



Mt Kosciuszko

## SCALING THE HEIGHTS (BUT THERE WAS NO PLUMMET)

He no doubt thought it would never happen, but economist Steve Keen has lost the bet.

Sixteen months ago Mr Keen made a bet with Macquarie Group interest rate strategist Rory Robertson after claiming that house prices would dive by 40% when the GFC was at its worst. Fortunately his predictions didn't eventuate, and now Mr Keen will deliver on his promise to walk 224km from Canberra to the top of Australia's highest mountain, Mt Kosciuszko. It remains to be seen whether he will wear a t-shirt saying "*I was hopelessly wrong on home prices! Ask me how.*"

Dr Keen was way off the mark. Australian home prices bottomed out by 5.5% from their peak in late 2008.

Dr Keen also predicted Australia would have double digit unemployment for the next decade. Well, according to official data, the jobless rate fell in January to 5.3%. Dr Keen said recently the jobless

rate was now likely to stay in a single-digit figures as the Government went into more debt to stimulate the economy.

Not only that, Dr Keen forecast zero interest rates. And as we saw, the Reserve Bank raised the cash rate three times in late 2009.

Over at Macquarie Bank, Rory Robertson said the large interest rate cuts in late 2008 and early 2009, combined with the Federal Government bank guarantees, helped prevent a huge drop in house prices.

But we haven't heard the end of it. Dr Keen says the bet is only lost for now, because a temporary doubling of the first home buyer grant stabilised home prices. He says his forecast could still come true by 2025.

For now, the 57-year-old academic and tri-athlete will walk the 224km from Parliament House in Canberra to the summit of Mt Kosciuszko. Dr Keen has been a runner since he was 12, and he's been preparing for the trek by running and lifting weights. He plans to cover 30km a day, between April 15 and April

23, and donate the proceeds to charity Swags for Homeless.  
[www.keenwalk.com.au](http://www.keenwalk.com.au)

## VACANCIES HIGHER - BUT STILL LOW

They might have increased 0.3% to 1.6% - the highest level since August 2007 - but residential rental vacancy rates are still at their highest level in more than two years (as at the end of November 2009).

According to the Real Estate Institute of NSW, to end the rental crisis that has gripped NSW we need to see a vacancy rate of between 3% and 4%. And RE-INSW also has concerns that the rental crisis will deepen if the proposed amendments to the Residential Tenancy Act are passed and investors turn their back on the NSW market.

Private property owners provide 85% of the residential rental accommodation in NSW, housing approximately 615,000 households. Without these investors - many of whom are mum and dad investors - the current supply and demand issues will only worsen.

Submissions on the draft Bill closed on 18 December 2009 and there may be alterations to it before it's introduced to Parliament this year. Should it be passed in its current form there could be some big changes on the way, including more powers to tenants to break fixed leases and shorter termination notices. Other changes include:

- The introduction of 'rent control' under new tenancy agreements
- Allow poor performing tenants to not pay rent until served notice by the Sheriff at the 11<sup>th</sup> hour
- The unfettered right of tenants to modify premises as they choose
- The disincentive to offer long term leases

The REINSW has called on the NSW Premier to axe the Tenancy Act changes and to act decisively to encourage greater investment in the NSW real estate sector. The Institute says that the draft amendments, if approved, will see investors fleeing to other states and investors will be hurt by skyrocketing rents.

For many years the NSW real estate industry has been urging the State Government to introduce incentives for investors. Unfortunately it always seems to fall on deaf ears.

For more information on the proposed reforms go to [www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au)



## FIRST HOME BUYERS EASE BACK

The First Home Owners Grant Boost certainly had a significant impact on the market – and that's now even more evident with recent figures released by the Australian Bureau of Statistics. The ABS housing finance figures for December 2009 showed the first home buyers accounted for less than 21% of all owner-occupied homes written, compared with 30% in May 2008 – the lowest level since the first home buyer grant was introduced in October 2008.

December was also the third consecutive month of falls in the number of first home buyers taking out home loans, the last month when the full \$14,000 was available for buying existing homes.

Despite an easing of first home buyers taking out mortgages, the activity generated by the Boost has translated into healthy prices in areas where the grants were most popular. Indeed, the median house price in these areas grew by more than 6% in the December quarter, even after the grant was reduced by \$3500. Time will tell what house prices will do this year in those areas where prices were stimulated.



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