

The Property Report

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From the desk of Compass Capital's Michael Shreeve

DWELLING PRICE GROWTH FOR 2010 & BEYOND: WHAT THE EXPERTS ARE SAYING

We have consistently been arguing that the undersupply of dwellings in Australia will inevitably lead to price rises.

This has been proven correct in 2009, with double digit rates of growth.

The more interesting question now is: what is likely to happen in 2010 and beyond? This question was addressed in three recent (29 December) articles in the Australian Financial Review.

While the headlines appear a bit contradictory (one is: *"Why house prices are tipped to slow"*; another is: *"At long last, here comes the housing upswing"*), the text of each article reveals a consistent message. This consistent message is that:

- dwelling price growth will continue solidly for at least the next several years
- the pace of growth for 2010 is likely to slow from the double digit rates of 2009 to single digit rates (perhaps 5-7%)
- however, the risk is for faster growth, rather than slower growth

Some quotes from each article follow (links to the full articles are set out below):

"Why Housing Prices are tipped to slow"

- Rod Cornish, Macquarie Bank
 - *"Like most analysts, Cornish predicts further house price growth in 2010, but at 5 to 7 per cent for the year, a lesser pace than in 2009"*
 - *"After a downturn, the first year always jumps and then there is flat or moderate growth before the cycle resumes"*
 - *"The risk is on the upside"*
- Tim Lawless, RPData
 - *"expects house prices will continue to rise but not at the same extent as in 2009"*
- Christopher Joye, Rismark
 - *"the market will start cooling to much more subdued, single digit rates of growth"*
- Jason Anderson, BIS Shrapnel
 - *"predicts an average rise in median prices around the country of 6%"*
- Matthew Hassan, Westpac - (the only slightly negative comment)

- *“investors are a bit interested but they are not jumping in because they are very wary of real estate as an asset class”*
- Paul Braddick, ANZ
 - *“forecasts a deceleration in house prices in 2010. The growing shortage of housing and improved investor sentiment should push prices along, with a touch of brakes provided by the removal of the first home owners boost and the rise in interest rates”*
 - *“price gains could be stronger than anticipated because of the momentum in the market”*
- John McGrath, McGrath Real Estate
 - *“high and sustained auction clearance rates, like those at the end of 2009, generally point to a strong surge in prices to come”*
- Brian White, Ray White Real Estate
 - *“acknowledges the growing confidence among buyers. He says the market would be out of control by now except for the cut to the first home owners boost and the three interest rate rises”*

“Huge Challenge to fulfil the Australian dream”

- *“The governor of the Reserve Bank, Glenn Stevens, and the Treasury secretary, Ken Henry, both took time out in the past six months to warn of a looming housing crisis. Mr Stevens pointed to the supply blockages and the danger that, without new construction, rising demand would simply push up the price of existing homes.”*
- *“The ANZ Group’s latest Australian Property Outlook warns that unless significant action is taken to remove the structural impediments to home building, Australia will face an intractable shortage that will drive deterioration in affordability beyond anything we have ever seen.”*

“At long last, here comes the housing upswing”

- *“The housing upturn will build momentum into a boom over the next four years.”*
- *“There’s a boom coming and current prices will look cheap in three years.”*
- *“The point is we’re not building enough. Commencements this year of about 136,000 are well below the 180,000 underlying demand. The stock deficiency is almost a year’s underlying demand – that’s huge. The shortage is worst in Sydney at almost two year’s underlying demand”*
- *“The housing upturn would have come sooner, but was reined in by interest rate rises in 2007-08. When the financial crisis hit the Australian economy in 2008, the credit squeeze curtailed high-rise development, then fear of recession and unemployment hit confidence. Meanwhile, pent up demand has been building pressure.”*

Assessment

Now is an excellent time to acquire investment property.

Compass Capital has sourced a number of attractive investment properties. If you are considering acquiring quality investment property, or have potentially interested clients, please register interest below 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 here.



If you would like to read the full articles referred to, please click on the name of the article below:

[Why Housing Prices are tipped to slow](#)

[Huge Challenge to fulfil the Australian dream](#)

[At long last, here comes the housing upswing](#)