MEDIA MONITORS


Gloomy property outlook
During unemployment, use super to pay debts

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Gloomy property outlook

House prices have been declining nationwide, but some areas have bucked the trend.

THE champagne tasted a little sweeter this Melbourne Cup, thanks to the Reserve Bank's line-ball decision to reduce interest rates. Whether or not the corks will resume popping in celebration of home purchases is another matter. The property market is flailing. There's no doubt about it.

Last week, a Housing Industry Association report showed new home sales were down 14 per cent in the third quarter, while the latest official house price figures suggest the downturn is accelerating.

The Australian Bureau of Statistics data shows values in our capital cities fell 1.2 per cent in the past quarter, the most in a year, and stand 2.2 per cent below their September 2010 level. Sydney is holding up best, declining just 0.2 per cent in the quarter; Melbourne dropped 1.7 per cent, while our minerals gateways, Brisbane and Perth, fell 2.5 per cent and 1.3 per cent, respectively.

It's all pretty gloomy, so our sister publication *Financial Review Smart Investor* decided to drill down into the market to determine how individual suburbs were faring and their prospects for the year ahead.

The results are fascinating and reveal property is far from homogenous, with many areas holding up remarkably well and some expected to continue doing so.

NSW came out of our study, for which we commissioned Australian Property Monitors to crunch the numbers, relatively well. Of the 100 areas that have recorded the biggest gains in the past year – the most resilient to date – 32 are expected to keep growing in real terms (increasing 3 per cent or more) and 24 of these by more than 5 per cent. Examples include Newington, Dundas, Pemulwuy and Westmead.

Only 18 areas are set for negative returns, among them Merimbula and Byron Bay on the coast and Asquith, North Sydney, Hunters Hill and Lindfield in the capital.

The strength of the data is probably a function of the fact that in Sydney in particular, prices have been subdued for several years.

In Victoria, where prices continued to soar until recently, only one suburb is forecast to stand out in the year ahead: Kew East. Forty-two others will match inflation though, while just nine – such as Carlton, Cremorne, East Melbourne and Southbank – will fall in value.

Queensland has been sharply de-rated post-flood and the worst is not over. *Smart Investor*'s analysis shows 51 suburbs will go backwards in the next year, not just in Brisbane but all around the state.

On the positive, 19 are forecast to grow in line with inflation and a further 10 – including West Gladstone, Calliope, South Gladstone and Moranbah – to add more than 5 per cent.

But not even those results are as bad as our other resources state, Western Australia.

A staggering 87 of the strongest 100 suburbs are set for falls, with only three suburbs – Derby, Rivervale and Victoria Park – expected to grow by inflation or more.

In the other states, very few areas will grow. Twenty of South Australia's top suburbs will drop, while the figure is 21 in Tasmania. Our politicians and public servants in the ACT could also experience losses, with 10 areas slated for decline.

In all, home owners in 218 suburbs throughout Australia will see value wiped off their investment. Owners in 120 suburbs will be fortunate enough to watch their homes at least keep pace with inflation in the next year, with dozens forecast to post decent gains.

The fortunes of the property market overall hinge not just on interest rates but on job security. However, more so than ever before, it's location, location, location that will make the difference.

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