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# A snap shot of recent articles

Investors
We are in interesting times.

It seems the doomsayers are becoming less vocal or perhaps their previous claims of substantial market drops have just not eventuated.

I have attached a few recent articles and reports that indicate that the Melbourne market is improving and should continue to improve over the next years.

Investors who can look pass the current downturn are set to reap around 30% increase property value in Melbourne's inner city apartment market between 2009 and 2014, according to an expert. Angie Zigomanis, senior project manager at BIS Shrapnel said the global financial crisis is setting the scene for the next upturn in the inner Melbourne apartment market.
"A sharp reductions in interest rates over 2008/09 to well below 6% has seen the gap between rental income and mortgage repayments narrow dramatically, which has significantly improved the equation for investors. Low interest rates and very low vacancy rates, which are driving rising rents and high rental yields, will entice investors back into the market from late 2009."

"Investors currently remain reluctant to re-enter the market and purchase off-the-plan apartments. Residential prices declined over 2008 and, although there have been signs of stabilisation in 2009, we believe that investors need to be confident that prices have bottomed out and growth is returning before they dip their toe into the apartment pool." Zigomanis noted that a significant decline in the forecasted number of new apartment completions for Melbourne's inner city will be the key to further price growth going forward.

A recent report released by BIS Shrapnel forecasts an average of 1,500 apartments to be completed per annum over the three years to 2010/11 - which is well below the previous 10 year average of 2,650 apartments per annum. "The shortfall is likely to lock in further rises in rents of between 5-10% per annum," says Zigomanis.

"Yield-seeking investors will lead the upturn," says Zigomanis. "Demand will pick up in 2010 as the economic outlook becomes more positive. It will then gather momentum in 2011 as the improvement in demand results in stronger capital growth. Ultimately, investor demand will continue to increase on the back of stronger price growth over the following two to three years, with BIS Shrapnel forecasting total growth in apartment values of around 30% over the 2009 to 2014 period."

As most investors follow the herd, now is a great time to buy where the demand is not as strong as it will be later in 2009 and 2010, although following the auction sales in the last month or so, the clearance rate is very high for Melbourne and Sydney.

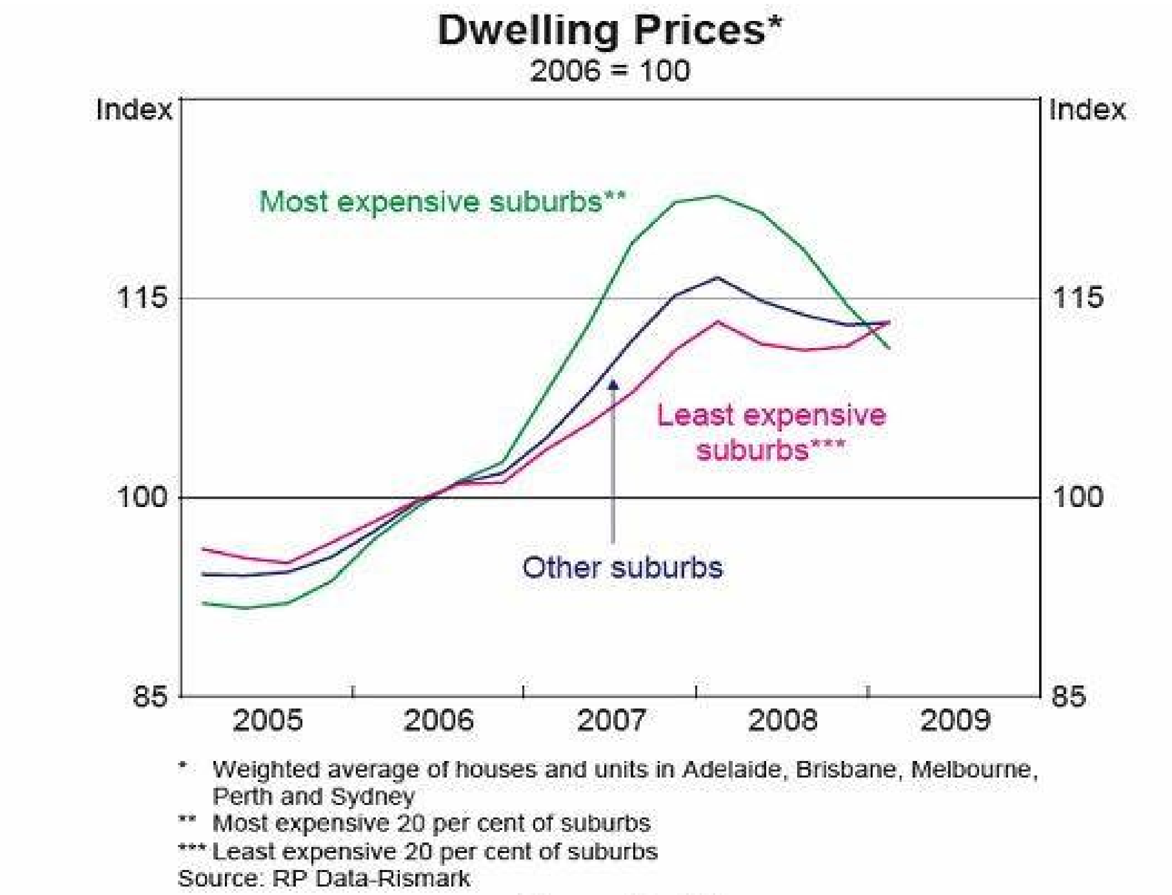
A recovery in home values hasn't taken long in Australia. Gains in home values over the first four months of 2009 have virtually eliminated any losses seen in 2008, according to the latest index on home values in the country. Overall, national dwelling values are up 2.8% in April from the start of the year, according to the RP Data/Rismark Australian Home Value Index. The index traces the value of all types of dwellings across Australia, and unlike a median sales price, are inclusive of properties not on the market as well.

