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Tracking the Brisbane Residential Property market: Post GFC

Professor Chris Eves
Queensland University of Technology
School of Urban Development
Ph: 61 7 31389112
Email: chris.eves@qut.edu.au

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Abstract

Prior to the GFC, Brisbane and Perth were experiencing the highest increases in median residential house prices, compared to the other major Australian cities, due to strong demand for both owner occupied and investment residential property. In both these cities, a major driver of this demand and subsequent increases in residential property prices was the strong resources sector.

With the onset of the GFC in 2008, the resources and construction sectors in Queensland contracted significantly and this had both direct and indirect impacts on the Brisbane residential property market.

However, this impact was not consistent across Brisbane residential property sectors. The affect on houses and units differed, as did the impact based on geographic location and suburb value.

This paper tracks Brisbane residential property sales listings, sales and returns over the period February 2009 to July 2010 and provides an analysis of the residential market for 24 Brisbane suburbs. These suburbs cover main residential areas of Brisbane and are based on an equal number of low, medium and high socio-economic areas of Brisbane. This assessment of socio-economic status for the suburbs is based on both median household income and median house price. The analysis will cover both free standing residential property and residential units/townhouses/villas.

The results will show how each of these residential property sub markets have performed following the GFC.

1. INTRODUCTION

The Global Financial Crisis (GFC) of 2008, that continued into 2009 (and still an issue for some countries and individuals leading into 2010) has had an impact across all financial and economic markets across the world. Although the impact was greatest in the developing countries that either relied heavily on foreign capital or were heavily geared (e.g. Iceland and the Baltic countries of Latvia, Estonia and Lithuania) the impact was also of concern across the developed countries. Of the

developed countries, the hardest hit by the GFC were the United States, Japan (whose economy was already suffering prior to the GFC) and the majority of developed Western Europe countries, especially those that relied on trade as their major economic driver (Beelaerts, 2007).

Individual investors were the major losers in the crisis due to the significant losses across the share markets, wiping out considerable company and individual wealth, particularly those investors who actually took out loans to take advantage of high gearing to grow wealth. Even cautious investors, including academics, saw their superannuation funds decline by up to 30 to 40% of their previous GFC balances (Unisuper, 2009).

The property sectors throughout the world were also subject to the fallout from the GFC. As many investors had geared heavily to maximise profits and capital growth in the equity markets, similar strategies were also prevalent in the property market. The reliance of the property development and property investment industries on retail and wholesale funds resulted in the commercial, industrial and in some cases the residential property sectors suffering significant declines in both activity and values.

Although the major real estate markets in most countries suffered a downturn during this period, this downturn was not consistent across countries or specific property sectors. The variation in relation to property market impact was off set to an extent by the various strategies put in place by governments to limit or reduce the impact of the GFC on the general economy and the regulation that was in place prior to the GFC, particularly in relation to the residential property markets.

Compounding the impact on the property market was the fact that this financial crisis had both a direct and indirect impact on companies and individuals. The fall in property values, as well as share prices, reduced the value of investment and pension/superannuation fund values by as much as 30% to 40%, with a direct impact on the ability of companies and individuals to provide additional funds for further investment in the property investment and development sectors.

This paper will review the Brisbane residential property markets pre GFC at the end of 2008 and post GFC in early 2010 and provide a comparison of market performance based on geographic and socio-economic locations, covering 24 Brisbane suburbs.

2. Residential property Ownership Australia

Home ownership in Australia is currently around the 65% level and has remained around this figure for the past 4 decades (Kohler and Rossiter, 2005). According to Kryger (2006) the level of home ownership without a mortgage has also been relatively stable, fluctuating between 34 to 43 % of the population.

Although the overall percentage of home ownership is high in Australia, there are also approximately 35% of the population that require rental accommodation of some sort, either in the private or public sector.

In 1994, 41.8% of Australian households owned their home without a mortgage, 29.6% of households were living in their own home with a mortgage and 25.7% were residing in rented residential properties. By 2006, these figures had changed to 34.3% of households without a mortgage, 35% of households with a mortgage and the number of households renting increasing to 28.5% of the population (ABS, 2006).

