



Why is the Australian property market different?

From the desk of ...

Paul Kounnas, Director of Hudson Bond Real Estate

THE 'REAL' REPORT
SUBSCRIBE ONLINE



PROPERTY prices are on the rise again, but there are a number of experts who claim that we are just like the U.S. or the U.K. or Japan, and that prices in Australia must inevitably fall as they have in those countries. However there are many significant points of difference between the housing markets in each country:-

- Australia's population grew by a record 390,000 to 21.5 million people last year. This is a 1.84% growth rate of which 60% was due to immigration. The U.K. population growth rate is 0.4% (less than a quarter of ours), the U.S. growth rate is 0.9% (half our rate) and the growth in Japan is actually negative. Australia's population growth rate, even after the proposed immigration cut by the Rudd government will still be around 1.7%.
- Australia has never had the over supply of housing that exists in the U.S. We actually have the reverse. We do not have enough housing to meet the underlying demand.
- The rental vacancy rate in the U.S. is over 10% compared to around 2% in Australia.
- Another critical factor has been our interest rates. The U.K and U.S. started slashing official interest rates after their housing prices were falling and their economies were in serious trouble. The Reserve Bank

of Australia on the other hand has been more proactive, cutting interest rates while the Australian economy was ticking along strongly.

- Lending standards in Australia have always been much stricter than in the U.K. and the U.S. When the sub prime loans in the U.S. triggered the current crisis, the differences in lending practices have meant that default rates on Australian loans remained vastly lower than the U.S. This explains why Australia does not have the massive oversupply of forced sales which pushed prices down in the US.
- Australia entered this global downturn from a much stronger position, with a budget surplus and no public debt.

These are some of the differences, I believe, that have contributed to our market's resilience to withstand the world financial crisis better than most other countries, so far.

■ **Hudson Bond Real Estate**
751 Doncaster Road, Doncaster 3108.
Phone: 9840 7700



More real estate news online at www.hudsonbond.com.au