

Australian Property on Strong Footings

A Property Investment Article from Pinnacle

With its stable economic conditions, outdoor lifestyle and cosmopolitan living, Australia is a go-to place for both investors and those looking for a great place to live.

Here we look at some key reasons why Australia remains a positive location for investors looking to capitalize on the country's positive economic outlook.

Undersupply Driving Demand

Unlike other primary markets such as the U.S., there is not an oversupply of residential dwellings in Australia. In fact, excess demand has been running at about 25,000 dwellings per annum for the last 4 years, and Australia has one of the highest population growth rates in the OECD.

Leading the way in this respect has been Melbourne, which is set to catch up and overtake Sydney as the nation's most populous city in 2027. All these people need somewhere to live, and this is resulting in higher demand for property as well as asset price inflation.



Melbourne Skyline

Generation Y

More than 80% of the Australian population lives near the coast and wants to remain doing so. As cities grew they had to move inland, which has created an increase inland house package sales. However; in Melbourne's case this means moving up to 70kms out of the main city, away from workplaces.

Add to this the emergence of Generation Y, or the Millenium Generation, comprising those born from the mid 70's to the early 2000's. Characteristics are a desire to live closer to where the action of work and social life is. They want the latest gadgets and don't relish the prospect of mowing the lawns on the weekend.

This group is fuelling demand in the cities of Australia, and their lack of desire to live miles out in the country is fuelling growth in the suburbs of cities and prompting developers to build what they want - apartment living with all the mod cons, close to work and to the action. As a example, South Yarra in Melbourne is launching new developments to cater for this demand. Once such development new to launch is Pinnacle's exclusive offering of Monument on Commercial Road, in South Yarra, moments from Chapel Street's attractions, renowned Prahran Market and a short ride by tram to the CBD.

Central Bank Stability

The Reserve Bank of Australia recently stated that they will work to avoid a property price bubble by setting interest rates at levels that prevent exuberant speculation. Given around 85% of Australian mortgage holders have opted for a variable rate loan, the RBA is able to influence property prices and thus control property price bubbles. As recently as 2 years ago the RBA had borrowers paying 9% for variable home loans.

Australia enjoys a very low default rate of 0.5% on all housing loans. Unlike many other developed markets, Australian mortgage holders are liable for debts on their houses should they default. In other words, if a property is sold and the proceeds aren't enough to pay out the home loan, the borrower is still required to pay the difference. Americans - by contrast - can just walk away.

Low mortgage default rates and low unemployment rates go hand in hand. Low unemployment rates along with improving private sector wages growth is not something that many other economies enjoy. It should also be noted that low unemployment rates assist in underpinning housing asset values.

One of the easiest ways to spike a property market's value is to provide easy access to cheap credit. However, Australian housing credit growth is well below average and many mortgages are ahead on their owner-occupied loan repayments despite interest rates being relatively high in world terms.

In conclusion, higher urbanization will support higher capital city property prices; hence, buying in these areas may offer the potential for the capital returns that investors seek. Selecting the right location and the right price to buy can unlock that potential.

Pinnacle has exclusive availability for investors to buy one of a selection of superb 1 and 2 bed apartments in South Yarra. With South Yarra being one of the most affluent and desirable suburbs of Melbourne, in terms of location the opportunity resides among the best and at very affordable prices.

Start building your property portfolio now:

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