

The land market in Greater Brisbane has seen steady growth over the past six years with low interest rates supporting improved demand. However, the level of dwelling (house and units) supply has surged to record levels with dwelling completions reaching a peak of 29,000 in 2016/17. This level represented about twice the level of completions recorded in 2013/14. As a result, the market has now softened with the emergence of a significant oversupply.

This paper profiles the various indicators relating to demand, dwelling and lot supply, and prices, in the Greater Brisbane land market. Broadhectare development regions have been defined as the Local Government Areas (LGA) of **Brisbane**, **Moreton Bay**, **Ipswich**, **Logan** and **Redland**, in addition to the Remainder Outer areas, which include Statistical Areas Level 2 regions of Lockyer Valley East, Boonah and Beaudesert.

Brisbane Land Market Regions

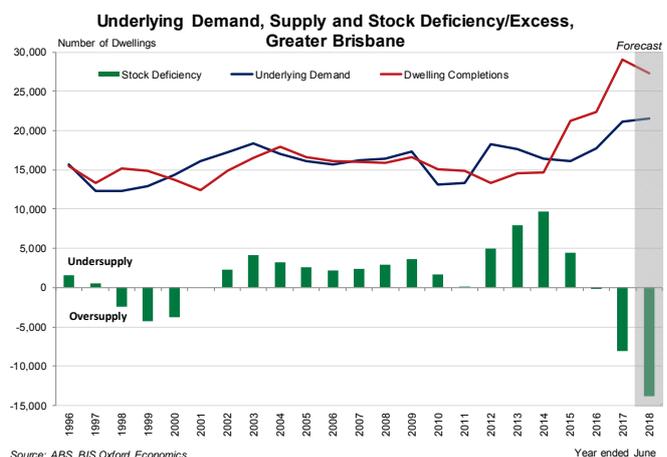


Source: OpenStreetMap

STOCK DEFICIENCY

Underlying demand for dwellings steadily increased over the three years to June 2017 on the back of net overseas and interstate migration inflows. Low interest rates have also allowed pent up demand to be released into the market. Underlying demand rose to an estimated peak of 21,100 dwellings over 2016/17 and was well above the average of 17,200 dwellings per annum over the preceding five years.

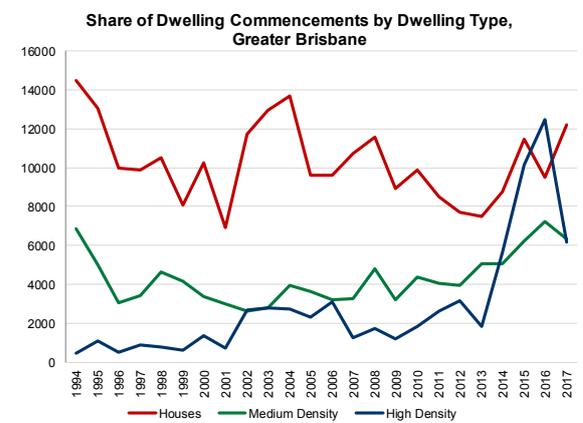
However, on the supply side, dwelling completions surged far ahead of underlying demand. Annual completions are estimated to have doubled over a span of three years to 29,000 dwellings in 2016/17. This has seen the underlying dwelling deficiency eroded and a significant oversupply emerge over 2016/17. Over the next twelve months, completions are forecast to ease sharply but still remain above demand, which will lead to the escalation of the dwelling oversupply.



Source: ABS, BIS Oxford Economics

DWELLING COMMENCEMENTS

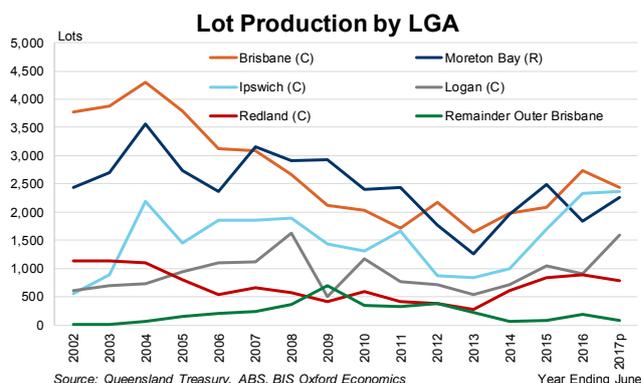
The surge of dwelling completions from 2012/13 has been primarily driven by the rise in high density dwelling commencements. High density dwelling commencements averaged 9,400 starts per annum over the three years to June 2016, compared to an annual average of 2,100 starts over the preceding five years. This surge saw high density starts peak at 12,500 in 2015/16 before easing to an estimated 6,200 high density starts in 2016/17. Over this period, medium density starts have also seen a marked increase, while detached house starts did not see the same level of growth. As a result, the oversupply in dwellings is likely to be focussed in the unit market.



Source: ABS, BIS Oxford Economics

LOT PRODUCTION

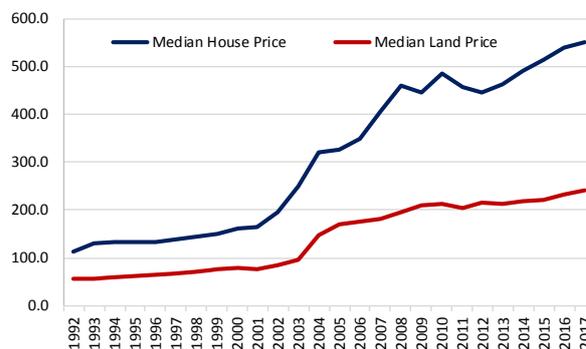
Lot production in Greater Brisbane rose steadily over the past four year period. However, growth has slowed, with lot production reaching an estimated 9,400 lots in 2016/17. Brisbane, Moreton Bay and Ipswich LGAs have seen the largest volume of lot production activity, and were estimated to have produced around 75% of total lots produced in Brisbane in 2016/17. Notably, growth in lot production in these three LGAs has also flattened out over 2016/17, with each LGA producing around 2,200-2,400 lots per annum since 2015/16. It may be that the excess supply in the unit market is having an impact across demand for new houses and land.



MEDIAN PRICES

The median land price in Greater Brisbane rose 3.4% over 2016/17 to \$240,000, outpacing the rate of growth in the median house price and contributing to a deterioration of land price affordability. The median house price rose 2% to \$550,800 in 2016/17, which resulted in the median land to house price ratio of 43.6%. This remains below its previous peak of 52% in 2004/05 and suggests that land continues to be affordable versus the established dwelling stock.

Median House and Median Land Price, Greater Brisbane (\$'000s)



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