Why Brisbane's property market will outperform Sydney and Melbourne in 2019

By **Luke Housego**

06 Jan 2019 — 1:54 PM

Brisbane's residential market is expected to outperform Sydney and Melbourne during 2019, even as its own prices decline slightly faster overall.

During 2018 house values in Brisbane rose by a modest 0.4 per cent while unit prices fell by 0.7 per cent, resulting in overall growth of 0.2 per cent.

The city is likely to tip into negative territory this year, ANZ says.

Net interstate migration will continue to support property values in Brisbane, economists say.

"Brisbane will continue to outperform Sydney and Melbourne but we'll see some price declines," ANZ economist Jack Chambers said.

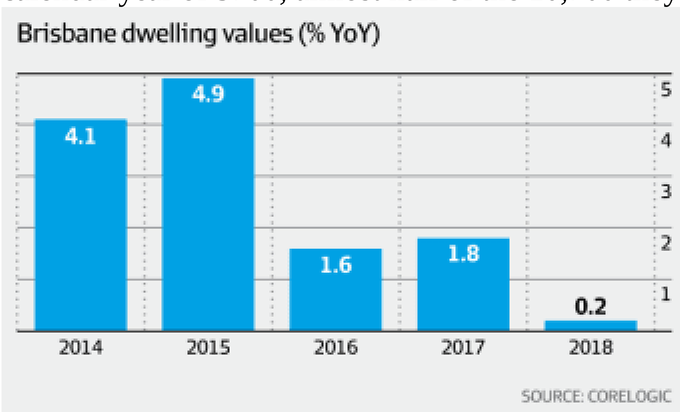
In a deterioration on 2018, ANZ is forecasting values to fall 1 per cent in both detached houses and apartments for the year to December 2019, marking an end to years of moderate overall growth.

Property values rose 4.1 per cent in 2014 and 4.9 per cent in 2015.

Over the subsequent two years, weighed down by unit prices, growth slowed to 1.6 per cent in 2016 and 1.8 per cent in 2017, figures from data provider CoreLogic show.

Brisbane's inner-city unit market has been a significant drag on growth rates, with prices still about 5 per cent lower than they were a decade ago. Falling apartment prices, further advanced in the cycle than in Sydney and Melbourne, have prompted some deep-pocketed investors to buy up deeply discounted stock.

However, with new supply moderating, the sector is expected to continue its recovery into 2019. Consultancy BIS Oxford Economics expects new apartment completions in Brisbane this calendar year of 5700, almost half of the 10,700 they peaked at in 2017.



CoreLogic is betting on another year of modest gains for Brisbane supported by interstate migration.

"Net migration rates into Brisbane should drive growth into 2019," said CoreLogic head of research Tim Lawless.

"It's more important [than international migration] as interstate migration is more likely to include buyers."

The latest ABS data on net interstate migration shows that over the decade to June 2017, Queensland attracted 11,000 additional residents on average each year.

This was significantly more than the 7200 new residents per year who made Victoria home. Where as New South Wales likely contributed to both states' growth, with an average of 13,600 people per year leaving the state.

Opinions vary, however, on the extent to which the credit squeeze hitting the Sydney and Melbourne markets will also affect Brisbane.

Mr Lawless said the Queensland capital will not be immune.

"The slowdown that we've been seeing is very much due to credit availability, which Brisbane is not sheltered from," he said.

Mr Chambers, however, said the credit curbs would have less of an effect, because the gap between earnings and dwelling prices in Brisbane was less than in the bigger cities.

"Sydney and Melbourne are more affected by credit tightening than Brisbane. Price-to-income ratios are higher," Mr Chambers said.

Another positive for Brisbane is residential gross property yields, which at 4.5 per cent in December were higher than in Sydney's 3.3 per cent and Melbourne's 3.5 per cent.

Rental market conditions and yield were likely to become more of a consideration for investors if there was a change of federal government and negative gearing tax breaks were curbed, Mr Lawless said.