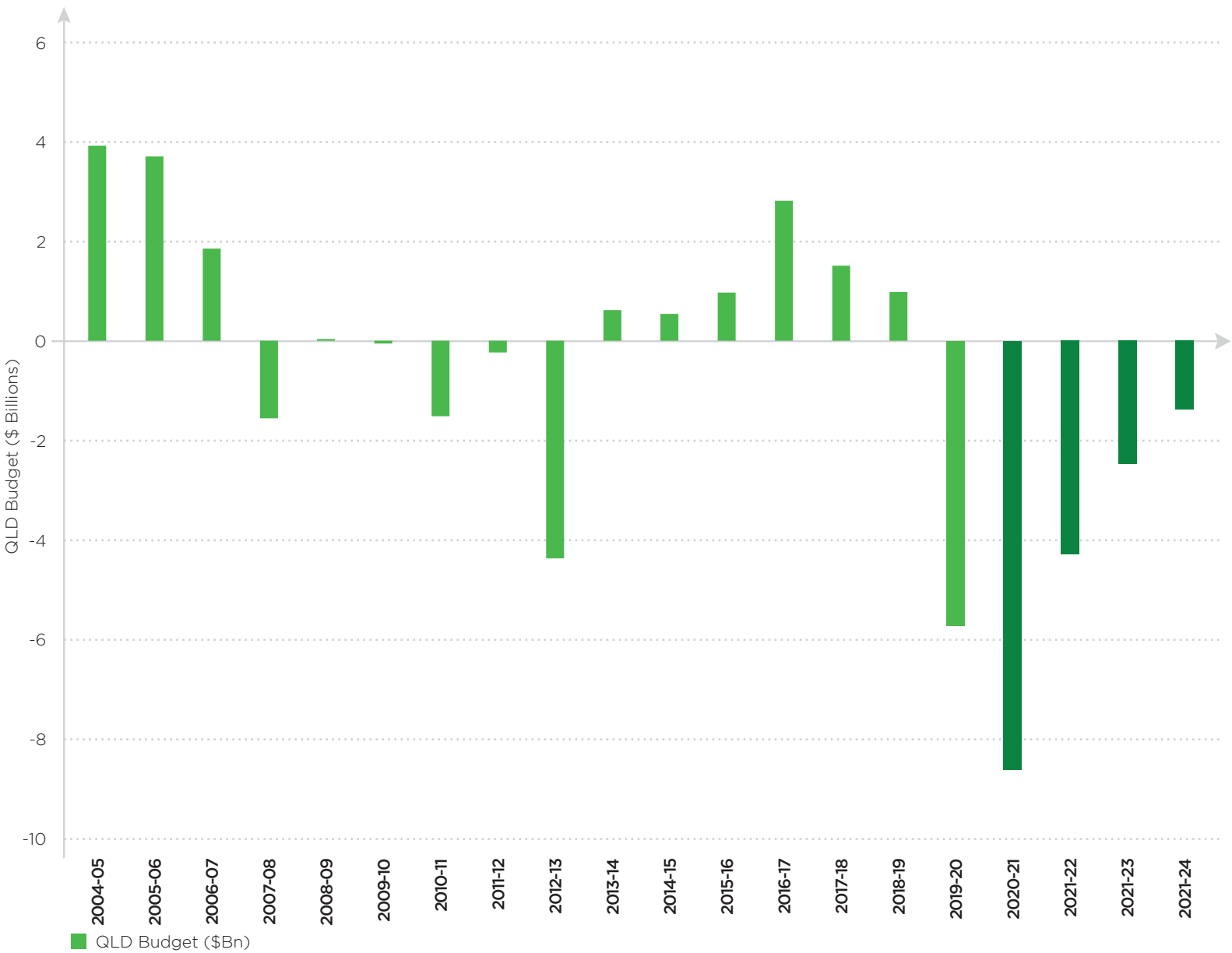
This graph displays private business investment into the state charted against the median house price.



**NEGATIVE**

# STATE BUDGET

This graph displays the State Government position of either a surplus or deficit.