The private sector is the major provider of residential renter property in Australia and the majority of these owners are small investors (refer to table 1)

Table 1; Australian Rented Residential Property Types: 2006 Census

Rented:	House (000s)	Semi-detached (000s),	Units (000s)	Other dwelling (000s)	Not stated
Real estate agent	506	155,458	375	5	522
State or territory housing authority	150	65,121	91	0.5	234
Person not in same household	311	62,344	108	7	286
co-operative/community	26	9,353	15	0.5	176
Other landlord type	67	10,161	16	19	254
Landlord type not stated	42	6,468	12	2	58
Total	1,102	309	617	34,299	1,530

Source: ABS, 2010

According to ABS (1998) Australian household investors account for over 50% of residential rental properties, with the majority of these household investors being family couples.

A report by Shelter NSW (2005) confirms that 76% of residential investment property owners own a single investment property, with 16% of residential property investors owning two rental properties and 8% owning more than 3 rental properties.

This predominant role of small investors in the residential rental market in Australia is confirmed by Berry (2000) who states that the residential rental market in Australia has been based on small investors with very limited institutional investment in the private residential rental sector, with institutional residential investment restricted to government and community investment in the public housing sector. Berry (2000) states that this high proportion of individual investment in the sector is due to:

- Limited legislative controls constraining property ownership
- Taxation concessions assisting investment in rental housing
- Flexible funding options for investors.

According to an ABS (1997) survey the main reasons small scale Australian investors purchased a rental property, in order of importance, were:

- Long term capital gain
- Taxation benefits (negative gearing)
- Rental income
- Possible future home
- Capital gain
- Unable to sell

With such high levels of home ownership and private investment in residential rental property, it is crucial for the home buyer or investor to have a thorough knowledge of the market they are buying in. However, general market information such as median

house prices or sales numbers do not reflect the various sub-markets within a city or town

3. Research Methodology

The data for the paper has been based on 24 residential suburbs in Brisbane. These suburbs were selected on the basis that they represented both geographic and socio-economic areas within Greater Brisbane city. All sales transactions for these suburbs were collected for the period February 2009 through to June 2010, representing 17 months of the Brisbane residential property market. In addition to the sales transaction data, the listings for residential property in these suburbs were also tracked on a weekly basis to determine the average weekly residential property listings per month for each suburb. The listing data was collected on the basis of both freestanding residential property and units/townhouses. The suburbs selected are shown in Table 1.

Sales data was based on the RP Data Pty Ltd sales database, with the weekly residential property sales and rental listings being extracted from the main Australian real estate internet sales site www.realestate.com.au.

This data was analysed to show changes in monthly listings and sales based on socio-economic criteria, as well as the change in quarterly median and average residential house prices for the three socio-economic representative suburbs in Brisbane.

Table 2: Study Suburbs

Low Socio-Economic	Middle Socio-Economic	High Socio-Economic
Alexandra Hills	Carindale	Ascot
Bracken Ridge	Clayfield	Bulimba
Cleveland	Grange	Chapel hill
Joyner	Greenslopes	Chelmer
Kingston	Mt Gravatt	Hamilton
Morayfield	North Lakes	Spring hill
Redbank Plains	Sandgate	St Lucia
Wynnum	Sunnybank Hills	Toowong

Rental listings have also been collected for the period February 2010 to June 2010, to track possible changes in the residential property investment sector.

3 Results

3.1 Property Sales

Brisbane residential house prices were stated to be in a boom period from 2001 through to the beginning of the GFC in late 2007. Over the period 2007 to 2009, the median price for residential property in the Brisbane Local Government Area increased by 6.1% from 2007 to 2008, and only 0.3% from 2008 to 2009. At the same time the increase percentage for residential property in the larger Brisbane Statistical Division increased by 9.8% in 2008 and 1.2% in 2009 (refer to Table 3).

