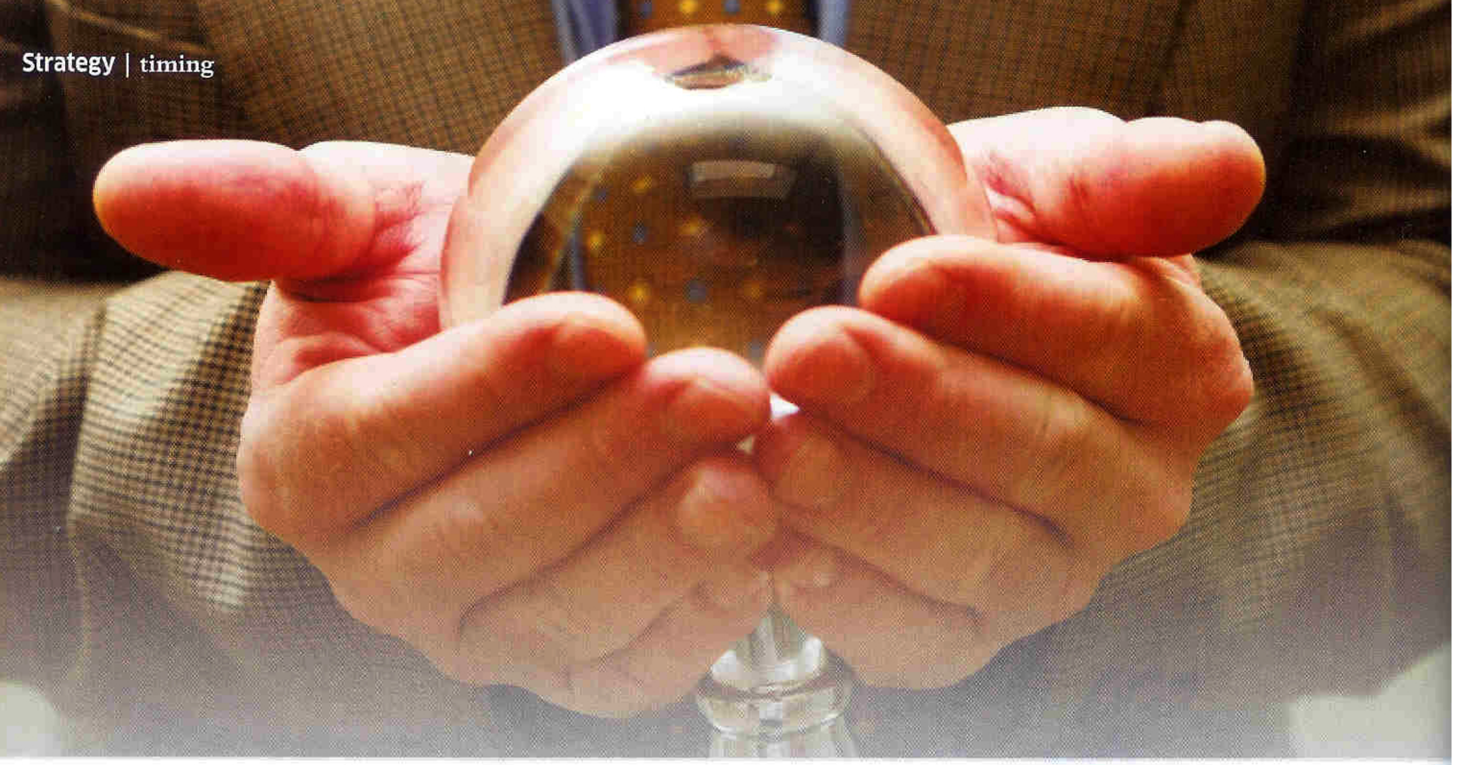
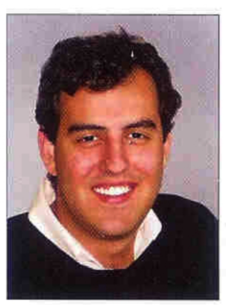


Predicting the next market recovery

When do you see the overall Australian residential property market making a recovery based on significantly increasing values again? It is what every investor wants to know. We asked Australia's leading property experts for their predictions on when they think the next recovery will occur

■ **Jonathan Rivera**
Colliers International residential research director
❍ **Prediction: Recovery to begin in mid 2010**



"I don't expect the property market to start to recover until July 2010. While consumer and business sentiment is so low, the Australian real estate market will continue to suffer. When the unemployment climb hits its roof – about three to six months later –we'll start to see the residential property market making a recovery. I expect this will be at the beginning of the new financial year, mid way through 2010 – but values won't skyrocket by 20–30% like they did in years gone. Slow growth is what we've got in store for the next ten years. House values in the top end of the market will take longer to recover because buyers in this segment will be more cautious. This correction was what the property industry needed. Buyers have learnt the value of property now and will make wiser choices. The attributes of property are now much more important – proximity to transport and shopping centres – are drawcards. Property now needs a drawcard to sell. Whereas in the boom times of 2007 anything was sold, and it's these properties that suffered drops in value now that things have calmed down."

