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Brisbane apartment mortgage revaluations are 20-30 per cent below purchase price



by [Su-Lin Tan](#)

Mortgage revaluations of second-hand homes in [inner Brisbane](#) are 20 to 30 per cent below their exchanged prices as [oversupply fears continue to hit the Queensland capital city](#), private property lender Development Finance Partners (DFP) say.

DFP, which provides commercial loans to residential developers, has discovered that not only are the values of new dwellings being pushed down, but secondary apartments and townhouses have also been swept up in the downward slide.

The large number of newly completed apartments - about 8300 - expected to hit the city in 2017-18 will only worsen the problem, DFP says, quoting the latest residential data from property research group [BIS Oxford Economics](#). A further 5000 units are in the pipeline for 2019.

[According to BIS](#), the average number of apartments constructed in inner Brisbane outside a boom is about 2000.

DFP believes, based on information provided by its clients and industry experts, that the Brisbane apartment market will be further "tested" in the last two quarters of the year.

"It's a shock and it pressures those owners who do not have substantial equity," DFP director Matthew Royal said.

"The new, shiny, state-of-the-art properties are easier to let and those owners, keen to get early cash flow, may set a rental that is lower than rentals applying for nearby, older, properties.

'Flooding the market'

"Making things worse is that, in a new development a large number of new rental properties all emerge at once, flooding the market."

Adding to the woes of lower rent, banks are refraining from refinancing interest-only loans, forcing many borrowers - with old and new apartments - to repay both principal and interest.

"Lower rents push down a property's value, reduced cash flow arrives as principal and interest needs to be paid and an investor, financially comfortable up until then, is suddenly struggling to 'hang on'," Mr Royal said.

Additionally, Mr Royal is predicting longer days on market for re-sales of apartments from the third quarter of 2018 onwards.

"Unfortunately I am predicting more pain than gain for the most exposed assets I made mention of earlier this time next year."