



The next wave: boom or bust?

From the desk of ...

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WHERE to from here? Will the lack of supply of residential property become the driving force shaping our market this year or is the media hype about record house price increases signalling the next crash?

The Federal Government's First Home Owners grant, low interest rates and changes to Foreign Investment policy allowing non residents to purchase residential property, was all part of the Government's plan to stimulate the economy and avoid a financial crisis. This economic stimulus package combined with the low number of homes available for sale fuelled a property boom in 2009.

Melbourne recorded the largest increase in prices. The reported increase in the median house price according to REIV is 28.7%, 18.5% according to Australian Property Monitors, 15.6% according to RP Data-Rismark and 19.7% according to the Australian Bureau of Statistics. (There's a huge discrepancy in the reported figures, this could be a good future topic).

A survey by the Fujitsu Consulting Group and the Mortgage and Finance Association of Australia has revealed that a large percentage of first home buyers are already in mortgage stress and many more will join them with any future interest rate rises

or job losses. Unfortunately this will force many first homeowners to put their homes on the market, as they struggle to meet their mortgage repayments.

An increase in supply combined with the expired Federal grant and higher interest rates should return the property market to a moderate growth in 2010. **Also, now the financial crisis has passed, the government should reinstate the original foreign investment policy.**

The main factors influencing Melbourne's property market are strong population growth and a low number of new homes under construction. (Our population growth is at record levels, yet we are only building about the same amount of homes we did in the 1970's). Unless the banks relax their current tight lending regulations for development finance, I can foresee the housing shortage continuing for a few more years, as builders and developers are not able to build as many properties as they would like to.

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