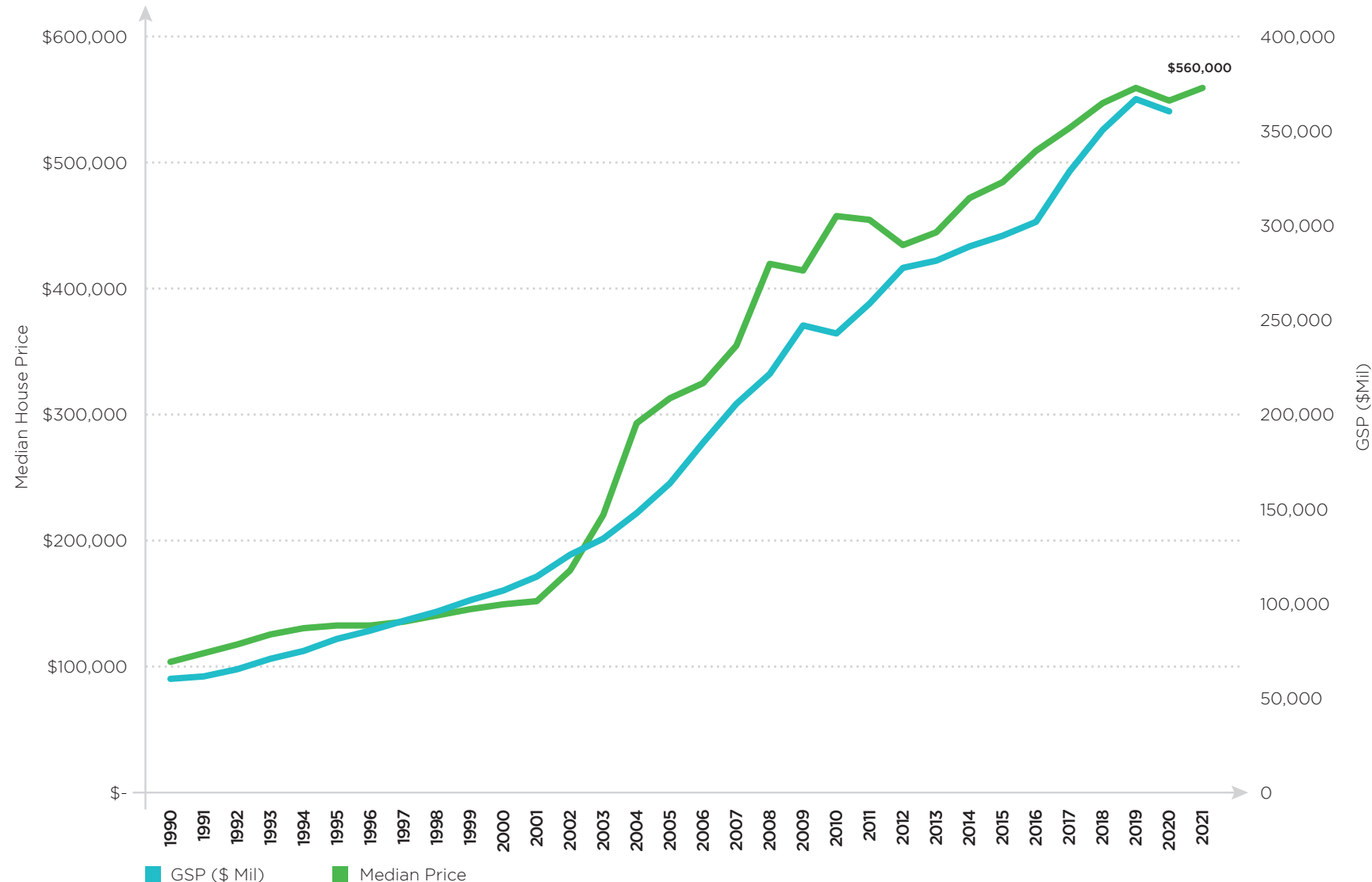


**NEGATIVE**



# GROSS STATE PRODUCT V. MEDIAN PRICE MOVEMENT

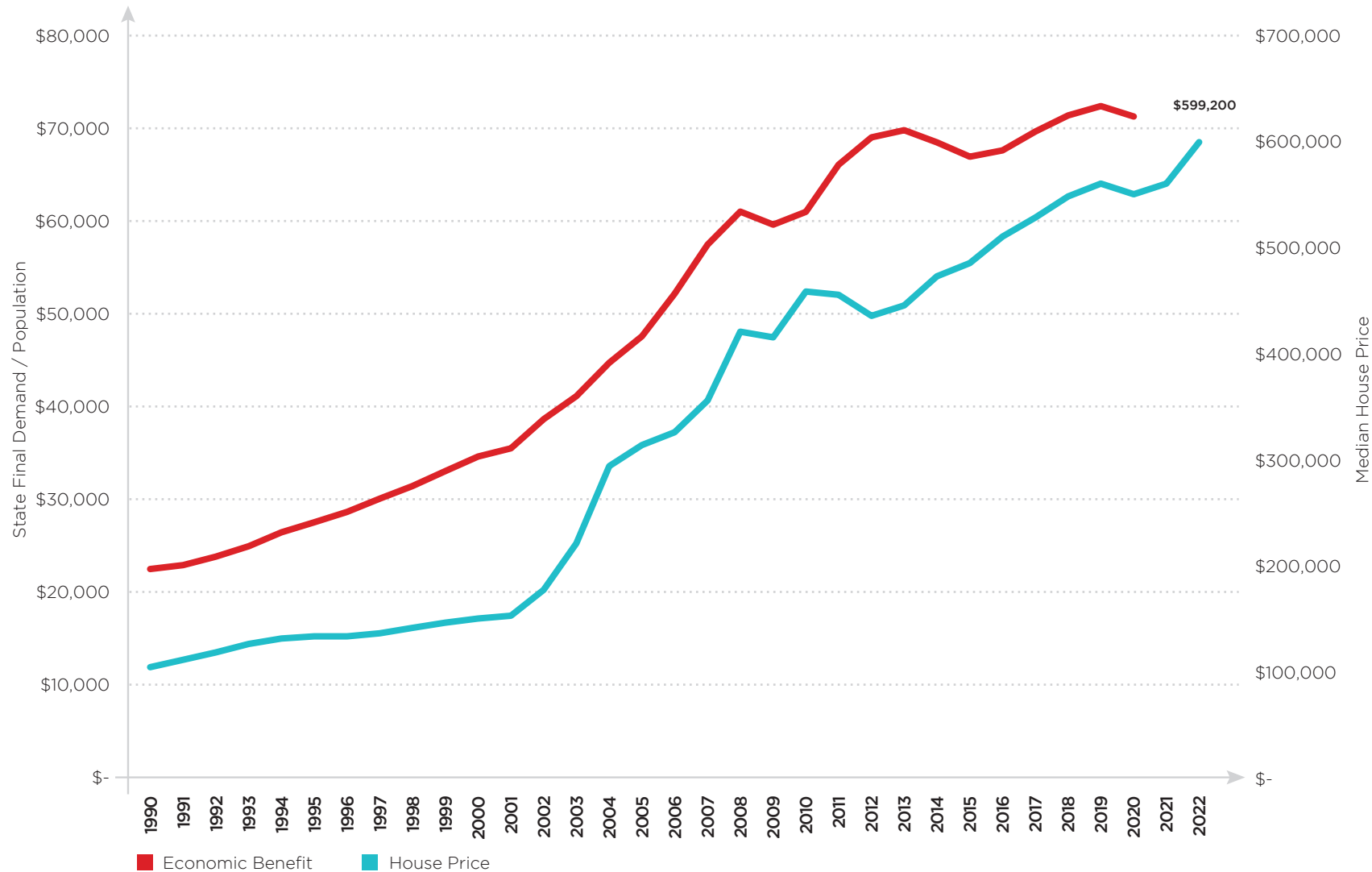
This graph displays Gross State Product charted against the median house price. Gross State Product is the measure of final goods and services produced in the state in a period of time.



