

HOUSING BOOM COMING

Government says they are expecting a housing boom in Sydney

And what does this mean for us property investors if developments take off again?

I asked Dave to put his spin on the reports coming out lately and here is something of interest;

"The first thing we have to remember", Dave says, "is that for builders to start building they must be confident that there is a profit to be made."

For this to happen it means one of two things, the cost of building comes down, and for this to happen the fees and taxes that governments charge builders have to be lowered so builders can build cheaper, and there are signs that they are going to try to make this happen, or prices have to increase substantially. The latter can only happen if housing becomes more affordable. Either incomes go up or costs of borrowings go down.

I prefer to back the second option, perhaps from personal desire, but also my logic tells me that if interest rates come down substantially more than they have, and there are rumblings again that this is likely to happen, it would in itself mean affordability increases. Which means on thing in real terms, people can afford the higher prices of NEW dwellings and construction can commence again.

The outcome is that the government gets their income flowing from the taxes levied on builders and associated building goods, employment increases and the economy gets a massive boost.

What does all of this mean for us cheapie property investors; lower interest rates, investors come back into the market, property starts increasing in value, more investors come bak into the market, and the capital growth of cheapie properties gets another kick start.

The article went on to say;

As NSW recorded its lowest figures for construction of new homes, developers have predicted the worst is over and the state is on the verge of a housing boom.

Bureau of Statistics data for the three months to March showed the number of new housing starts has fallen to 5400, down from 7500 in the same period last year and 11,000 five years ago.

However, the housing industry believes this week's budget will help deliver a long-awaited turnaround. "There will be a boom," said Stephen Albin, chief executive of the Urban Development Institute of Australia.

The acting head of the NSW division of the Property Council of Australia, Angus Nardi, agreed the budget announcement of a 50 per cent cut in stamp duty for the next six months on all new homes up to a value of \$600,000 along with several other measures would see a dramatic change. "I think the Government has implemented a handful of measures that should bring about a boom in the residential market," he said.

The Treasurer, Eric Roozendaal, signalled yesterday the Government may open further areas for development in measures to revive building activity.

"I suspect there will be further announcements about opening up other areas," he said when asked whether additional measures were likely to boost housing construction.

Budget estimates from the Department of Planning confirm the Government is expecting a boom.

The upswing is most pronounced in the greater Sydney area with a 41 per cent increase in the number of homes built in the next 12 months.

The department estimates that 25,000 dwellings will be built next year, many of them apartment blocks in and around transport routes and in existing residential areas.

A senior economist with BIS Shrapnel, Jason Anderson, said the cut in stamp duty and other factors made an increase in housing construction levels certain but questioned whether it would be as big as the Government has forecast.

"I would be surprised if you got a response of that magnitude from a cut [in stamp duty] for six months," he said.

He expected investors would begin entering agreements to buy apartments off the plan enabling developers to secure funding for these projects.

Ursula Kennedy