



## GOING GOING GONE !

In the past few weeks there have been plenty of media reports about the strong auction clearance rates and signs that Sydney house prices are set to rise significantly.

Clearance rates are up because there is very little for sale (and, for that matter, rent). In my 25 years in real estate, I have never experienced such low stock levels.

The lack of supply combined with significant demand is a recipe for an increase in prices.

The recent *Housing Outlook for 2010-2012* report from mortgage insurer QBE LMI and analysts BIS Shrapnel state that within three years the median house price in Sydney will jump by 21% to \$660,000 – the second-best result (Adelaide is tipped to be first, with a rise of 23%).

The rise isn't expected to happen immediately, with the increased First Home Owner Boost scheme finishing at the end of December expected to cause prices at the lower end of the market to dip in the first quarter. But pent up demand would ensure this is only short term.

According to QBE LMI, comparatively low interest rates and improved economic conditions will speed up the growth in house prices, and a broad-based recovery is forecast from the second half of 2010 as conditions in the labour market stabilise and investors and buyers are attracted back into the market by low interest rates and high rental yields.

The Housing Outlook report says the very low residential vacancy rates in the capital cities will drive strong rental growth in 2010 and more moderate

growth from 2011 as more new housing is built.

Looking a little further out, the report states that price growth is forecast to ultimately slow from 2012-13 as further rises to interest rates, in response to lower unemployment and emerging inflationary pressures, begin to impact on affordability and demand.

## OUT OF REACH

So with such tight supply, rising house prices, rising interest rates, and a much-reduced First Home Buyers Grant, that age-old problem – housing affordability – is rearing its head again.

In June 2008 the Senate released its report *A good house is hard to find: Housing Affordability in Australia* – and on 14 October 2009 the Federal Government replied:

*“One of the fundamental causes of declining housing affordability is that housing supply has not kept pace with demand, causing house prices and rental costs to increase,”* the Government stated. *“Industry commentators forecast a gap between the underlying demand and supply is likely to continue over the coming years without intervention.”*

The Federal Government has introduced initiatives such as the National Rental Affordability Scheme, and it has agreed to the Henry tax review questions about the impact and fairness of the capital gains tax regime on investor housing, the land tax exemption on owner-occupied housing, and negative gearing.

Obviously that's not a panacea, and everyone agrees that something has to be done. As the Reserve Bank of Australia has reminded us, the failure of the cities (particularly with regards to lack of infrastructure), combined with the

shortage of housing, has the potential to cripple the economy and society.

## NEWS FROM THE NORTHERN HEMISPHERE

I heard a great analogy recently. A real estate agent in the US said the for the past 18 months or so the US economy has been like a misfiring V8 engine, but that in recent months it has been firing on more cylinders and with more positive economic news the economy is getting closer to firing on all cylinders.

It's a fitting analogy considering retail sales – led by auto sales – increased the most in three years, as many consumers took advantage of the Government's 'cash for clunkers' rebate program (an incentive program for US residents to purchase a new, more fuel efficient vehicle when trading in a less fuel efficient vehicle).

New housing starts and permits rose in August to their highest level in nine months, and at the same time home-builder sentiment also improved. The housing-market index rose to 19 in September from 18 in August, posting a third-consecutive increase. At 19, the index shows that about one in five builders thinks the market is good.

Most of the signs are looking much healthier: stock prices are up, housing prices are up, mortgage rates are down, although unemployment remains the last variable. However there are predictions that job losses will slow dramatically through the remainder of 2009 before job gains start in early 2010.

After 12 months of doom and gloom, it's great to hear confidence has returned to the US, the place where the 'GFC' began.

## FIRST HOME BUYING IN THE US

Whilst the Australian Government is winding back the First Home Owners Boost, in the United States the White House is currently evaluating its program, which provides an \$8000 tax credit for first time home buyers. Whilst there's talk and speculation about the possible expansion of the program, potential buyers must complete their first home purchases before 1 December 2009 to qualify for the special credit.



## ALTA DISPLAY SUITE NOW OPEN

Interest in Anka Property Group's newest development, Alta at 200 Goulburn Street Surry Hills, is building. And the display suite is now open for viewing. Open on Wednesday, Saturday and Sunday from 1pm till 4pm, the display suite is on the corner of Riley Street and Waine Street Surry Hills.

Purchasers have the choice of 114 one, two and three bedroom apartments in the 14-level building, with one bedroom apartments starting from \$470,000.

We're expecting great demand for Alta apartments, given the scarcity of apartments at that price point in the area.

So get in quick!

ANDREW VERON  
PRINCIPAL

