

# Apartment glut haunts Brisbane market

**Jason Clout**

Brisbane's apartment market will face oversupply problems as the amount of stock in the pipeline forces a rise in vacancy levels, according to BIS Shrapnel.

The market is roughly in balance now but the number of new units to enter the market in the next 18 months could tip Brisbane's inner city into oversupply.

Senior analyst Angie Zigomanis said the vacancy level was about 2.5 per cent in the city.

"But that will probably creep up in the next few years," he said.

In 2005-06 there were 2600 apart-

ments added. In 2006-07 that will decline to 1100 but that is only a brief pause in the increase to stock levels.

"There will be another 2500 apartments come on the market [in] 2007-08," Mr Zigomanis said.

The expected rise in vacancy levels should restrict rental growth. The median average rent for a two-bedroom apartment is \$330.

That should increase by 6 per cent next year, after rising on average 7 per cent for the past three years, but then taper off.

"Median rental growth for apartments in Brisbane will come back to about 1 to 2 per cent as vacancy levels rise."

In terms of price, Mr Zigomanis said the city's market was diverging between investors and owner-occupiers.

"Investors still dominate the market but owner-occupiers have an increasing presence."

Investors could probably expect only 2.5 per cent capital growth in the next five years as they were hit by the sentiment about lower rental increases and higher vacancy levels.

Mr Zigomanis said owner-occupiers should get twice the rate of capital growth in the same period.

The owner-occupier market was also demanding more inclusions and better design. Higher construc-

tion costs had increased the price and so additional value had to be provided in units.

Real Estate Institute of Queensland chairman Peter McGrath said it was not concerned about a unit oversupply "for the foreseeable future".

"Vacancy levels are at crisis levels, they have never been this low in south-east Queensland in living memory. That should encourage investors."

"However the next six months is an important time for the market, given talk of another interest rate rise and the amount of infrastructure spending in Queensland."