

## Gloomy property talk could lead to self-fulfilling prophecy

**P**REDICTIONS of a major downturn in the property market could unjustifiably become a self-fulfilling prophecy, a leading independent property researcher has warned

Colleen Coyne (pictured), director of Gold Coast-based Colleen Coyne Property Research, said property owners, developers and investors needed to act on rational assessments of the market, rather than the fear instilled by some 'doomsayers'.

"People need to remember we are suffering from a financial crisis, not a property crisis," she said.

"The property market is based on supply and demand fundamentals, such as population and employment growth, and these factors



remain solid in many markets, including the Gold Coast and Brisbane.

"The shortfalls in new housing compared with underlying demand, exacerbated over recent years by rising costs, underpin the strength of residential property in these areas, but a

rush of 'for sale' signs by those reacting to the 'doomsayers' could nevertheless have a negative impact."

Ms Coyne said people should be aware that analysis based on 'broadbrush' figures such as debt levels, ratios of loan repayments and median prices was often misleading.

"That is not to say that some localities and market sectors won't experience a downturn in activity and prices, but the predicted falls of 30 to 40 per cent are unwarranted," she said.

"Coastal areas with a significant stock of holiday homes may be more vulnerable than the wider metropolitan markets, since these are discretionary products that some people experiencing margin calls may seek to sell in the current environment.

"I anticipate wider market falls of no more than 10 per cent over the coming year, but a rush of vendors seeking to sell could see more substantial falls."

Ms Coyne said population growth, the major driver of residential property, remained significant, with Australia achieving record levels of net migration during the year to March, 2008 of close to 200,000 people.

"Queensland accounted for 27 per cent of Australia's population growth over this period, with growth driven by higher birth rates and job creation as a result of factors such as infrastructure spending," she said.

As at October 2008, Queensland's unemployment rate remained at 3.8 per cent seasonally adjusted, with close to 66,000 jobs created over the 12-month period.

Southeast Queensland accounted for 71 per cent of the state's growth in 2006/07, with the Brisbane region increasing by 37,194 persons or 2 per cent and the Gold Coast region (excluding Tweed) by 17,469 persons, or 3.4 per cent.

Ms Coyne said that these growth rates were only marginally different from the averages of the previous five years, and that similar growth levels would continue to underpin the strength of residential property markets in both areas.

"Net overseas migration may ease slightly as job shortages become less evident and I also see some pressure taken off vacancy rates and rental growth," she said.

"Easing in rental pressure has already started to occur, with more people encouraged by rising rents to become first

home buyers and this will accelerate with the introduction of the increased first home owners grant, together with falling interest rates.

"Developers' unsold stocks of land and housing, particularly in more affordable areas, are now likely to be quickly absorbed, although an oversupply of highrise apartments in the Gold Coast market may persist for some time.

"Investors are expected to come back in greater numbers, partly as a result of a flight from equities and lower returns from cash, but also due to the great opportunities available in the current market.

"This should help ensure the residential property market settles down and will see confidence return to the market."