

The Property Report

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From the desk of Compass Capital's Michael Shreeve

RESIDENTIAL PROPERTY OUTLOOK FOR 2010 & BEYOND – ANZ SUMMARY

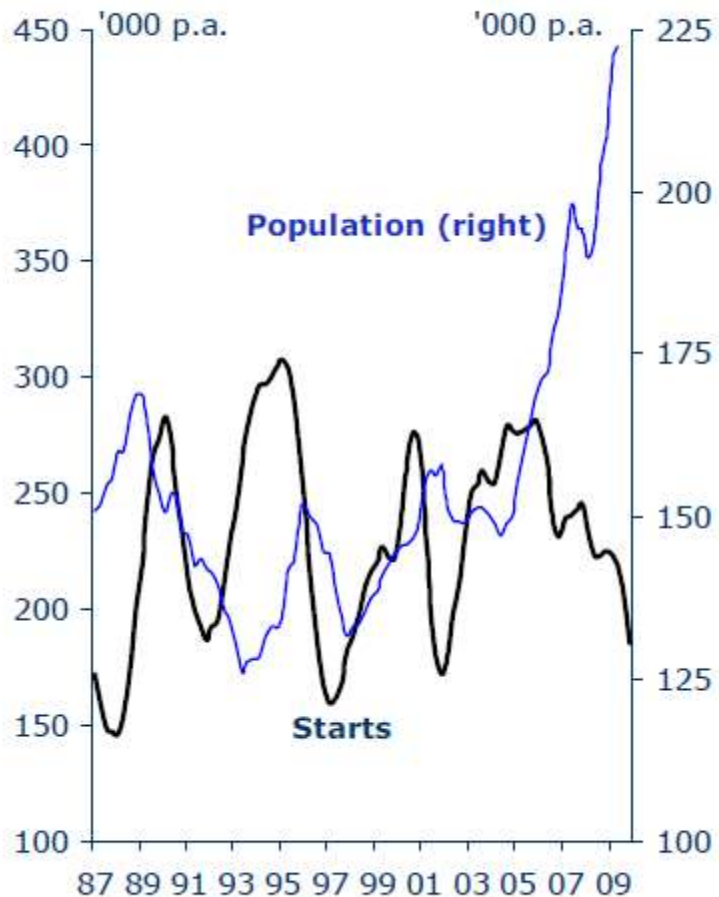
The latest "Australian Property Outlook" by ANZ is in our view an excellent overview of where the residential property market is headed. Some comments, charts, and extracts (*in italics*) are outlined below.

The key problem is that while population growth is at record highs, dwelling starts are close to record lows (see chart at right).

This key fundamental imbalance has been evident for several years and will take many more years to correct. In the meantime, the growing undersupply is placing upward pressure on prices and rents.

As ANZ says: *"Moreover, each day underlying housing demand remains above new supply, the market tightens further. We estimate that underlying housing demand is running at an annual rate of 200,000 while dwelling completions are expected to fall to under 130,000 in 2009-10. With the market already extremely tight (reflected in near record low rental vacancy rates in most state capitals), an additional shortfall of 70,000 dwellings will have a marked impact. The nascent recovery in dwelling approvals will partially close the gap in 2010-11, however, it remains highly unlikely that annual completions will get anywhere near the 200,000 required to meet demand in the foreseeable future."*

