

Buyers in tight spot as supply drags chain

GLENN Stevens's speech during the week neatly encapsulated what has happened to the housing market and where it could be headed.

The Reserve Bank of Australia governor says the challenge in the near term is how to ensure that the ready availability and low cost of housing finance is translated into more dwellings, not just higher prices.

"This ought to be the time when we can add to the dwelling stock without a major run-up in

MAJELLA CORRIGAN



prices," Stevens says. "If we fail to do that — if all we end up with is higher prices and not many more dwellings — then it will be very disappointing; indeed, quite disturbing.

"Not only would it confirm that there are serious supply-side

impediments to producing one of the things that previous generations of Australians have taken for granted, namely affordable shelter, it would also pose elevated risks of problems of over-leverage and asset price deflation down the track."

That means while there could be short-term growth, Australians also could be borrowing too much and may have to deal with that headache later, just as property values begin to fall.

But perhaps the market al-

ready has signs of some of the disturbing elements to which Stevens alludes.

First, it is now widely expected interest rates will rise. That will place more pressure on borrowers, particularly those who have purchased recently.

Second, the housing market has already experienced price growth, albeit small, during the first half of this year.

Add to that the restrictions on the availability of credit for development and it doesn't look as if

supply will increase soon. For many there may be a sense of déjà vu as prices and rates look like rising at the same time.

In the existing housing market, those on the ground say there is a lack of stock and some surprisingly good prices being achieved.

Some agents in Sydney and Melbourne report stock levels are at their lowest for years.

Sydney buyers agent PK Property says new listings were nearly nonexistent during the school holidays and word from the

marketplace is that the stock shortage is not going to improve at least until spring.

"The main reason listings are getting tight is that many vendors are too scared to put their home on the market in fear that they will not be able to secure another property," PK Property says.

Buyers agent Curtis Associates, also from Sydney, says that early last month there was a chronic undersupply of property in the price range below \$2 million and poorer quality properties, espe-

cially those purchased in the recent boom, still being punished.

It says there have been renewed signs of life in the Sydney prestige property market, above \$2 million. It concludes by saying the buyers market has ended almost as quickly as it arrived.

In Melbourne, buyer advocate JPP says in its newsletter that as interest rates remain on a par with rental returns many people are simply buying their next home and not selling their existing one. We are about to see a

fundamental change in property ownership during the next generation, it says, with people who have property increasing their holdings and those who have never had the opportunity to get into the market.

The supply of housing has been a long-term issue in Australia, but Stevens's comments highlight just how crucial it will be in a new, more frugal economy.



majellacorrigan@optusnet.com.au