**NEUTRAL**

# ECONOMIC BENEFIT V. MEDIAN HOUSE PRICE

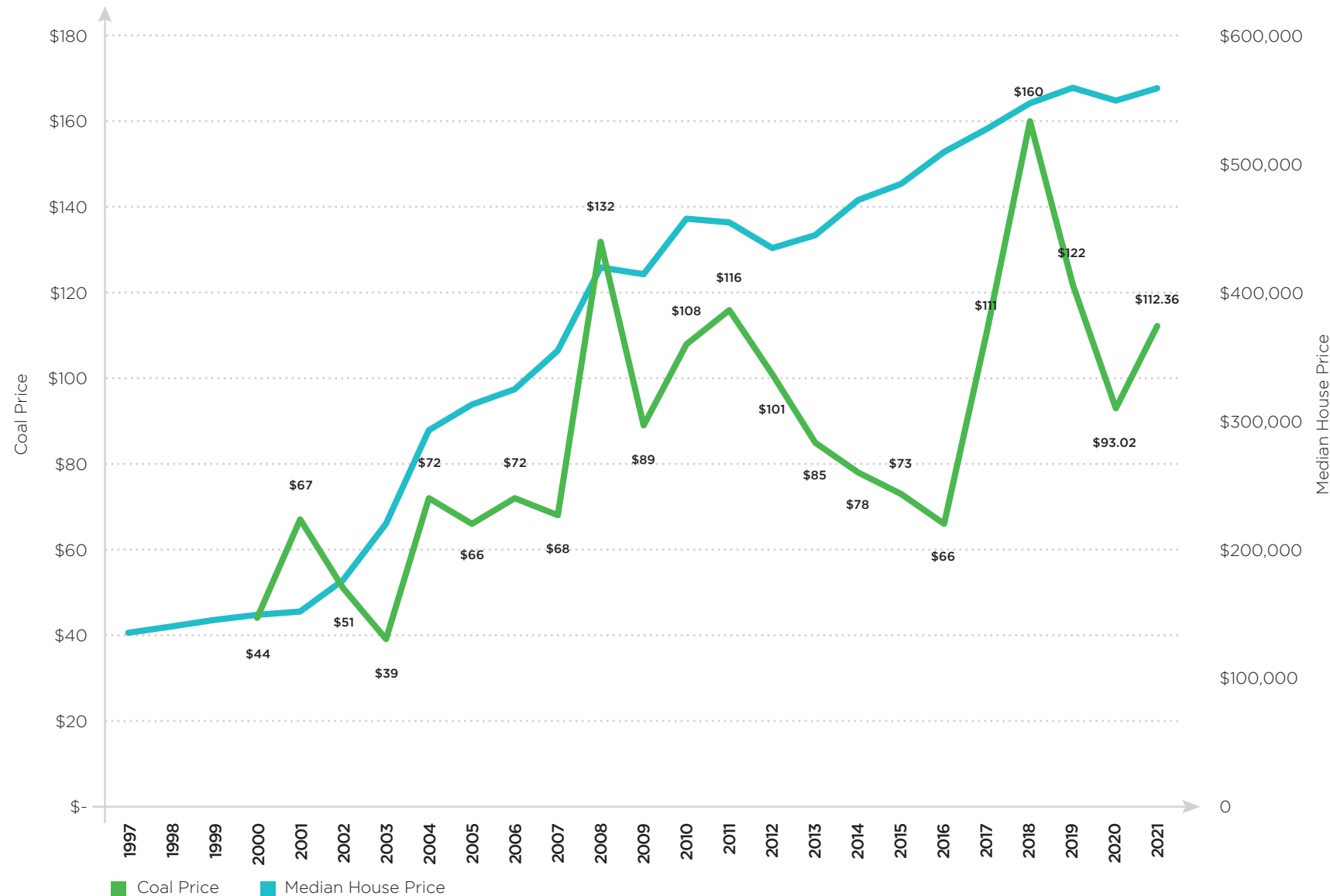
This graph displays the economic benefit per person against the median house price. Economic benefit is the ratio between State Final Demand for the state and the state's population. State Final Demand measures the total value of goods and services that are sold in the state and is a measure of the state's income.



