DEVELOPERS RIDING THE WAVE

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Despite fears of a looming oversupply and settlement risk on thousands of new apartments, developers in Brisbane’s inner-city are keeping calm and carrying on. With valuations for recent settlements coming in at, close to, or in some cases above contract prices the panic button is yet to be pushed.

Last week a report by Core-Logic RPData warned that thousands of settlements were at risk because of the large volume of stock coming online in Brisbane over the next two years amid tightened lending conditions. But according to analyst Diana Howes from Resoluton Research, the report did not take into consideration the natural forces at play for developers – including tighter lending criteria for projects and rising construction costs.

“There’s no evidence at this stage the panic button needs to be pushed,” Ms Howes said. “In fact, it’s quite the opposite because with the major banks pulling out of development funding throughout inner Brisbane we are starting to see a pullback in supply.

"And lower volumes of supply will keep the valuations at, or close to contract value be-cause it’s deemed a less competitive environment. “Also, we’ve seen an estimated 15 per cent rise in construction costs over the past three months and because of that projects are becoming less feasible. So the forces are at work not just from a lending position but also from a feasibility point of view.”

Ms Howes said with negligible price growth across the off-the-plan market over re-cent years, apartments currently under construction should, in theory, be valued in line with their recently completed counterparts. “We’ve seen no evidence of any valuations coming in posing settlement risk. So those claims that the market is currently on the cusp of a major valuation risk phase are unfounded.”

HG Developments director Simon Gundelach said all 75 apartments in the company’s Lumira project at Newstead had recently settled “without any issues”. “All the valuations came in at the contract prices or more,” he said.