Population vs. dwelling starts

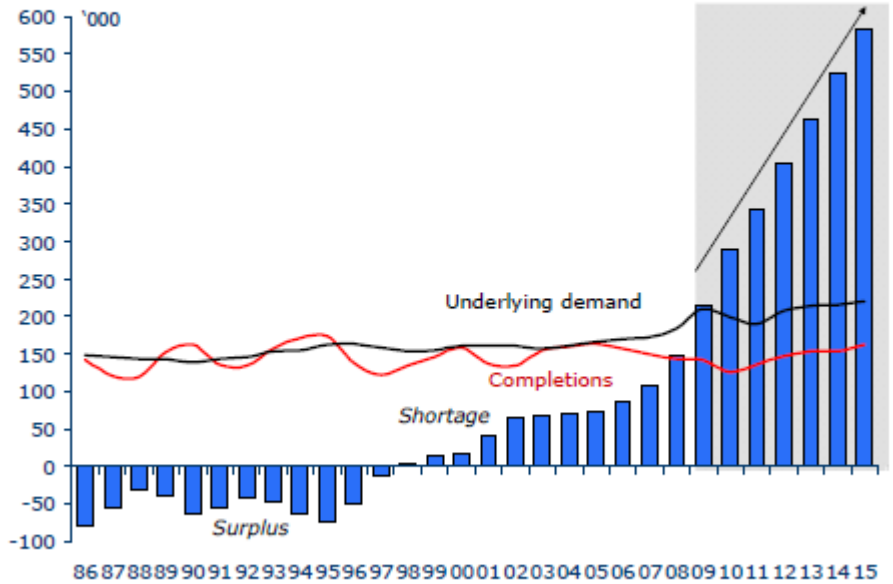


Source: ANZ Economics and Markets Research, ABS

Housing shortage to reach unprecedented levels

Housing market balance: Australia

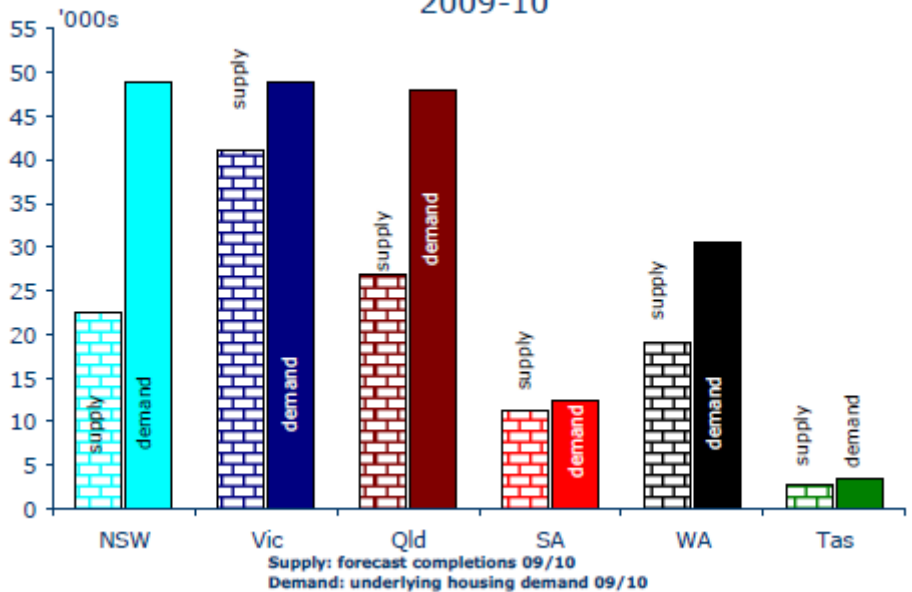
The cumulative effect of successive years of undersupply is shown in the chart to the right.



Sources: ABS, ANZ Economics and Markets Research

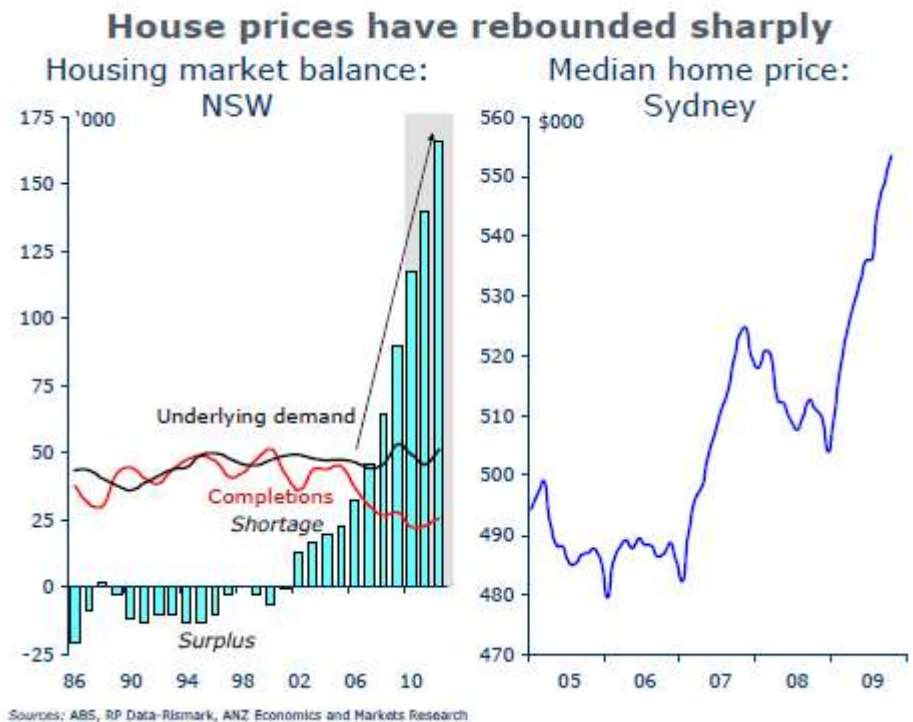
Housing demand vs. supply by state 2009-10

Undersupply is greatest in NSW, where it is expected that for the 2009-10 year new dwellings will be less than half of the increased supply (see chart right).



Sources: ABS, ANZ Economics and Markets Research

Over time, the cumulative effect of this obviously mounts. This has contributed to the recent price rise in NSW, and the NSW dwelling shortage is forecast to become much worse (see chart right).



Assessment

The long-term fundamentals are very positive for investors in residential property. Now is an excellent time to acquire investment property, particularly in selected areas of Sydney, which has an undersupply that is twice the national average. We have sourced some excellent properties in various regions of Australia. If you are considering acquiring quality investment property, we suggest you contact your advisor sooner rather than later. If you do not have an advisor we would be happy to assist.

If you have interest in acquiring a quality investment property (or have potentially interested clients) please register interest (icon to right) and we will be in touch.



If you do not have interest in acquiring a property, are not already a First Choice Club member, and would like to receive further Property Reports, please register interest (icon to right).



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