



the final word - JOHN JOHNSTON CEO

2008 - THE YEAR THAT WAS

2008 was a challenging year for Brisbane's quality property market. The number of sales effected across both the middle and the top end of the market were down markedly on previous years, relieved only by brief confidence building spurts of activity at the start of the year and again at the end (which we trust bodes well for 2009).

As demand eased through 2008, supply increased. This created an imbalance not seen for some time and which has caused a rapid reclassification of Brisbane's residential property market from that of a sellers' to a buyers'. This much changed situation was not unexpected given trends set elsewhere earlier around Australia and overseas. Compared to what has transpired for residential property values in many parts of Europe and the US, we are actually doing quite okay. If interest rates continue to come off at their current rate as we enter the new year, a fairly rapid recovery is entirely possible. It is all a question of confidence, or lack thereof.

One of the most severe economic storms in history, a combination of a massive sharemarket crash, the Global Financial Crisis (or GFC), and what is shaping up to be an almost world-wide recession, has severely dented confidence in all forms of non cash investment. That the inexorable rise of Brisbane's residential real estate values could be slowed by the storm is testament to its severity.

In keeping with the global malaise, in just 12 months, the Australian economy has gone from a full gallop to a virtual standstill, striking fear into the hearts of many.

The key to getting the economy and therein the property market restarted, appears to lie very much at the heart of interest rates.

Australia is in the fortunate position of being able to still cut rates significantly to stimulate growth, and that is something that is likely to happen again in the short term, taking rates down to historic lows. Frustratingly, despite interest rates having come off significantly from their recent highs, if they don't drop significantly further, property values may suffer.

In the midst of what will go down in history as a flat year for quality residential real estate generally, where falling confidence levels outpaced falling interest rates, landmark outcomes were still achieved on several fronts. A number of properties changed hands for more than \$5million, both on the river and atop Hamilton Hill.

Indeed during the year an all time Brisbane record residential sales price of \$14million was committed off the plan for the 'super' penthouse at Mirvac's exclusive WATERFRONT Apartments at Newstead, the latter still under construction, shattering the previous record of \$11.2million set just last year with the sale of 'Bishopsbourne', in Eldernell Terrace, Hamilton.

A normally consistent performer at the top end, residential acreage holdings had mixed fortunes over 2008. Whilst there were a good volume of sales in the \$2million and \$3million bracket, there was a noticeable absence of past mega sales that we have become used to such as the \$6.7million achieved in 2007 for 105 Herron Road,

Pullenvale. As I write this, the latest figures released by the REIQ, show that Brookfield has just been eclipsed as Brisbane's most exclusive suburb by upwardly mobile inner city Newstead (but not by a great deal).

Perhaps the most striking statistic to come out of 2008 for quality property is that despite the very noticeable downturn in volume, there has been no tangible correction in values. Whilst past history shows that when the economy slows, Brisbane's quality property values typically just goes on short term hold, there was some real concern in the marketplace this time around given the severity of the global meltdown, that 2008 may prove an exception.

To date, that has simply just not happened and interestingly 2009 is now shaping up to deliver a marked improvement over 2008, something that did not at all appear likely just a few months ago.

The aggressive interest rate cuts to date and the high probability of more to come are making people feel more confident that the worst of the uncertainty is behind us.

Certainly some of the very top end sales that we have closed out recently support a welcome return to operations normal for quality real estate. I personally can't think of a more pleasing and appropriate Christmas present for our clients than that.