**Oversupply Looms in Brisbane, Sydney and Melbourne**

***Christopher’s Housing Boom and Bust Report***

THURSDAY 3rd November 2016

SQM Research forecasts an oversupply of new residential property led by Brisbane, Sydney and to a lesser extent, Melbourne, which will keep rental growth down in 2018, according to *Christopher’s Housing Boom and Bust Report.*

“In this year’s *Housing Boom and Bust Report*, we have crunched the numbers on the much talked about apartment oversupply while also predicting total supply by measuring new house completions,” said Louis Christopher, the Managing Director of SQM Research and author of the report.

One of the nation’s most talked about apartment markets for 2016, Melbourne will record a 29% increase in completions as 2016 ends, with around 18,000 new apartments making their debut. However, surging population growth in the city has absorbed most of this stock. In total, 35,000 dwellings will be completed, including new houses.

“It may not come as a surprise that the CBD, Southbank and Docklands are the hot spots for development. These will be the epicentres of the apartment oversupply come later 2017 and 2018, though a growing population will absorb much of the new stock in time.”

In Brisbane, the *Housing Boom and Bust Report* forecasts apartment completions will fall by 11% in 2017 to 8,000 apartments, before rising again by 12.5% in 2018. Like Melbourne, the bulk of these apartment completions will be in inner-city areas.

“However there is strong evidence that Brisbane is already in oversupply and this may become obvious due to an expected surge in new house completions. Brisbane will be completing 12,000 free standing dwellings this year, making for a total surplus of 8,000 dwellings in 2016, rising to a surplus of 13,000 dwellings in 2017. The Brisbane vacancy rate is already elevated at 2.9% and this will rise towards 4% next year,” said Christopher.

“Apartment completions for Sydney are on track to increase by 33% in 2016, with rises over the next two years which is expected to add to moderate oversupply,” he said.

Approximately 21,000 new Sydney apartments are to be completed by the end of 2017, up a further 5% from 2016. Completions for 2018 are forecast to increase by 19% over 2017 with a total of approximately 25,000 new apartments entering the market. House completions are expected to remain steady at between 15,000 to 17,000 houses with the bulk of those to be completed in Sydney’s North West. The surplus of dwellings will remain moderate. However, it may become significant in 2018 where the total dwelling surplus is expected to reach 9,000 dwellings.

“So while vacancies in Sydney may remain steady in 2017 at approximately 1.8% to 2.0%, we think vacancies will rise in in 2018 to above 2.5%, eventually taking pressure off rents.”

The chart below provides a summary count of expected dwelling completions. However, for the full analysis, *Christopher’s Housing Boom and Bust Report 2017* is now available for $59.95 on [www.sqmresearch.com.au](http://www.sqmresearch.com.au) .



**\*Surplus is defined as surplus supply over estimated underlying demand for the year.**

**About SQM Research**

SQM Research Pty Ltd is a respected Australian investment research house, specialising in providing ratings and data across all major asset classes.

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