This shows that the movement in house prices can vary according to the location of property based solely on the definition of the residential property market. With this

variation on a variation in the definition of Brisbane is significant than the median price across individual suburbs will be more varied.

Table 3 Brisbane Median House prices;2007 to 2009

	2007	2008	2009
Brisbane Statistical Division	\$382,500	\$420,000	\$425,000
Brisbane Local Government Area	\$453,000	\$490,000	\$491,500

Table 4 provides a summary of the movement in house prices based on the 24 Brisbane suburbs in the analysis and the geographic location of these suburbs.

Table 4: Brisbane Residential Suburb Locations: Capital Returns: 2008-2009

Location	2008 Capital Return (%)	2009 Capital Return (%)
South	11.38	-2.98
West	8.80	-6.51
North	11.24	-7.27

This Table shows that even on a suburb location basis the variation in the median house price movement in Brisbane suburbs was significantly different to the median house price quoted for the City in total, showing a negative return for these suburbs in the study from 2008 to 2009, but the ABS median price showing a small positive increase in prices. This shows that the sale prices in particular suburbs can have a very direct impact on the overall median house price for a city.

On a suburb value basis (low, middle or high socio-economic), the variation in the change in median house prices also varies to the city and geographic location basis.

Table 5 shows that when the 24 suburbs are grouped on a socio-economic basis the capital returns for the period 2007 to 2009 vary greatly, particularly from 2008 to 2009. From 2007 to 2008 all sub sectors recorded a capital growth ranging from 10.02% to 12.62% for the high socio-economic areas. However, in the following year only the low and middle socio-economic suburbs recorded a small but positive capital return, with the high socio-economic suburbs of Brisbane actually recording negative capital growth over the same period.

Table 5 Brisbane Residential Socio-Economic: Capital Returns: 2008-2009

Location	2008 Capital Return (%)	2009 Capital Return (%)
Low Socio-Economic Suburbs	11.74	2.95
Middle Socio-Economic Suburbs	10.02	0.12
High Socio-Economic Suburbs	12.62	-11.86

From these previous tables, it can be seen that the small increase in capital growth for the median house price in Brisbane over the year 2009 was due not across all sectors of the Brisbane market and predominately due to the increase in price of properties in the low value suburbs. This was mainly due to the generous grants offered to low income and first home buyers as part of the Governments economic stimulus package.

An analysis of sales as a percentage of residential property stock across the study areas are shown in Table 6

This table shows that on the basis of sales to residential housing stock, during the period February 2009 to June 2010, the middle value suburbs have had the greatest percentage of sales to total housing stock, with 6.82% of the housing stock selling in the period. Although there was a greater number of lower value residential sales across the study period, this socio-economic classification actually had the lowest percentage of sales to total housing stock at only 5.01%.

Table 6 Brisbane Residential Property Market Activity; 2009

	Housing Stock	2009/2010 Sales	Sales %
Low Socio-Economic Suburbs	54,920	2,749	5.01
Middle Socio-Economic Suburbs	33,759	2,303	6.82
High Socio-Economic Suburbs	25486	1,477	5.80

However, a breakdown of the sales over the past 17 months actually shows a different perspective on the strength and performance of the Brisbane residential property market. Table 7 compares the number of residential property sales in each of the socio-economic classification in February 2009 and February 2010.

Table 7 Property Sales Comparison: Socio-economic basis: February 2009 and February 2010

	Feb 2009	Feb 2010	% Change
Low Socio-Economic Suburbs	315	123	-60.9
Middle Socio-Economic Suburbs	243	111	-54.3
High Socio-Economic Suburbs	129	73	-43.4

This table confirms the reduction in sales across all socio-economic areas from 2009 to 2010, especially in the lower socio-economic areas, where the difference between the numbers of residential properties sold in February 2010 was 60.9% less than the same month in 2009.

3.2 Property Listings

As the main movement and variation in residential house prices in Brisbane across 2009-2010 was mainly based on suburb value, the analysis of the average weekly listings per month has also been based on a socio-economic status for this section of the paper.