"Gross rental yields are likely to peak over the coming months, suggesting that now is probably the best time for investors to roll up their sleeves and become active," said RP Data National Research Director Tim Lawless. The lowest rental yields were in Melbourne, at 4.2% for houses and 4.8% for units. Despite this, Melbourne had the second highest gain in home value since the start of the year, up 4.5%. It also had the shortest time on the market for houses, at 32 days.

Overall, units continued to perform better than houses, growing 3.3% in value in the first four months of 2009, while house values increased 2.7%.

**Comparison of Suburb price movements**

The following is a graph from a recent RBA presentation




Australian dwelling values have recorded a healthy 2.8 per cent increase in the first four months of the year, defying the economic slump and virtually recovering all of the price falls seen in 2008. RP Data and Rismark International's Home Value Index released on Friday showed all mainland capital cities recorded an increase in the first four months of the year, except for Perth.

Christopher Joye, Rismark managing director, said the Index showed home values were rising in around 80 per cent of suburbs, with only the top 20 per cent of suburbs experiencing material value falls.

**Residential property: Sexy again!**

After being badly burned at the share markets, investors are now turning to Australia's residential properties to make up for their losses according to an expert. Andrew Donnelly, chief executive of global investment firm Whiterock Capital Partners said investors are now looking for tangible assets like residential properties and away from exotic products such as collateralised debt obligations or the securitisation of anything that generates a fee.

"Australian residential properties are becoming increasingly attractive for institutions seeking long-term, low-risk cash flows," said Donnelly. "We have been inundated by global funds and institutions wanting access to Australian residential property assets. Investment firms across Asia, Europe and the US are under pressure to diversify their investment portfolios and residential property is the safe port in this financial storm."

Donnelly said speculators generally consider residential property to be boring. "It is not a sexy story, but these days, boring is beautiful. Capital preservation is imperative and high returns come second. Residential has become more popular as it retains its value," he said. He pointed out that residential property is the highest performing asset class over the last 20 years returning nearly 12% in the 20 years to September 2008, closely followed by shares which returned just over 11% over the same period.

**Is Now The Right Time To Purchase Residential Investment Property in Australia... And If So Where?**

The Government has recently released a report from the National Housing Supply Council titled "State of Supply Report".

The report makes projections of dwelling demand and supply over the 20 years from 2008 to 2028. The report is incredibly comprehensive at 193 pages. On the best projections available, dwelling prices must increase in order to bring forth the product needed to rectify Australia's chronic residential real estate undersupply.

This comparison showed a cumulative gap by 2028 of 431,000 dwellings. Annually, the shortfall is projected to be 23,000 dwellings in 2010, rising each year by a similar amount until 2016, when the size of the annual gap decreases, consistent with an ageing population.

You can refer to this directly,
http://www.fahcsia.gov.au/sa/housing/pubs/housing/national_housing_supply/Pages/default.aspx

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