Seven positive signs for Australia's property markets

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Yes, there is some good news out there. It isn't making the headlines, but it is out there nevertheless.

Here are seven positive points to help you make it through your real estate day.

1. The vacancy rate is tight. In most capitals and major regional markets it remains under 3% and is much lower in Brisbane, Sydney, Perth, Canberra and central Queensland. Rents growth is starting to accelerate, and we know of numerous examples where more than 30 rental submissions are being received for vacant rental dwellings across Brisbane.

2. Sales have improved since mid-year, and those vendors who meet the market are selling – and now, often quickly. It is still a buyer's market – with the high supply of stock for resale – ensuring that you need to realistically price and market your property well in order to make a sale. Investors are starting to take their properties off the market and are renting them out again, as they are attracting good rental yields.

3. Last year's interest rate drop is having some impact – with the number of owner-occupier loans up 2% in December. Housing investment loans rose 7.5% in December, after a 2.7% rise in November. First-home buying activity is currently at a two-year high. Generic prices might be still falling, but there are signs that the housing sector is starting to turn the corner. The latest housing finance data provides a degree of encouragement. Home loans have now increased for nine consecutive months, and the investor market is doing the bulk of the heavy lifting. We have been saying for some time that it is the investors who will get the housing market back on its feet.

4. Hamilton Harbour – one of the first major Queensland apartment projects to face settlement since the GFC – is settling well. No, that isn't strong enough – it is going great guns! I nearly said gangbusters, but that might be taking it a bit too far. At the time of writing, 89% of the 435 apartments sold since early 2009 have settled, with an overall 95% success rate likely by the end of this month. We originally wrote about Hamilton Harbour in July last year, stating that it should be on the industry's "must-watch" list; it was a litmus test for the Brisbane market – a beachhead, if you will. Sadly, few seem to be watching, and the media are not writing about it. This is big news for Brisbane-town. Other, lesser projects (if you ask me), also appear to be settling well. The average price of a settled apartment in Hamilton Harbour is $526,000, with just over $200 million worth of property settled so far. Over 220 apartments have been leased in both the towers since late November last year. The average gross rental yield – based on evidence to date and being rented out

for 50 weeks per annum – is 5.3% across the investment stock. The one-bedroom and one-bedroom with study units are achieving the higher yields.

5. The Melbourne Institute-Westpac confidence survey shows that late last year, price pessimists in Brisbane dominated (-10%) versus this month's positive result of 27% (percentage of those expecting a rise minus percentage expecting a fall) – a 180-degree turn in just three months. The Good Time to Buy a Dwelling Index is up in Queensland and also in Western Australia. Queensland's pending state and local elections will hopefully lift confidence higher.

6. While we don't need to build as many new homes as we once did, outside of Melbourne, Adelaide, Canberra, Cairns and the Gold Coast, the new housing markets aren't oversupplied. There is a lot of nonsense written about supply – published often by young'uns who can count (well, sometimes just) but have little understanding about how the new housing market actually works. At present, for example, there is a lot of commentary (and press) about a pending oversupply of new apartments across inner Brisbane. Now, whilst there is lots of new mooted apartment development – approved in council – the fact remains that not enough new product is actually being built. Over the last five years for example, 13,000 new dwellings were required to accommodate the population growth, yet – based on the official statistics – just 8,017 new dwellings were approved. Last year, just 1,902 new dwellings were approved, against an annual average demand for 2,650 new housing starts. At present there is a serious short-fall.

7. To finish, everything cycles, including the property market. The Brisbane market, for mine, is at six o'clock on the property clock or at the bottom of its cycle. Many investors try to pick the bottom of the market.

Yet, the direction in which property values travel is only partially dependent on the broader market conditions. Recent studies show that about 40% of growth (or otherwise) can be explained by trends in the overall market. The all-important 60% comes down to more individual factors such as location, the style of housing, its design and inclusions, and the income/demographics of the area.

However, a 40% swing in your favour shouldn't be sneezed at, especially after what the Brisbane market has been through of late.

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