



From the Editor

Building wealth relies on a sound financial plan. A plan which is more than simply setting savings aside but investing in assets that will provide long term growth, adequate returns and where possible, taxation benefits along the way.

Property continues to be a vital part of the overall strategy of many successful investors and the current conditions in Australia may be setting the stage for the next housing boom.

A shortage of new home construction.

According to the Australian Bureau of Statistics building approvals have fallen to their lowest level in eight years and the housing shortage looks set to remain for some time as new developments tend to take time to come on line.

The Australian Bureau of Statistics report goes on to say that rents rose by 8.4 per cent for the year to December 2008 – the fastest increase since 1989.

Continued population growth.

Immigration minister Chris Evans announced last year that Australia would increase its annual immigration intake to 300,000. A contributing factor that is likely to maintain pressure on the demand for housing.

Historically low interest rates.

The demand for housing loans has grown since the Reserve Bank of Australia cut interest rates to 3.25 per cent. The lowest that rates have been for over 40 years.

Also, the First Home Owners Boost, which forms part of the Federal Governments \$10.4 billion fiscal stimulus package, looks to have tempted more first homebuyers into the market where they accounted for 25.4 per cent of all home loan approvals in December. The highest level for seven years.

The Australian Bureau of Statistics has released data confirming that housing loans increased in January of this year with total loans up by 3.5 per cent on December of 2008. Construction loans rose by 2.5 per cent.

The Bureau also reports that 26.5 per cent of the total value of January's housing finance, were first home buyers. Up from 25.4 per cent in December and 23.6 per cent in November.

The report goes on to say that nearly 30,000 first home buyers have purchased property during the last 3 months of 2008. Also worth a mention is the fact that the overall trend is towards houses rather than apartments/ units or townhouses.

The underlying demand for housing looks set to continue to support Australia's residential property market.

“If housing supply remains on its current trajectory, Australia will face a critical and potentially intractable shortage of housing that would force rents and house prices significantly higher”.

The ANZ Property Outlook – March 2009

The current window of opportunity is not going to be around forever.

**Bruce Watt
Australian Residential
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What's happening around the nations capitals.

Sydney

Shortage of housing in New South Wales capital.

Sydney's median house price increased by 0.72 per cent in the three months to November 2008 according to data recently released by Residex. This is a welcome change for the Sydney housing market as Sydney's median house price had fallen by 3.32 per cent over the preceding 12 months.

The ANZ Property Outlook for March 2009 estimates that the New South Wales residential housing market is in chronic undersupply with underlying demand for around 41,000 dwellings and a completion rate of little more than 16,000.

Rental demand remains very strong despite the fact that property ownership has become more affordable for people in all walks of life due to lower interest rates and the First Home Owner Grant.

Melbourne

Strong rental growth in last 12 months.

Melbourne house prices were up by 0.31 per cent for the three months to November 2008 according to Residex. Growth for the previous 12 months was reported to be at 2.36 per cent.

Rents look set to continue to rise in Melbourne as we see interest rates fall – a somewhat rare occurrence which most likely will stir up activity and investor demand as lower interest rates contribute to strong cash flows. The city has very low vacancy rates and has experienced double-digit rental growth in 2008.

Melbourne's high-end property range remains subdued. However, the housing market has performed very well in recent years and the city continues to experience strong population growth from overseas.

This, along with the current undersupply of residential dwellings, ensures that pressure remains on residential property prices.

Brisbane

Building approvals down – rental market remains strong.

Brisbane continues to grow with buyer activity in the low to middle price range. The higher end of the market remains flat. Once you get to around the \$2million mark

activity slows down very quickly.

The Real Estate Institute of Queensland reported recently that around 80 per cent of house sales across Queensland were for properties below \$500,000.

Meanwhile, Brisbane median house price grew by 4.48 per cent in the 12 months to November 2008 with an increase of .08 per cent for the last quarter of the period according to Residex.

The ANZ Property Outlook – March 2009 reports that Queensland is looking at a completion rate of around 21,000 dwellings for the year when there is an underlying requirement for 42,000.

Rental vacancies are still very low with strong demand for rental properties expected to continue. The demand v supply situation is very tight.

Perth

Residential property market remains flat.

Housing prices in Perth remain flat and have declined by 2.78 per cent in the quarter to November 2008 and have fallen by 3.05 per cent over preceding 12 months. (Residex)

First home buyers are said to be very active in the Perth property market, especially in the “up to \$500,000” price range. However, there appears to be very little activity in other areas.

Consequently it is expected that Perth will not see much in the way of growth in the 12 months ahead with property investors seeking opportunities on the other side of the country.

It's reported that due to rate cuts, properties are being taken off the market and rented out in preference to reducing selling price. This in turn is affecting the rental market as the number of houses available for rent increases.

Following Perth's phenomenal growth over the last 10 years, the housing market is now quite subdued with buyers expected to remain on the sideline for most of 2009.

Adelaide

The most affordable mainland capital.

House prices in Adelaide maintained growth of just over 7.75 per cent during the 12 months to November 2008 but stalled somewhat in the last 3 months of that period falling 0.43 per cent. (Residex.)

There is currently not a lot of demand for property in Adelaide with houses staying on the market for longer periods than previously experienced.

It appears that lower interest rates have failed to stimulate activity in the residential property sector. The exception is lower priced homes, which are attracting interest from first home buyers armed with increased funds from the government in the shape of the First Home Owners Grant.

It is also reported that there is an abundance of high rise apartments in some suburbs and prices are expected to ease during the coming year.

On the other hand, population growth was strong throughout 2008 and building approvals have been weak over most of the last 12 months maintaining pressure on the market overall.

Rental vacancy rates are expected to remain low with demand continuing to outstrip supply.

Hobart

Affordable properties keep market steady.

The ANZ Property Outlook for March 2009 reports that housing finance approvals have grown 25 per cent since the lows in September of last year. However, it is also reported that the mid-range to high-end of the market is very quiet.

Houses in Hobart have seen a modest increase of 1.00 per cent over the 12 months to November last year according to Residex with a negative result of -2.12 per cent for the last quarter of the period.

The First Home Owners Grant has stimulated activity in the \$250,000 and under price range.

Lower prices in Tasmania have helped to keep demand strong. Hobart has a high percentage of suburban homes under \$400,000 (85 per cent).

The rental market remains strong with vacancy rates at around 2 per cent in the state.

Tips for property investing.

Don't be afraid of getting advice, but make sure it's good advice.

ARPP has a panel of advisors for legal, financial planning, accountancy and property selection. Having a support team who are active property investors themselves allows a more balanced and objective view on property investing.

Don't be afraid to purchase when the market is either up or down.

Investors should take a long-term view as investment in residential property is not a get rich quick scheme.

Sometimes the hardest move for a new investor is simply taking that first step.

“Things do not happen; things are made to happen.”

John F Kennedy

*Information in this newsletter should not be regarded as a substitute for professional, legal or financial guidance. Because every investor's needs and financial situations are different, the ideas in this newsletter are intended as a guide only.