**SLIGHTLY  
NEGATIVE**

# COAL PRICE V. MEDIAN PRICE MOVEMENT

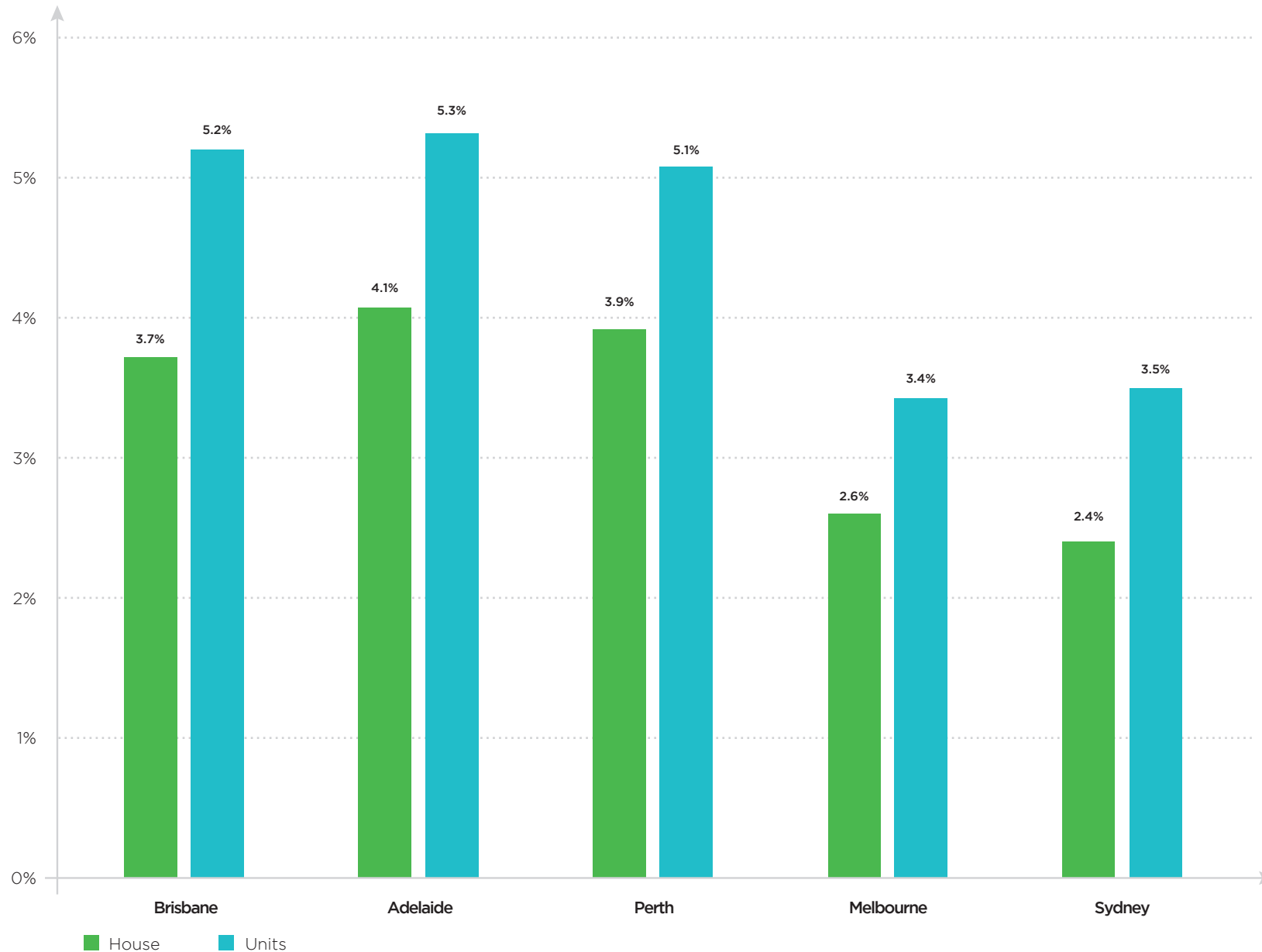
This graph displays the coal price against the median house price price.



