IPSWICH HOUSING MARKET OVERVIEW

CALENDAR 2017

Executive Summary

- House sales are expected to continue rising over the next twelve months. Homes listed for sale and the time needed to see them have declined. The **Ipswich market** is in the **recovery phase** of the property cycle.

- We believe that **detached house prices** should keep rising across Ipswich over the next twelve months. We expect them to rise by another **5%** during 2017. This growth could be stronger if the amount of property listed for sale further declines.

- The vacancy rate has also declined. It has been somewhat tight for sometime, resulting in consistent rental increases for detached houses over recent years. This year, we think **median house rents** across Ipswich could rise by **5%.** Again, like house prices, if the supply for homes for rent tightens further, then rental growth could be stronger than our forecast.

- Local population growth is steady. However, Ipswich's annual rate of **population increase is projected to double** over the next ten years.

- Most of this increase will be a younger demographic. This will continue to push **buyer demand towards detached housing. Homes that can cater for more than one tenant or family member are likely to gain in popularity.**

- When taking the longer view – two things stand out as positives for the Ipswich corridor – firstly, the area remains **undersupplied with new housing**. There is a need to build more new homes in the area. This need will become much bigger if Ipswich is going to accommodate a doubling of its current population growth rate.

- Secondly, many **more new jobs** are slated for the western/southern area of Brisbane over the next five years. This is very good news for Ipswich residents.

- Whilst the Ipswich housing market is improving, **the strength of the current recovery/upturn is somewhat mild when compared to past cycles**. It does not have the market grunt that has been recently experienced in, say, Sydney or Melbourne. The reasons are many and include limited employment opportunities (of late), limited population growth (again, for now), slight housing undersupply and limited overseas buying interest.

- There is some buyer/investment transfer from the southern capitals, and in particular from Sydney's western suburbs; though the magnitude of this shift remains slight and its impact less than in the mid-late 2000s when Queensland was in the middle of a resource-based expansion.

REPORT LAYOUT & SPONSORSHIP

Report layout and a word from our sponsor

1. Layout

This report is centred around ten themes – labelled **ten things you need to know**.

These ten things include:

1. House sales forecast
2. Dwellings listed for sale
3. House price forecast
4. Rental vacancy rates
5. House rent forecast
6. Population growth
7. Housing demand – buyer type
8. Housing demand – dwelling type
9. New housing market status
10. Future distribution of jobs

2. Two outlooks

a. **Next twelve months:** The first five things outlined above support our housing forecast for the next twelve months.
b. **Next two to five years:** Things 6 to 10 help us to outline potential market direction over the medium to longer term.

3. Report coverage

Comprises Ipswich City Council. Our area covers the following postcodes: 4300, 4301, 4303, 4304, 4305, 4306, 4340 and 4346.

4. Data sources

- CoreLogic
- Australian Government, Department of Employment
- Queensland Government
- Australian Bureau of Statistics
- SQM Research
- Queensland, Residential Tenancy Authority
- Profile.id.com.au
- Matusik database

Our **understanding the data section** starts from page 11.

5. Report date/validity

- Date: 16th February 2017
- Valid: Until 30th July 2017

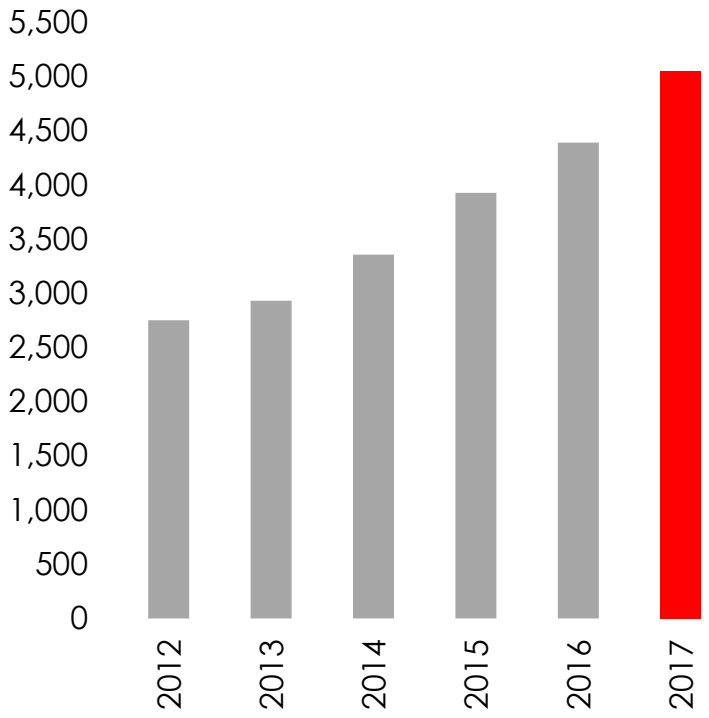
This special real estate report has been bought to you by **The Queensland Times, The Ipswich Advertiser** and **The Satellite**, the leading real estate print publications in Ipswich and South-West Brisbane. The QT is the state's oldest provincial newspaper and has informed the diverse Ipswich region for over 155 years, and remains a local institution for residents. The newspapers are modern and vibrant and have been carefully designed and constructed to reflect the opinions and suggestions of its reader and deliver excellent results for advertisers.

