

Market fundamentals remain strong

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PREDICTIONS of a major downturn in the property market could unjustifiably become a self-fulfilling prophecy, an independent property researcher has warned.

Colleen Coyne (pictured), director of Colleen Coyne Property Research, says 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.

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.

Ms Coyne said an easing of pressure had already started to occur, with more people encouraged by rising rents to become first home buyers.

“This will accelerate with the introduction of the increased First Home Owners grant, together with

falling interest rates,” she said.

“Developers’ unsold stocks of land and housing, particularly in more affordable areas, are now likely to be quickly absorbed, although an oversupply of high rise 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.”