**NEUTRAL**

# CURRENT INVESTMENT VALUE

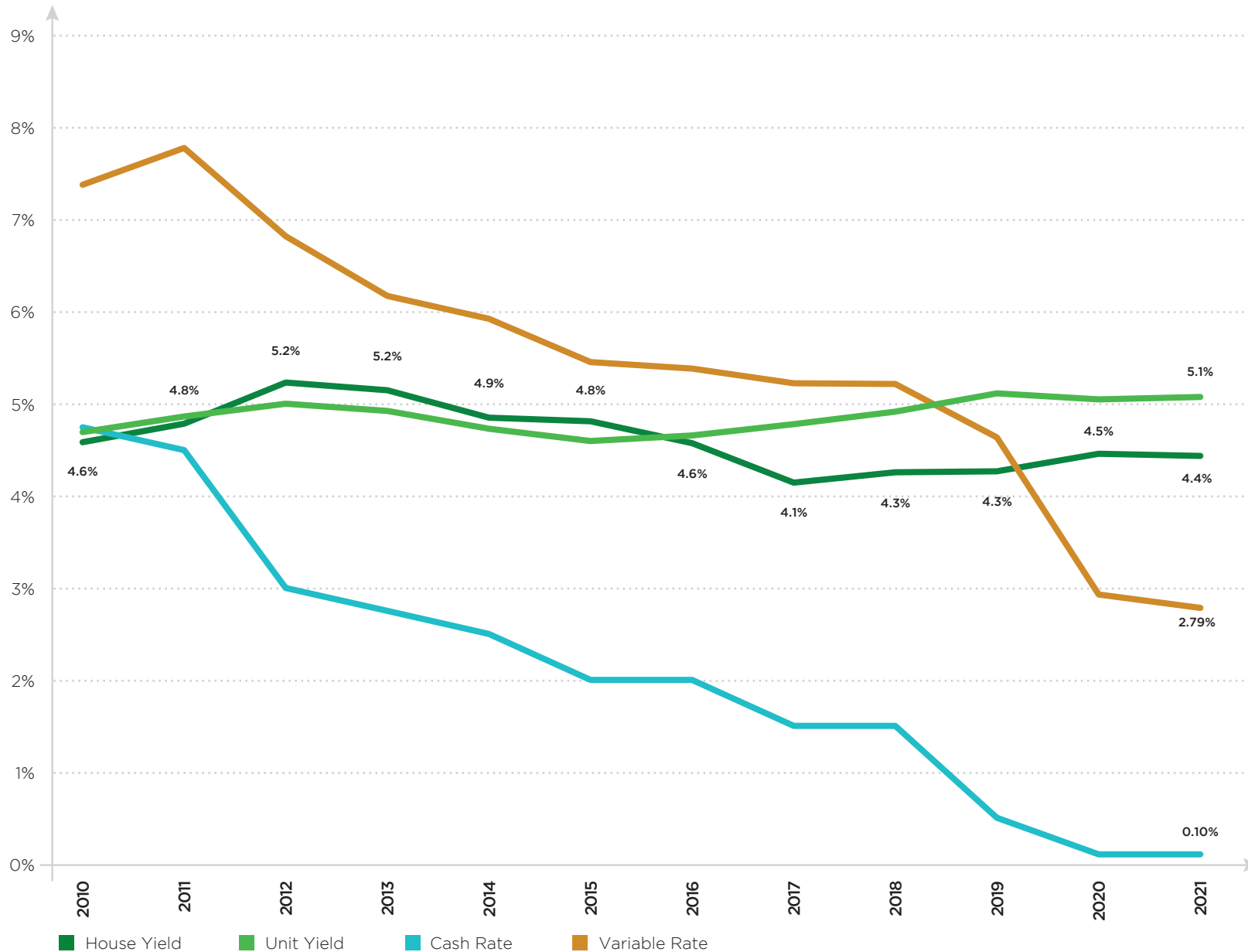
This graph compares the gross yield for houses and units in each of the five major capital cities.