The Ipswich Advertiser

The Satellite

TEN THINGS YOU NEED TO KNOW

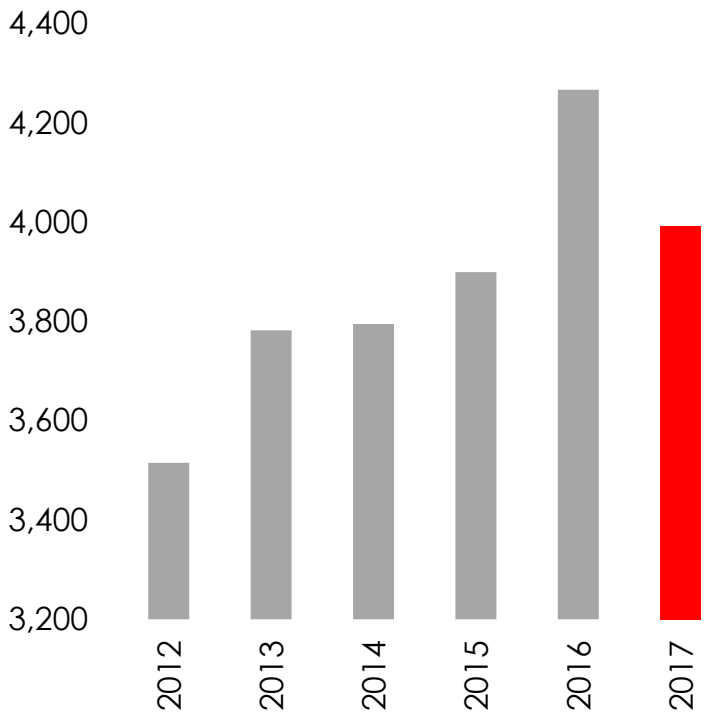
1. Detached house sales



House sales have been rising in Ipswich over recent years. They are expected to continue doing so over the next twelve months.

Some 5,000 detached houses are expected to sell during 2017, this is twice the volume sold just five years ago.

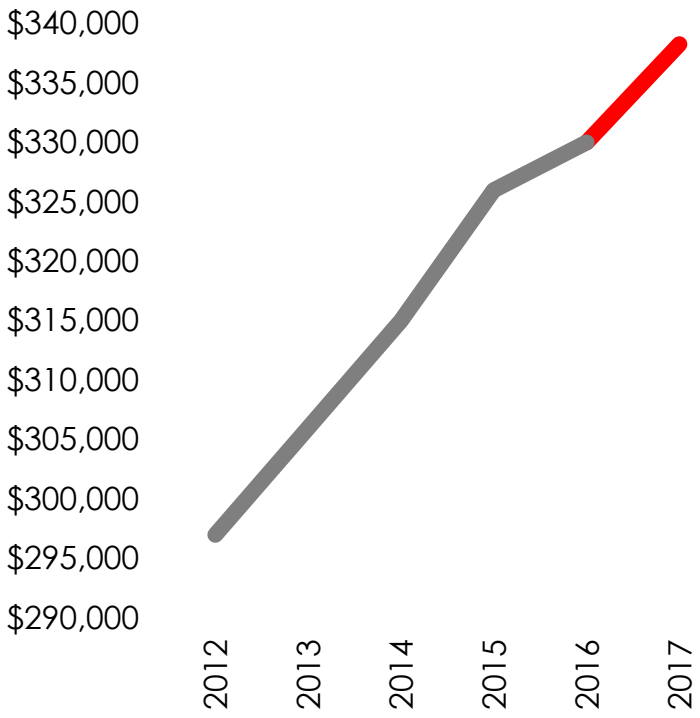
2. Dwellings listed for sale



The number of dwellings listed for sale, in contrast with sales, has declined over the past twelve months.