■ **Peter Koulizos**
Property lecturer and coordinator of Property and Share Investment
❍ **Prediction: Recovery in late 2010**

My research shows that residential property prices won't start to improve greatly until late 2010. There are four main reasons for this.

1. Consumer and business confidence
At the moment, consumer confidence is very low and when confidence is low, so is the likelihood of buying expensive items such as new cars, overseas holidays or property. There is no quick fix for this

> There are signs that the lower-priced end of the market is currently doing well with a surge in buyer activity

though, the property cycle moves before the economic cycle. The next property cycle will start from the bottom up. We are seeing a large majority of property transactions under the $500,000 price range. The first homebuyers are making a big impact in this price category, but there are also investors returning to property given the dramatic fall in the equities market and record low interest rates. We are seeing evidence of slow growth now. As more of these results occur, confidence will return to the market. Savvy property investors with medium to long-term plans are returning to property now before the significant increases are recorded. The growth rates will vary between each state, so we're observing the leading indicators with great interest."

■ **Jo Chivers**
Director, Property Bloom Aust Pty Ltd
❍ **Prediction: Market is already recovering, and will improve more with job growth**

"I feel very confident that the property market is already in recovery mode. Savvy investors are taking action and getting their hands dirty. As part of my role as a development manager, I watch median price growth statistics like a hawk, and in the area I work [Hunter Region of NSW], there have been significant growth rates of many suburbs over the past six months. Rates of 7%+ are common. More importantly I look at the long-term annualised growth over the past ten years and many suburbs are up over 10%, meaning they have grown an average of 10% year-on-year for the past 10 years. This indicates there has not been a major correction in these areas. With the federal budget recently announcing a huge investment of $1.5bn in roads, this is another indicator that this area will continue to grow.

We are seeing a lot of activity in the lower end of the market as first homebuyers take advantage of the government grants and free stamp duty on homes up to $500,000. These buyers are stimulating the market, creating a small wave that will grow in size once the mainstream investors stop sitting on their hands. Personal job security is on everyone's mind and once investors feel secure in buying again then I think we'll see a major upswing in the market.

Another layer of complexity added to the current market is that the major banks are taking way too long to process loans and they are cherry picking who they will lend too. This is causing pent up frustration from those trying to buy and causing a lag in settlements. It is also holding up medium density developing. Again, there is already huge demand for new housing, so this could drive prices up on new units. It could also open up opportunity for smaller, more creative lenders to service the market better than the big banks are currently.

I believe we will see mainstream investors steadily entering then this will build to a stampede back into the market, which will trigger real growth in values across the nation. My advice is to hand-pick the area you invest in, look for affordability, a thriving local, diverse economy, strong rental market and good population growth."

■ **Rob Zubin**
Principal Buyers Agent, My Property Hunter (Tasmania)
❍ **Prediction: Values could increase again significantly in 2011 or 2012**

"Recovery will take place when buyers and sellers gain confidence to more actively deal in real estate. This is most likely to take place when the media start to focus more on the positives of the economy rather than the negatives. With forecasts of higher unemployment – possibly as high as 8%, banks are tightening their lending criteria, and public confidence has been visibly shaken in recent times. It could take another 12 months before we see the market making a recovery. Australia will not avoid the global pressures currently impacting on the world's economy, and this will obviously need to be turned around before there is sign of improvement.

There is still good buying to be achieved right now for both homeowners looking for a reasonably priced entry property and investors with a medium- to long-term view. They are capitalising on the flat market and strong yields. However, I see significant opportunity heading into the next 12–18 months and have a very positive outlook. Why do I think so? There is still more than 90% employment. There is still a shortage of housing across Australia. There are still low vacancy rates and a high demand for rental property. The government is providing infrastructure stimulus. The Australian banking system is more robust than in the USA where sub prime loans