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Mixed outlook for South East Queensland residential market

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While median house values are on the rise and sales volumes are strengthening, a new CB Richard Ellis report forecasts a mixed outlook for the South East Queensland residential sector in 2010.

CBRE's latest Residential MarketView report highlights the positive impact of the various government stimulus packages, including the First Owners' Grant, which helped support a 2009 recovery in sales volumes – particularly in the sub \$500,000 bracket.

However, with the effects of these stimulus packages now largely through the system and interest rates climbing, CBRE Associate Director, Global Research and Consulting, Craig Godber said 2010 appeared to present a "mixed and challenging" environment for the residential sector.

Mr Godber said Brisbane house and unit sales volumes had recovered somewhat from the lows experienced in 2008 but remained below the levels witnessed for a good deal of the past decade.

"While the Brisbane residential market did show growth during 2009, the increases evident were not as substantial as what occurred in the Sydney and Melbourne markets," Mr Godber said.

"Residex figures show an increase in sales volume in 2009, of 12.0% for houses and 9.2% for units compared with national increases of 16.4% and 20.1% respectively."

CBRE Regional Director, Residential Valuations, Tom Edwards said the sub \$500,000 sector of the Brisbane housing market appeared to have peaked following the surge of first home buyers in 2009.

"There is little evidence yet of any price retreat, however the threat of mortgage stress does loom in some quarters, particularly if interest rates continue to rise," Mr Edwards said.

"The strongest activity now appears to be in the \$550,000 to \$1,000,000 market, especially within a 10-kilometre radius of the Brisbane CBD. This segment of the market is performing well and is experiencing high sales volumes, rising house prices and short market periods."

Mr Edwards said the prestige sector of the market for properties priced over \$1 million remained relatively soft although agents had been reporting increased buyer enquiry in recent months.

Overall, the increases in Brisbane house and unit values in 2009 were amongst the lowest in the country. By the December 2009 quarter, Brisbane median house and unit values had risen 5.3% and 4.7% respectively.

"However, it must be remembered that unlike a number of other capital markets Brisbane's house and unit values have not recorded a negative annual growth result for more than a decade," Mr Edwards said.

The Gold Coast market was more subdued, with Residex reporting rises in house and unit values of 2.0% and 1.5% respectively in 2009. In contrast to the increases reported in Brisbane and the Gold Coast, the Sunshine coast recorded its first annual decline in more than a decade.

First home owners fuelled much of the sales activity in 2009, accounting for as much as 27% of dwelling finance commitments in 2009. Mr Godber said this was likely to have been the major driver behind Brisbane's increased vacancy rate which rose to 4.0% in the last quarter of 2009.

"The impact of first home buyers moving from rental accommodation to home ownership has hit hardest in a 5-kilometre radius of the CBD which recorded a 4.4% vacancy rate in December 2009," Mr Godber said.

Looking ahead, Mr Godber said there was now a concern that interest rate rises and the ending of the government's stimulus measures could potentially create mortgage stress in some segments of the market. An indicator of this growing issue was the 20% increase in property repossession through the Queensland courts in 2009 compared to 2008.

"Buyers that overextended their capabilities when entering the market in 2009 could be exposed in 2010 if interest rates continue to rise," Mr Godber said.

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