Rising demand (sales) versus less supply (properties for sale) means that house prices should continue rising during 2017.

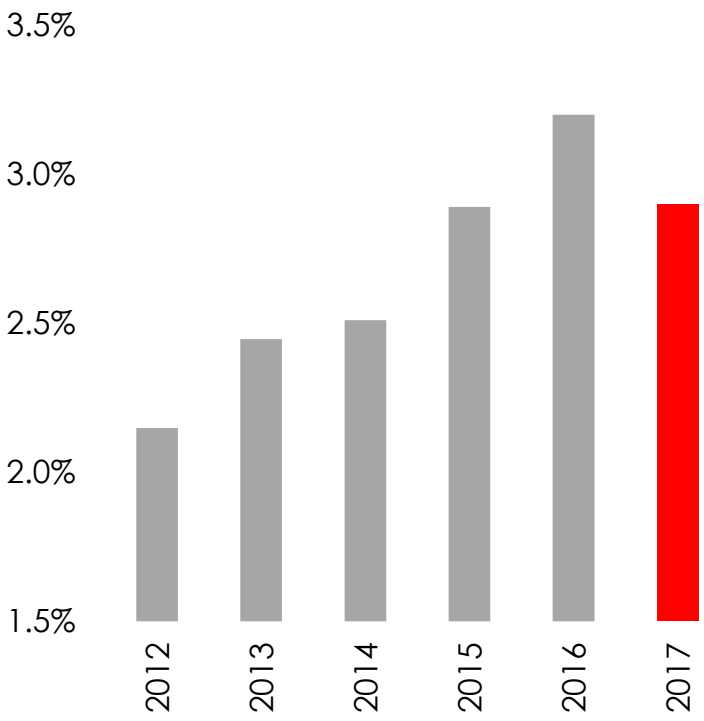
3. Median house prices



Reflecting rising housing demand and limited (and a now falling) housing supply, house prices across much of Ipswich have been rising.

This trend is expected to accelerate during 2017.

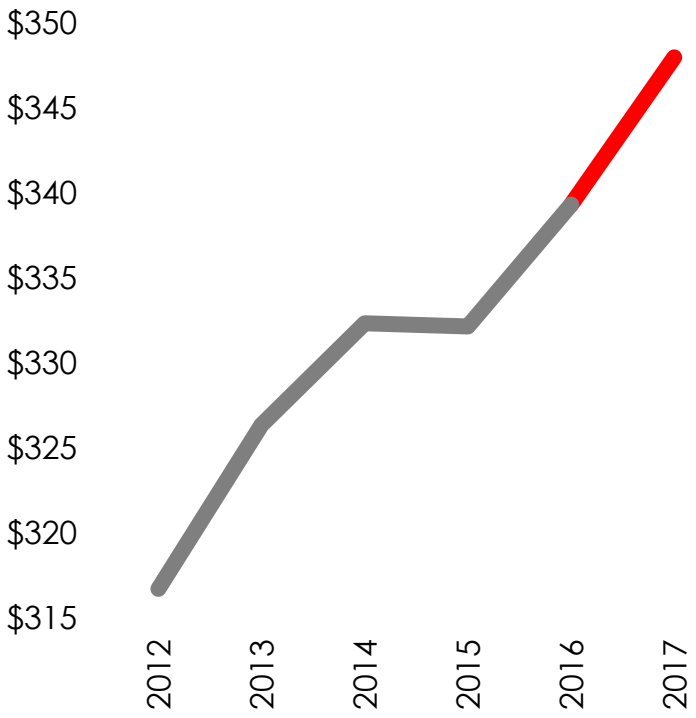
4. Rental vacancy rate



The rental vacancy rate is also lower at this time of year when compared to the same time last year.

A tight, and especially falling, vacancy rate often means that weekly rents rise.

5. Median house rents



Weekly rents for detached houses have been increasing across Ipswich over recent years. This trend, given the tightening vacancy rate, is expected to hasten this year.

