

# Predicting property prices



From the desk of ...

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IS it possible to accurately predict housing price fluctuations in the market?

Will prices continue to rise or will they fall?

Everyone wants to know the answer to this question and there is certainly no shortage of opinions from the experts.

Predicting property prices is not easy, nor an exact science. There are many factors that could easily influence prices.

Let's have a look at some of the factors that may drive housing prices:

Firstly, the biggest influence on price is supply and demand. When you have more people wanting to buy in an area than the number of properties for sale, prices will rise and so will rents. Our population in Australia and in particular Melbourne, is rising so fast we have a shortage of new housing construction.

Some people may not realise that not all properties rise in price at the same rate. For each property, the area or more importantly the specific location and proximity to amenities will be different. The share market has recovered quite strongly from the global financial crisis. However not all shares have had the same

increase in price. A similar situation arises with property. Some areas and certain types of houses rise in price more than others.

Consumer confidence also plays a very important role in driving the property market. Consumer confidence increases when people feel safe in their jobs and comfortable about meeting their mortgage repayments.

The other factor that affects property prices is interest rates. The impact of interest rate increases is not always reflected immediately in prices. They do however have a direct impact on affordability which eventually impacts prices.

The resilience of the Australian property market during the global financial crisis highlighted that good property in Australia has been and should be a reliable long-term investment.

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