

Today's property market - understanding the 'Big Picture'

Issue 52 July/August 2012

We're all getting so many facts, figures and information thrown at us in our lives that it's hard to stand back and just see the 'big picture' - whether it be our careers, country or even the property market.

I'd like to share with you some points from a recent presentation by Dr Andrew Wilson, Senior Economist for Australian Property Monitors, together with my thoughts about the current property market's 'big picture'. Enjoy!

The Brisbane / Queensland context

How is the Brisbane/Queensland market place faring? What are the main factors affecting it?

- ✓ **Home Loans & Affordability** – Home loans are gradually increasing and show a very different picture to 12 months ago: up 15.9% in March Quarter 2012; down 3.1% in March Q. 2011*. Interestingly the largest turn-around were with investors (increasing by 35.8% in March 2012 compared to decreasing by 5.6% in March 2011). Similarly, housing is now more 'affordable' than it has been since 2003.
- ✓ **Vacancy Rates** - Already quite tight, the vacancy rates for rental properties has further decreased this last year with a 2.7% vacancy rate for the March 2011 Quarter but down to 1.9% in March 2012. Good news for investors but not so good if you're looking to rent.
- ✓ **Key economic drivers:**
 - **Population:** Although down from previous growth rates of around 2%, since 2010 the population growth rate has been again increasing and is expected to continue due to the resources boom and other factors. Queensland's population grew by 1.3% in 2011 while some Western countries, for instance Germany, is experiencing a shrinking population with growth of -0.2% in 2011. There's a potential for additional Queensland population increase due to the resources boom (see below)
 - **Jobs & Resources boom:** Unemployment is now just over 5%. To put this in perspective, May 2012 figures show that the UK employment rate fell to 8.2%, while Germany recorded 6.7% - the lowest unemployment rate in over 20 years. During the next years Queensland will require the equivalent of 236,253 1 year fulltime jobs to cater for the \$42.5billion **resources boom**.
 - **State Economy:** As mentioned above, it's resources that are the main industrial powerhouse of Queensland now and in the near to mid-future. The new State Government is also putting strong measures in place to reduce the state debt, which will hopefully result in a return to its AAA economic rating.

Brisbane 2012 Housing Market Prospects

- Prices Growth recovering from January 2011 floods impact
- Best-value capital city
- Reconstruction program concluding
- Qld economy reactivating strongly: Unemployment to fall sub 5%; Coal export sector fully recovered from cyclone flooding; Population growth rates set to increase; New government honeymoon period; Falling dollar to help tourism; Commonwealth Games projects
- Solid short-term capital growth opportunities in all price sectors

... read more overleaf

High-profile Properties

Brisbane CBD's best selection of fabulous apartments

... our **TOP 3 of the month** ...



Parklands 7 Parkland Blvd
196sqm 3bed 2bath car **\$695K**
Rare courtyard CBD residence!



Felix 26 Felix St
FF 2bed 1bath car **\$454K**
Mid-high level; Top buy!



River Place 82 Boundary St
Direct Riverfront; Views! **\$699K**
Huge 110sqm 2bed 2bath car



Hannah Schuhmann
Principal

... and many more @ www.hsbrisbaneproperty.com.au

Today's property market - understanding the 'Big Picture' .. cont'd

Having examined the situation in Queensland and its capital, we will now focus on Australia's position within the global economic landscape ...

The Australia/World context

How is Australia placed in the world economy? How will world economics affect Australia? Let's now look at the larger macro-economic 'Big Picture' from Dr Wilson ...

How do global economics impact Australia?

- ✓ China growth set to remain solid
 - Command economy shifts from domestic to external focus and vice-versa
- ✓ US economy to continue to slowly revive in election year
 - Remains world's largest economy and consumer market
- ✓ Eurozone sovereign debt uncertainty set to remain
 - Impact on Australia mainly sentiment driven - stockmarket volatility
 - Expect move from austerity to growth policy settings

How is Australia placed?

- ✓ Interest rates to remain stable
 - Dilemma of multi-speed economy
 - Need to help the south-east but avoid wages-prices spiral in resource states
 - Unemployment is, as usual, the key: 4.5% causes upward pressure on inflation rates; 6% causes downward pressure
- ✓ Currency adjustment
 - Dollar to settle to low 90 cent mark
 - Positive factor to facilitate local economic adjustment
- ✓ Australia's economic prospects remain world-beating
 - Best GFC performance (ranked 3 for 2012 growth by OECD)
 - Deep reserves of resources to fuel emerging high-growth economies (e.g. Indonesia)
 - Currently \$300billion in resource projects in pipeline
 - Robust employment market
 - Solid fiscal position
- ✓ Australia's housing markets are also world-beating
 - Chronic supply constraints
 - Underlying skilled labour shortages drive immigration
 - Aspirational strength - over 50 years 70% home ownership rate
 - Investor magnet - bricks and mortar security
 - Preferential tax treatment
 - Prudential financial environment - LVR (Loan to Value Ratio) modelling
 - Self-Managed Superannuation Funds waiting in the wings

from previous page :

* Seasonally adjusted.