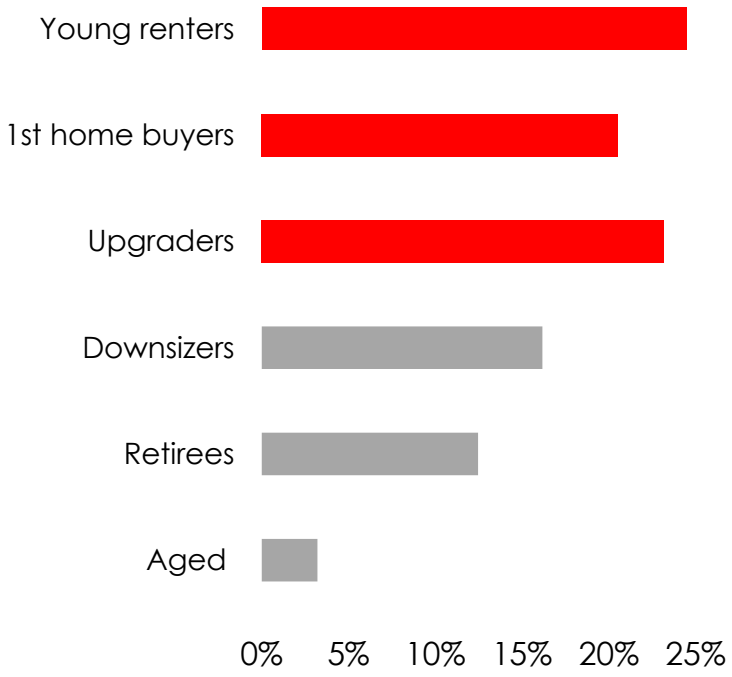
.....

Ipswich is currently growing on trend – see table below – but is expected to double its annual population growth over the next decade.

6. Population growth

	2016 Population	2026 Population	Annual growth last decade	Growth last year	Annual growth next decade
Sunshine Coast	347,500	425,000	6,325	5,319	7,750
Moreton Bay	435,750	529,000	10,240	8,512	9,325
Brisbane North	267,519	286,500	4,083	3,531	1,898
Inner Brisbane	335,169	454,500	6,084	5,254	11,933
Brisbane West	211,170	229,750	3,089	2,780	1,858
Ipswich	**198,584**	**306,250**	**5,569**	**5,042**	**10,767**
Brisbane South	279,821	299,250	4,591	3,655	1,943
Brisbane East	233,423	258,250	3,627	1,814	2,483
Logan	314,159	384,500	5,478	3,981	7,034
Gold Coast	567,502	698,500	11,897	9,757	13,100
South East Qld	**3,190,597**	**3,871,500**	**60,983**	**49,645**	**68,090**

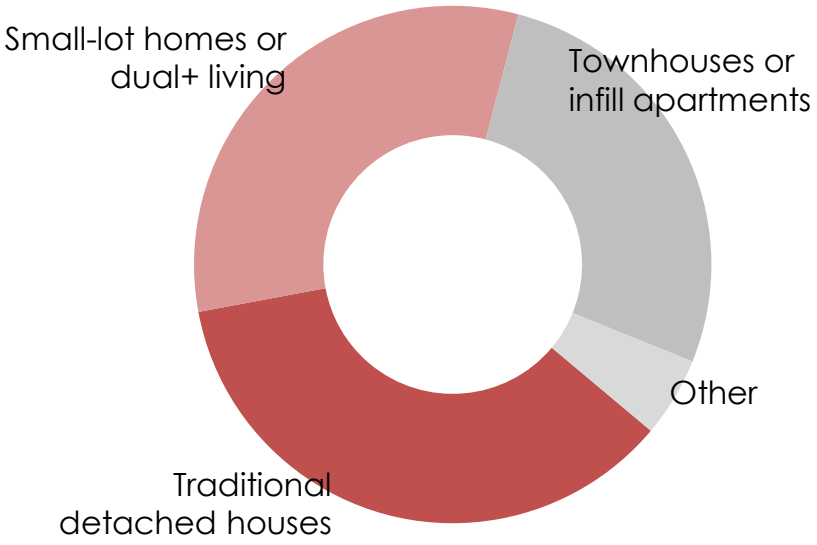
7. Future housing demand by buyer type – next decade



Ipswich has a much younger demographic profile than most of south east Queensland.