This section of the paper will track residential property listings over the period February 2009 to June 2010. Average weekly listings per month for both houses and units/townhouses for the 24 suburbs have been tracked to determine property trends in relation to residential housing stock being offered for sale. The results have again been presented on a socio-economic basis.

Table 8: Brisbane Suburb Listing Comparison

	Total Houses	Total Units/TH	Total Residential
Feb-09	2414	791	3205
Mar-09	2389	767	3156
Apr-09	2300	754	3053
May-09	2368	771	3138
Jun-09	2180	710	2890
Jul-09	2114	679	2793
Aug-09	2149	671	2820
Sep-09	2136	687	2823
Oct-09	2117	672	2789
Nov-09	2162	645	2806
Dec-09	2109	606	2715
Jan-10	1986	558	2544
Feb-10	2053	558	2611
Mar-10	2136	611	2747
Apr-10	2197	672	2869
May-10	2277	742	3019
Jun-10	2383	764	3147

Over the study period there was a continuing decline in the number of houses and units/townhouses being placed on the market across Brisbane, particularly from February 2009 to July 2009, when the average monthly listings across the 24 Brisbane suburbs declined from 3205 to 2793, a 12.8% reduction. The number of residential property listings stabilised from August 2009 to November 2009, but during the period December 2009 to March 2010, the number of properties listed for sale again declined. May 2010 saw an increase in the number of properties offered for sale in Brisbane, to similar levels to early 2009.

However, when the listings are examined on a free standing house or unit/townhouse basis, it can be seen that From February 2009 to June 2010, the number of houses listed for sale has decreased from a monthly weekly average of 2414 to 2383 (1.28% reduction over the period), with the lowest number of house listings in January 2010 (1986 listings). Over the same period the decrease in average weekly unit/townhouse listings has been 3.41%, over twice the percentage fall compared to houses. This can be attributed to the reduction in apartment buildings being constructed due to

tighter financial constraints by Australian banks in respect to residential property development (Bryant, 2010).

Table 9 Brisbane Residential House Listings

	Low Value Houses	Medium Value Houses	High Value Houses
Feb-09	1280	760	374
Mar-09	1261	747	360
Apr-09	1213	721	354
May-09	1251	743	362
Jun-09	1183	666	331
Jul-09	1143	658	313
Aug-09	1161	683	304
Sep-09	1148	662	326
Oct-09	1115	657	346
Nov-09	1119	670	373
Dec-09	1097	661	350
Jan-10	1062	616	308
Feb-10	1102	641	311
Mar-10	1134	695	307
Apr-10	1162	710	326
May-10	1200	722	355
Jun-10	1256	757	370

Table 10 Brisbane Residential Unit Listings

	Low Value Units/TH	Medium Value Units/TH	High Value Units/TH
Feb-09	228	194	369
Mar-09	231	185	341
Apr-09	244	174	332
May-09	234	184	347
Jun-09	212	145	353
Jul-09	223	127	329
Aug-09	221	133	318
Sep-09	229	158	301
Oct-09	227	149	296
Nov-09	223	141	281
Dec-09	212	130	264
Jan-10	193	116	249
Feb-10	180	116	262
Mar-10	188	123	300
Apr-10	195	150	327
May-10	205	178	359
Jun-10	202	195	368

A breakdown of the listings based on socio-economic locations provides an interesting result in respect to house sale listings. Table 9 shows that the greatest reduction in average weekly listings for houses has been in the lower value suburbs, with a high of 1280 listings in February 2009 and a low of only 1062 listings in January 2010, a 17% reduction. In the medium value suburbs the reduction in house listings peaked in February 2009, and recorded the lowest number of weekly listings in January 2010. From February 2010 to June 2010 the fall in average weekly listings for houses in this classification has been 0.4%, compared to 1.9% for the lower value areas and 1.1% for the higher value suburbs. All suburbs recorded their lowest level of listings in January 2010, a traditional low residential sales period.

