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No long-term price slide from Brisbane floods

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AN ABC television news bulletin stated that property prices in Brisbane's flood-affected suburbs were likely to fall by 50 per cent.

My reaction was: You have my attention. Now, who says so?

But the bulletin didn't tell us. There was no source or qualification of the statement. It was merely delivered as fact.

I wonder if the broadcaster realises how irresponsible it was to make such an alarming statement. Ditto sub-editors who wrote headlines like: "Rents to soar while values plummet."

Such outcomes would be unprecedented in Australia's long history of natural disasters.

Katherine, in the Northern Territory, is a good model, because it has quite a history of floods.

It went under water in 1998 in what was described as a one-in-100-year event. Then it happened again in 2006 and came close to a three-peat in 2008. The 1998 event claimed three lives and made 5000 people refugees.

Three serious floods in 10 years prompted me to include Katherine in my 2008 no-go zones report, but the Katherine property market has absorbed the consequences and carried on regardless.

In 2006, the median house price in Katherine rose 15 per cent and it increased a further 10 per cent the following year. There was a major spike in values, above 25 per cent, in the 2008, the year of another flood scare.

The area has a long-term annual growth rate of 10 per cent, having delivered price growth of at least 5 per cent every year since 2004.

Turning to Brisbane, Real Estate Institute of Queensland data shows dwelling prices were affected after the 1974 floods, but the fall was relatively muted and prices recovered within 12 months.

A year after the flood, Brisbane's overall median price had returned to pre-flood levels, although the flooded suburbs had longer-term consequences.

REIQ's Dan Molloy expects the consequences of the latest floods to be similar to 1974.

"Market conditions when the flood hit in 1974 were similar to today -- there was a credit squeeze in 1973 and the market was average at best, similar to now," Molloy says. "By 1975 things were back to normal in terms of prices across the board.

"For years afterwards there was a very high level of awareness and concern about flood levels and we'll see that again, but the difference this time is that in 1974 the river didn't play as important a role in the city's lifestyle. Suburbs like New Farm, Kangaroo Point and Bulimba were very different demographically back then."

Molloy says the REIQ had expected -- pre-flood -- that the first six months of this year would be quiet for the market, with stronger activity in the second half. "The floods will probably put that forecast back six months," he says.

"But eventually I think the market will grab the attention of investors. There will be pressure on rents, vacancies will tighten and yields will improve, as skilled labour comes into Queensland for the reconstruction."

Property analyst Michael Matusik points out that homes affected by the floods represent about 2 per cent of the area's total housing stock and that only a quarter of riverfront homes were flooded. He predicts prices will fall 5-8 per cent in the first half of the year, before recovering.

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