Over the next decade, the buyer segments expected to see the largest growth include – young renters, first home buyers and upgraders.

8. Future housing demand by dwelling type – next decade

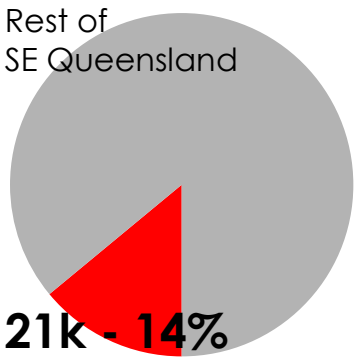


This means the housing demand in the Ipswich area will be the strongest for detached houses - on a variety of allotment sizes and, in particular, product supplying dual-living configurations.

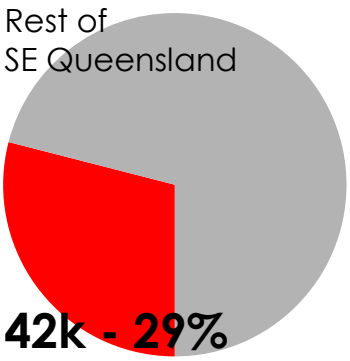
9. New housing demand v supply status

	New dwelling demand – past five years	New housing supply – last five years	New housing supply – demand status	Extent of undersupply (in months)	Extent of oversupply (in months)
Sunshine Coast	11,640	12,376	736		4
Moreton Bay	16,915	16,374	-541	-2	
Brisbane North	7,897	10,579	2,682		20
Inner Brisbane	12,943	35,741	22,798		106
Brisbane West	**5,988**	**3,451**	**-2,537**	**-25**	
Ipswich	**9,994**	**9,077**	**-917**	**-6**	
Brisbane South	7,296	9,125	1,829		15
Brisbane East	5,327	6,953	1,626		18
Logan	9,202	9,045	-157	-1	
Gold Coast	20,920	20,172	-748	-2	
South East Qld	**108,122**	**132,893**	**24,771**		**14**

10. Future distribution of new jobs – next five years



21k - 14%
Ipswich
Brisbane West
Brisbane South
Last five years



42k - 29%
Ipswich
Brisbane West
Brisbane South
Next five years

Brisbane's western suburbs plus Ipswich – see table above – are currently undersupplied with new housing. There is a demand to build more homes in this area.

…..

The number of new jobs is expected to double within close proximity to Ipswich over the next five years, resulting in a 29% market share.

UNDERSTANDING THE DATA

What drives price growth?

Dwelling prices are driven on three levels – macro; regional and local.

On the **macro level**, price is influenced by the wider things – interest rates; liquidity; the economy; wages; confidence; government policy; exchange rates and overseas events.

Regionally, dwelling prices are influenced by employment; wages, again, and demand/supply balance. We reluctantly include 'infrastructure', as our work has found that unless these new structures create long lasting jobs, set enduring higher wages and really increase convenience, then it's a real hit and miss when it comes to an enduring impact on local property values.

Locally it is all about supply and demand.

Matusik Property Clock

A market's position on the property clock is based around the strength and direction of several key real estate indicators including – sales volumes, price and rent momentum, underlying housing demand, new and existing housing supply, employment generation and growth in household income.

There are four phases to the Matusik Property Clock

- Recovery
- Upswing
- Downturn
- Stagnation

1. Recovery phase

This phase is mildly favourable to sellers.

- Sellers should expect a quick sale; especially if the property is well priced, presented and marketed.
- Buyers need to make sure they don't overpay, but they can miss out if they take too long.
- Renovators need to understand the market's limits. Overcapitalisation often happens in recovery locations.

2. Upswing phase

A upswing market is a seller's market.

- Sellers can expect a quick sale, especially if product is well priced, presented and marketed. Second or subsequent buying offers can often be better than the first.
- Buyers need to make sure they don't overpay but buying decisions often need to be made quickly.
- Renovators again need to understand the market's limits. Over-capitalisation is very common in upturn conditions.

3. Downturn phase

A downturn market is a buyer's market.

- Sellers should not expect a quick sale. First offers are often the best. It may be best to delay selling until market conditions improve.
- Buyers can take their time and make hard offers, especially when buying with limited or no contract conditions.
- Renovators might need to hold an asset for considerable time. Renovate for rental return first, resale uplift second.