Table 10 shows the average weekly unit/townhouse listings for the months from February 2009 to June 2010.

There have been a greater number of units listed for sale in the higher value suburbs compared to both the lower and middle socio-economic suburbs of Brisbane, with the lowest number of unit and town house listings being in the middle socio-economic suburbs of Brisbane.

Table 10 also shows that the unit residential market has also seen a decline in listings on an average weekly basis over the period February 2009 to April 2010, the decline across the low, middle and high socio-economic suburbs for unit listings for this period has been 14.4%, 22.6% and 12.1% respectively. Although the middle socio-economic suburbs have had the least decline in house listings, they have had the greatest decline in unit listings, particularly in the period from July 2009 to March 2010. However, all unit markets have shown an increase in average weekly listings from April 2010 to June 2010.

Table 11 shows the average weekly listings per month as a percentage of total residential housing stock across the three socio-economic suburbs of Brisbane. Over the study period the listings per month have been relatively similar across the 24 suburbs on a socio-economic basis, with the average listings as a percentage of housing stock ranging from 2.47% for the middle socio-economic suburbs to 2.54% for the high socio-economic suburbs. The variations in listing percentages were relatively low, with the standard deviations being 0.14 for the low socio-economic suburbs and 0.20 for the high socio-economic suburbs.

Of particular note is that the percentage of listings to total housing stock, has not been as variable as the sales as a percentage of housing stock.

Table 11 Brisbane Residential Listing to Stock Comparison

	Low Socio Listing % to stock	Middle Socio Listing % to stock	High Socio Listing % to stock
Feb-09	2.75	2.83	2.92
Mar-09	2.72	2.76	2.75
Apr-09	2.65	2.65	2.69
May-09	2.70	2.75	2.78
Jun-09	2.54	2.40	2.68
Jul-09	2.49	2.33	2.52
Aug-09	2.52	2.42	2.44
Sep-09	2.51	2.43	2.46
Oct-09	2.44	2.39	2.52
Nov-09	2.44	2.40	2.57
Dec-09	2.38	2.34	2.41
Jan-10	2.28	2.17	2.18
Feb-10	2.33	2.24	2.25
Mar-10	2.41	2.42	2.38
Apr-10	2.47	2.55	2.56
Period Average	2.51	2.47	2.54
Standard Deviation	0.14	0.19	0.20

4.0 Conclusions

Although it was considered that the worst impact of the GST had finished by the beginning of 2009, particularly in respect to the housing market in Australia, these results show that the GFC is still impacting on the Brisbane residential property market, with both listings and sales still declining on a monthly basis.

The decrease in the median house prices for Brisbane from 2008 to 2009 was not consistent across the various markets, both from a geographic and a suburb value basis. The stimulus packages introduced by both Commonwealth (First Home Owners grant) and State Governments (Stamp Duty concessions on first home purchases) had a greater impact on the lower value housing markets, which showed the smallest decrease in median house prices compared to the significant decreases for the median house prices in the higher value suburbs.

The decline in both listings and sales has also been inconsistent across the various suburbs of Brisbane. The most sales activity has been in the middle value suburbs, with the greatest fall in sales from February 2009 to June 2010 being in the lower value suburbs, especially in the months following the cessation of the first home owners grant and stamp duty concessions..

When Tables 6 and 11 are compared, the middle value suburbs have had the lowest percentage of listings to stock, but the highest percentage of sales to housing stock indicating that this section of the market has been the most active over the study period.

The results also confirm the problems associated with quoting median house prices on a city wide basis. This analysis shows that on a suburb, geographic location and

socio-economic basis the median price of residential housing property varies significantly

In respect to residential units and townhouses the most active market following the GFC has units and townhouses in the higher value suburbs, with less activity in the middle and lower value unit markets. Again, the volume of unit sales and listings in the lower value suburbs declined with the end of the government stimulus grants. The greater activity in the higher value suburbs is generally owner occupied buyers rather than investors.

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