



the final word - JOHN JOHNSTON CEO

CRYSTAL BALL GAZING

The Brisbane real estate market is continuing at a pace that is surprising even the most bullish observers.

A key factor being put forward as the stimulus for the strong demand is the very positive population inflows to South-East Queensland. Whilst this is true to some degree, it must be remembered that we had similar positive inflows during the early 1990's but that didn't stop the market staying flat for the whole decade.

So what is different this time round? Firstly, South-East Queensland has limited new housing product able to come on stream to meet predicted demand in either the short to medium term, very different to the early 1990's. Perhaps more significant is the formidable strength of the Australian economy.

The historically unique combination of ultra low unemployment, positive balances of payments, and low inflation has given the market incredible confidence to invest strongly in property and elsewhere. In particular, improved housing affordability through the double positive of strong wages growth and low interest rates have caused property values to quite literally 'go through the roof' over recent years.

But how quickly that could change. Australians have stretched themselves very thin in driving the market to current levels such that a spike in rates of even just 1 or 2% could have debilitating consequences, particularly so for those in 'mortgage belt' areas. Were this to happen, the 'double negative' of tumbling housing affordability and values could quickly push a great many people over the edge, exactly as is currently unfolding in the US, where 'negative equity' is everywhere.

As a combination are causing the Brisbane real estate marketplace to and greatly fattened pay packets rol, the wealth of the average Australian has doubled in just the last ten years, eventhe government appears to be containing inflation, he quality end of the real estate marketplace in Brisbane is currently very strong, the economytrying to predict where it may go next is not an easy thing. There are several significant issues on the horizon that have the capacity to greatly influence the strength of the market. Chief among these unsurprisingly is the looming federal election.

Rather than try and second guess who might win, let's look at what is likely to happen should either party be victorious.

Should the current administration be returned, confidence in the governments financial track record should mean that interest rates will remain pretty much in check. Unfortunately that is not all good news. As is the case with most capital cities in Australia, Brisbane's housing affordability is currently very low.

at a historically low level in Brisbane. Without an interest rate rise to put downward pressure on housing values, and with continuing low levels of supply, property values should remain (although we remain ahead of both Sydney and Melbourne) the current strength in the market will be maintained, interest rates resilience If there is a change of government and a spike in interest rates ensuesThere are some significant lot of indeterminates and unknowns that could push the market in either direction and for varying reasons.