4. Stagnation phase

A market in stagnation is a balanced market – where one can sell and buy at similar value.

- Sellers can sell quickly if product is very well priced, presented and marketed.
- Ironically, buying decisions often need to be quick for well-priced and/or recently renovated property.
- For sellers, first buying offers are often the best.
- Some form of renovation is often needed to attract interest to a property.
- Renters can still negotiate a better lease or premises

Average time to sell

How we measure supply and demand at a local level is to count the amount of stock for resale against the number of sales during that same period. This is the average time needed to sell.

In short, an area with, say, 100 properties listed for sale, but only achieving 20 sales that same year, is in a slump. If we exchange the numbers, then it's thriving. As one would expect, when supply is tight, dwelling prices lift. The opposite applies, almost always, when supply is high in relation to demand.

What drives rental growth?

Dwelling rents are also driven on three levels – macro; regional and local.

On the **macro level**, rents are influenced by the wider things – interest rates; the economy; wages; confidence; government policy (including taxation) and exchange rates.

Regionally, rents are swayed by employment; wages, again, and demand/supply balance.
New infrastructure projects often affect rents – sometimes substantially – during the construction phase. But unless these new structures create long lasting jobs, set enduring higher wages and really increase convenience, then their continuing impact on rents is questionable.

Locally, again, it is all about supply and demand.

Vacancy rate

How we measure rental supply and demand at a local level is to count the number of residential properties available for rent against the total number of rental properties in the same area. This is the vacancy rate and it is expressed as a percentage.

In short, an area with, say, 500 rental properties in total but with 50 of these vacant and available for rent, has a vacancy rate of 10%. But if the same area has just 10 rental properties vacant, then the vacancy rate would be a much healthier 2%. As one would expect, when supply is tight, weekly rents lift. The opposite applies, almost always, when supply is high in relation to demand.

Tenant advice

Our tenant recommendations are:

- Vacancy rate under 2% – consider buying or locking into longer lease terms.
- Balanced (2% to 3% vacancy rate) – expect rental increases generally in line with inflation (CPI).
- Vacancy rate over 3% – negotiate better rent, lease terms or premises.

How do we determine future housing demand?

The Bureau, plus most local government authorities, supplies population projections. Typically, three data sets are provided – a high, medium and low series.

We use the medium series. Whilst we chart expected population out to 2036, our focus is on the next ten years. We also compare recent growth trends with those which are forecast. We are always realistic, paring back ambitious population forecasts where necessary, to help determine a credible annualised demographic demand for coming years.

What type of housing will be in demand?

To determine such, we break the projected demographic into six distinct buyer segments. And when determining the most likely demand by housing type, we cross-reference the growth projections for each of our six buyer segments with our model of locational-based dwelling preferences.

Our six buyer segments

1. Renters

Late teens to mid/late 20s. **Important housing considerations:** affordability; ability to share; flexibility and low maintenance. **Preferred housing options:** apartments (inner city); townhouses, duplexes and dual+ occupancy homes (middle-outer suburbs). **Buy recommendations:** property that can be shared; equal sized bedrooms; ensuites; secure storage and parking.

2. First home buyers

Typically mid to late 20s to mid/late 30s. **Important housing considerations**: room to grow; affordability and property improvement. **Preferred housing options:** some apartments (inner city); some townhouses/duplexes and small houses (middle suburbs); larger detached and dual+ occupancy homes (outer suburbs). **Buy recommendations:** property that can be improved and able to take in a tenant/s to help pay the mortgage.

3. Upgraders

Mid to late 30s to mid/late 50s. Having kids later means that many, even well into their 50s, have teenagers at home. **Important housing considerations:** space; room to grow; improving the property. **Preferred housing options:** larger apartments (inner city); traditional detached and some dual+ occupancy homes (middle-outer suburbs). **Buy recommendations:** larger homes close to infrastructure or in boutique projects in high amenity locations.

4. Downsizers

Mid/late 50s to mid/late 60s. As their title suggests, many want to move into something smaller and, if possible, in their existing neighbourhood. **Important housing considerations:** low maintenance; convenience; like-minded residents; existing location; small projects. **Preferred housing options:** spacious apartments (inner city); townhouses/villas and dual+ occupancy homes (middle-outer suburbs). **Buy recommendations:** value for money, small complexes; private; secure and with space for visitors.