**POSITIVE**

# YIELD V. INTEREST RATES

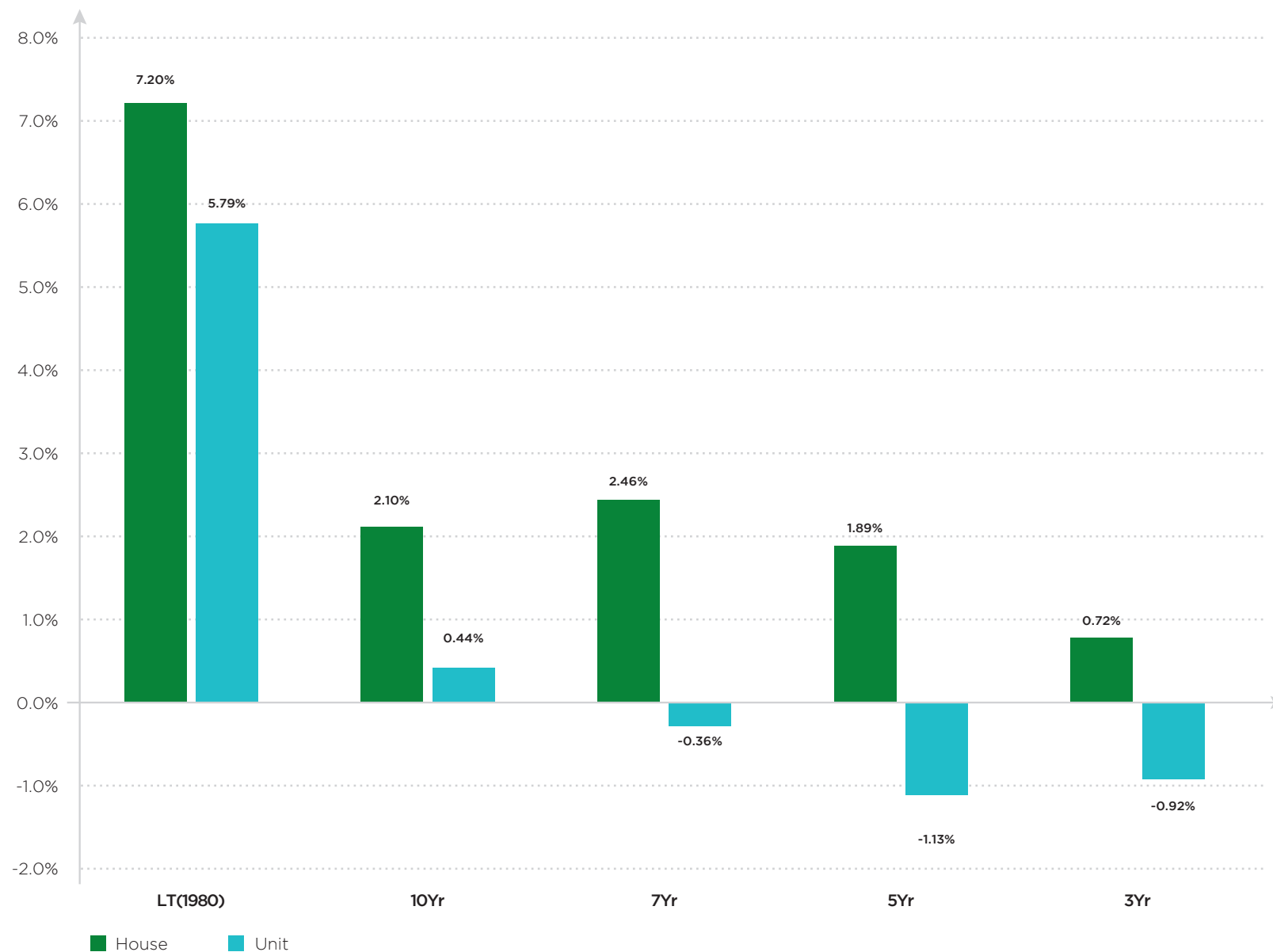
This graph displays house and unit yields against the variable and cash rates.



**POSITIVE**

# LONG TERM TRENDS

This graph displays the annual compounded growth rates for houses and units over the long term, and the last 10 years, 7 years, 5 years and 3 years.



