



The crystal ball on property

From the desk of ...

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ALMOST on a weekly basis, we read conflicting information about the property market. It must be so confusing to anyone looking at property when they read headlines such as:

Investors rate Australia among world's top three.

Oz house prices: a Ponzi scheme waiting to collapse.

ANZ tips modest price rises

Australia's house prices will slump as much as 40%

House values will rise by as much as 20% over the next 3 years

House prices to fall as the Bubble bursts

Grants create a false promise

Over the coming weeks we will look at some of these headlines a little closer and try to make sense of them. Right now, the housing market is strong, but it is mostly in the lower end of the market. No-one has a crystal ball on property prices but the following summary may help.

Reasons why Australian House Prices could rise.

- Rent rises are expected to continue.
- Mortgage interest rates are at 49 year lows.

- Improved economic recovery is expected by 2010 – 2011.
- Population growth is creating demand for more housing than we can supply.

Reasons why Australian House Prices could fall.

- Unemployment will rise and create distressed sales.
- Interest rates will rise.
- First homeowner's grants have artificially drawn forward demand which would have otherwise happened in 2010 – 2011.
- The International Monetary Fund says Australian houses are among the most expensive globally.

Regardless of what happens to property prices, if you can afford to buy a home to live in, it doesn't matter what the market is doing.

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