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Terry's View

If media can be believed, real estate lurches continually from one extreme to the next. It's either a runaway boom or a devastating downturn, with no room for moderation.

Thanks for media's tendency to sensationalize, the market recovery in the big cities is inspiring over-the-top headlines. One suggested we have "a debt-fueled housing bubble", based on the small rises in big city prices in recent months. We're now seeing daily claims of an affordability crisis, with claims of young buyers being priced out of raging real estate markets.

The reality is a lot less dramatic.

The evidence suggests that the post-boom decline in big-city prices has stopped and values overall are rising again. This is a very generalised assessment, given the complexities of our markets and the variety of scenarios in different parts of the nation. The mainstream situation is that the underlying events impacting real estate have improved since May and this is creating an uplift in activity. Investors are easing back into the market. Vacancies are down and home building is at low levels, so there will be upward pressure on prices. But don't expect anything too melodramatic.

Terry Ryder
Australia's Leading Independent Property Researcher

Housing Shortage Looms

The construction downturn will create a shortage of apartments by 2020, the Commonwealth Bank has forecast, pushing down vacancy rates and putting upward pressure on rents and prices. The bank says strong population growth, a shortage of supply and a revival in home price growth will mean that the building downturn will hit bottom sooner than expected.

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ANZ Tips Big Rises In Big City Prices

Sydney and Melbourne house prices will be growing at an annual rate above 12% by the middle of next year, one of the nation's largest banks has forecast. Economists with the ANZ believe a change in sentiment, along with easier finance, cuts in interest rates and the Government's income tax reductions, will super-charge Sydney and Melbourne.

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I-O Loans Easier For Investors

Westpac will allow property investors to take out interest-only loans with smaller deposits than it previously demanded, as the country's biggest lender to landlords seeks to lift its mortgage growth.
In the latest move by a bank to target the recovering property investor market, Westpac is raising the maximum loan-to-valuation ratio (LVR) for interest-only loans to property investors from 80% to 90%.
New interest-only loans to owner-occupiers will remain subject to an LVR cap of 80%.

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Inquiry To Force Banks To Pass On More

Banks will have to pass on more of the upcoming reductions to the official cash rate because of the impending inquiry into home-loan pricing by the Australian Competition and Consumer Commission (ACCC). Chairman Rod Sims says "knowing we are there" conducting the inquiry will change the response of major banks to Reserve Bank rate cuts.
Analysts who monitor big bank stocks agree, with one saying the majors will have no choice but to transmit reductions in full.

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Low Supply to Bring Price Rises: RBA

The Reserve Bank has warned that a slowdown in construction will lead to a housing shortage – which, in turn, will result in rising house prices.
Data from the ABS shows that residential construction, which includes houses, higher-density units and alterations, has fallen in the last 12 months, with higher-density building approvals being back to 2012 levels.
The RBA expects a further decline in the number of dwelling starts in 2020, with potentially negative impacts on the Australian economy.
But rising buyer demand in an environment of low building activity will put pressure on property prices.

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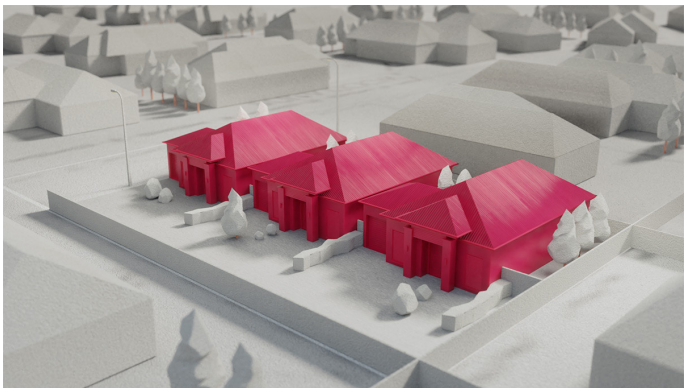

Small Devt Can Supercharge Returns

Small scale residential development projects in the right location can help property investors supercharge their returns.
Buyers' agent and advisor, Alex Dutt of Adviseable, says this can be a profitable way for investors to move on from passive "set and forget" assets and to take greater control over their portfolio's performance.
"You can create some short-term profit, have greater control over the investment's performance and you are not relying purely on the market (to increase value)," he says.
"We are talking about entry-level development opportunities."

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