5. Retirees

Mid 60s to mid/late 70s, sometimes older. Living in compact housing also suits this segment. **Important housing considerations:** affordability; low maintenance; convenience; like minded residents; quiet location; smaller projects and pets. **Preferred housing options:** apartments in small complexes; townhouses; duplexes and dual+ occupancy homes. **Buy recommendations:** quality homes; small complexes; private; secure; room for visitors and pet friendly.

6. Aged

Mid to late 70s and older. At this age, assistance is often required. **Important housing considerations:** affordability; assistance; low maintenance; quiet location and pets. **Preferred housing options:** homes in small to medium sized complexes and some dual+ occupancy homes. **Buy recommendations:** medical assistance; affordable homes; private space; secure common grounds and pet friendly, if possible.

New housing supply

The new residential market across much of the country, and in particular across the south east corner of Queensland, was in equilibrium in 2012.

This means that new supply, at that time, was roughly equal to underlying demand – i.e. the need to build more new homes.

Our table for 'new housing demand/supply' starts at this past equilibrium point.

Employment trends

Job creation is increasingly important for future property performance.

Those areas with limited employment opportunities are likely to struggle with regard to future capital growth and rental returns. The opposite trends take place in locations with an increasing, and more importantly, upwardly mobile workforce.

Important in this regard is the level of education and local skill set. This, in turn, impacts on the type of jobs in an area and the potential prospect of more higher paying jobs in the future. More higher skilled jobs typically equate to rising local household income.

Rising local household incomes translate to sustainable increases in property values and weekly rent.

This is not to say that areas with limited job or wage growth do not present investment opportunities. They do, but the room for potential buying error in these areas, we believe, is higher.

IMPORTANT NOTES

Risks of investing in property

Direct investment in residential property, like all investments, involves a number of risks. If these eventuate, your income might be lower than expected. There may even be none. In addition, the capital value of your investment could fall.

The key risks of investing in property are outlined below:

- The property purchased may not provide the income or capital gains the asset was expected to produce.
- There is a risk that your property may, for periods of time, lie vacant and hence not generate income. Maintenance and repair costs are the investor's responsibility and can vary, and at times be significant. Such costs are sometimes recoverable from rental bonds or under insurance policies.
- There are a number of factors that affect the general property market including increases in supply and falls in demand; the cyclical nature of property values; increases in taxes and operating expenses; overall economic conditions; demographic changes; changes in town planning laws; casualty and condemnation losses; environmental risks; regulation on rents; detrimental new developments in the area; increases in interest rates; similarly, inflation and changes to bank funding policies.
- Gearing increases the volatility in the value of your investment. In the early stages of residential investment, a significant fall in the property's value may see balances fall to less than the total amount of borrowings.
- Increases in interest rates often increase the cost of borrowings.
- Changes in laws or their interpretations including taxation, superannuation and corporate regulatory laws, practice and policy could have an impact on your investment. You should seek professional tax advice before investing in residential property.

Matusik Property Insights

Michael Matusik has been providing independent real estate advice for over 27 years. Michael is the director of Matusik Property Insights. We specialise in new project advice.

- Consultancy and advice on over 620 new residential projects
- Delivery of more than 880 property presentations
- Author of more than 2,300 property articles including the well-respected Matusik Missive
- Trusted industry expert with a wide and growing following

For more information www.matusik.com.au

Disclaimer

This report has been prepared by Matusik Property Insights Pty Ltd. This content has been prepared without taking into account the objectives, financial situation or needs of any particular individual. It does not constitute formal advice. For this reason, any individual should, before acting, consider the appropriateness of the information, having regard to the individual's objectives, financial situation and needs, and if necessary, seek appropriate professional advice.

Information herein includes material obtained from third parties considered to be accurate. Whilst this information has been carefully compiled, no warranty or promise as to its correctness is made or intended. Interested parties should undertake independent inquiries and investigations to satisfy themselves that any details herein are true and correct.

In addition, no forecasts are being made about an individual's potential capital gains or rental returns. Matusik Property Insights Pty Ltd disclaims all liability for any loss or damage suffered by any person of, or in connection with, the provision of information herewith, or the purported reliance thereon by any person.

Copyright