

## Have we reached the bottom of the property cycle?

10/10/2008

The bad news: property values remain stagnant. The good news: things can only get better from here for national prices.

Tim Lawless, national research director with RP Data, said the residential property values in Australia have "passed through the lowest stage" of a downward cycle.

Lawless explained the prediction was largely due to the unexpected move by the Reserve Bank of Australia (RBA) last week to cut official cash rates by 100 basis points.

"With most economists predicting further interest rate cuts during 2008 and 2009, and with two consecutive falls already, it is likely the broader consumer market will begin to view the residential property market with a much higher degree of confidence," Lawless said.

"Greater confidence in domestic economic conditions combined with the prospect of ongoing falls in interest rates should result in an upswing in market activity, in turn placing renewed pressure on price growth."

With the share markets taking a dive, the resilience and stability of the property market is expected to draw more investors into the sector.

Over the year to date, the S&P ASX 200 plunged by 31% bringing the overall value of the index back to mid-2005 levels. In contrast, national housing values only lost 1.3% in value to August.

However, Lawless warned that the return of buyers is likely to be gradual amid the ongoing volatility in the global financial markets. "Such unstable conditions will stand in the way of any dramatic rises in consumer confidence."

Some signs of market recovery were evident in recent weeks with new listings being added to the market, suggesting vendors are becoming confident enough to test the latest conditions out. Some 11,560 new properties were advertised for sale for the week ending 5 October, according to RP Data. That is below the 12-month average of nearly 14,000, but trending upwards from just over 10,000 for sale for a week in mid-September.