

RBA plays the Grinch this year



OUR Page 3 report that shrinking land stocks on the Gold Coast could fuel a property boom by 2012 provides a glimpse of light for battered home owners.

It is probably a sound forecast, with an upturn inevitable after what has been a long, long downturn for the Gold Coast.

The respected and influential Prodap Report suggests that while house prices and demand for houses have dropped, so has supply. Once the curves meet, prices must inevitably rise.

But the light for homeowners is still at the end of a long tunnel.

The other side of the coin is that the ANZ Bank has announced a .39 per cent increase in its mortgage rate, an odd 14 points over the Reserve Bank increase of .25 per cent in its lending rate, and other banks will now no doubt follow with their own rate rises.

It is difficult not to see the increase as being carefully contrived to keep the ANZ in the lee of the Commonwealth Bank, which continues to weather a storm of protest over its .45 per cent increase.

The ANZ attempted to sugarcoat the increase by announcing it will scrap exit fees, but the fact is, these fees at the big banks are relatively modest.

Instead the move is clearly aimed at taking the wind out of the sails of the Federal Government which has moved to ban exit fees in a blatant ploy to boost its waning political capital.

It also undercuts the parrot's cry by Prime Minister Julia Gillard for bank customers to vote with their feet if they are unhappy with the big banks.

As the Bulletin pointed out this week, most of the so-called second tier lenders are either owned or funded by the big banks, so they win either way.

The real villain in this carefully contrived game of musical financial chairs is the Reserve Bank for creating the climate in which banks are able to manipulate the game.

The RBA's grinch-like decision to raise rates in opposition to the trend of most financial data not only impacts on mortgage rates, it also impacts on a wide range of prices on goods and services as the country heads into what promises to be a low-spending Christmas season - with no stimulus package under the tree this time round.

Coast to boom by 2012

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SHRINKING land stocks and continued population growth could be setting the Gold Coast up for another property boom towards the end of 2012.

Property researcher Bill Morris has revealed in the latest Prodap report that the Coast has only a nine-month supply of land, even though demand for housing has fallen to a 15-year low.

The report revealed there were just 1211 housing lots available on the Coast, while sales were running at 1951 for the year to the end of September.

This is the first time that land sales had slumped below 2000 since Prodap began keeping records in 1995, Mr Morris said.

But he said the slump in sales had more to do with bank lending constraints.

"(This) is causing pent-up demand, the normal pre-cursor to a property boom."

Forward supply figures of 3275 lots and homes were equally dire, with Mr Morris highlighting the Coast still attracted 15,000 new residents a year.

"We don't need an increase in demand to start getting price rises," he said. "When a region is not supplying the underlying housing needs of its population growth, the inevitable outcome is a high point in the property cycle and I predict that this will occur before the end of 2012."

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But Mr Morris warns that house prices on the Coast would continue to fall ahead of the expected boom.

He said the average Gold Coast house price had dropped by 11.5 per cent to \$552,023 in the six months to the end of September, partly skewed by low volumes.

"But this average price is still very high by world standards, compared to average income," he said. "The Gold Coast has reached a stage where it has maxed out on affordability."

"We're among the top three most unaffordable places in the world, behind Sydney and Vancouver, and that's not sustainable."

"There's still going to be a bit of a washout in the upper end of the market."

Mr Morris predicts house prices could rise as much as 20 per cent by 2012.

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Editorial, P26