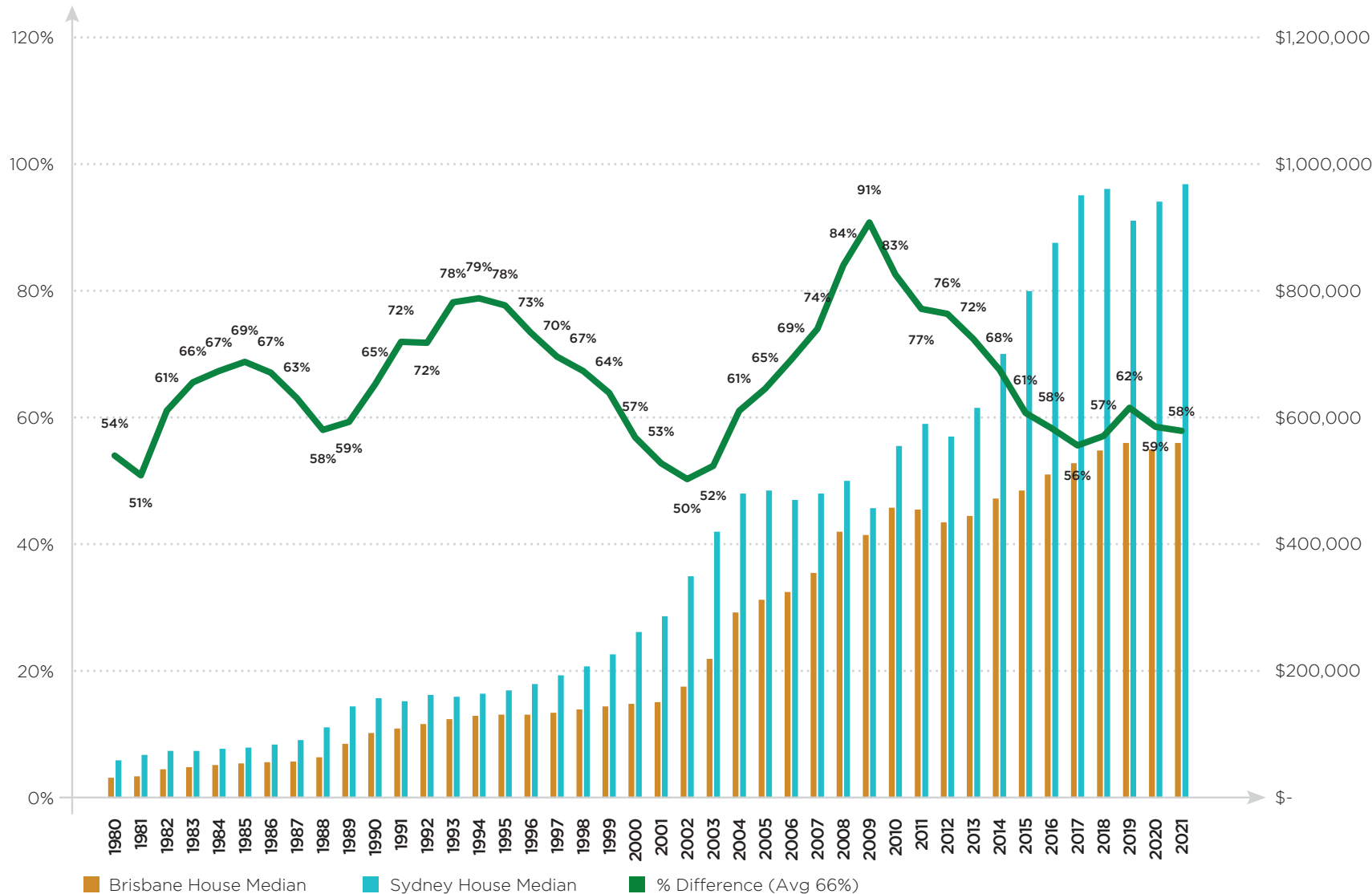
**POSITIVE**



# BRISBANE VS. SYDNEY PRICE COMPARISON (HOUSE)

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This graph shows a relationship between the Brisbane median and the Sydney median and the percentage difference between them for each year.



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# CAPITAL CITY LONG TERM PRICE COMPARISON

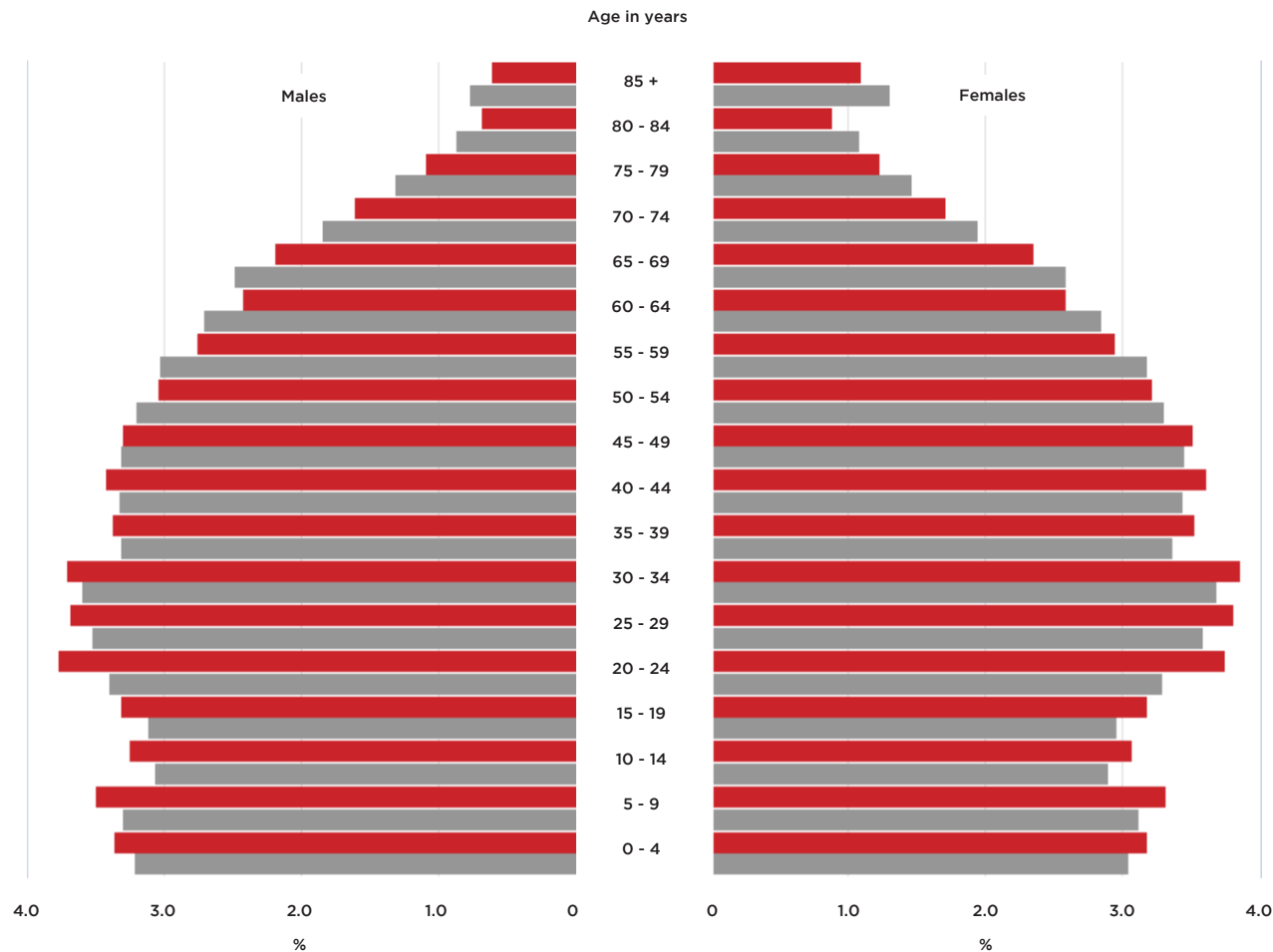
This graph displays the median price relationships between the five major capital cities in Australia over the last 10 years and since 1980.



**SLIGHTLY  
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# QUEENSLAND POPULATION PYRAMID

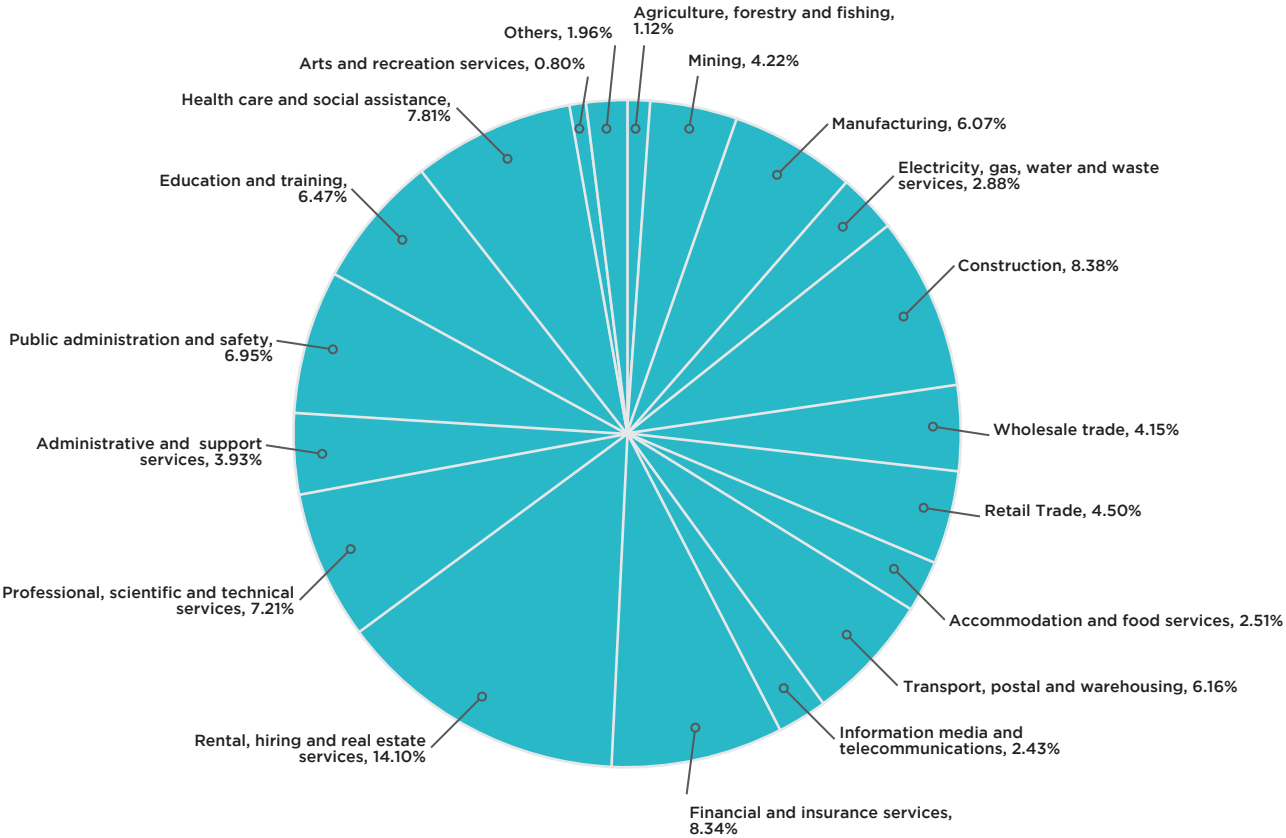
The population pyramid demonstrates the breakdown of the different ages and sex percentages of the population. The dominant consumer base of a population is the 35 to 49 age brackets and ideally we like to see the preceding age brackets larger as they age to replace the existing group.



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# INDUSTRY VALUE ADDED

INDUSTRY BREAKDOWN



POSITIVE



# IMPORTANT INFORMATION



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## National House Price Movement - Since 1972

