

## Property prices flat

Residex housing market statistics for June show that property prices have flattened but, although many markets have seen values decline, forecasts of a burst in the 'property bubble' still look unlikely.

In the three months from April – June 2011, Melbourne house prices fell by 1.13%, whereas in Sydney house prices showed a slight recovery and grew by 0.58%. The picture for units is similar, and during the same period Melbourne unit prices fell by 1.89% and Sydney unit prices increased by 1.22%.

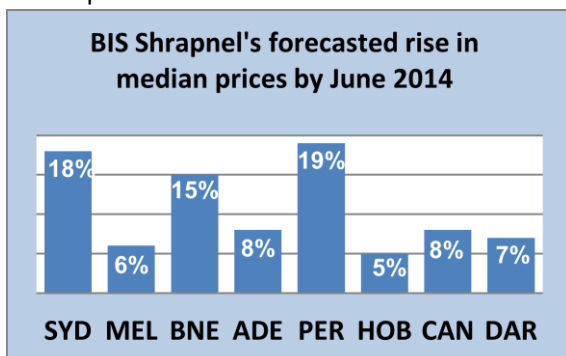
The biggest falls during the last quarter were in country Tasmania where house prices fell by 2.79% and in Darwin where unit prices fell by 3.08%. The biggest price rise during the quarter was in country Western Australia where house prices increased by 3.07%, no doubt fuelled by the resources boom. In the unit market, the highest rise was in Sydney where units grew by 1.22% over the quarter.

## Recovery forecast in housing demand

Leading economic analyst, BIS Shrapnel has disputed the idea of a property market crash and forecast that house prices will begin to grow within the next two years.

In its *Property Prospects 2012 to 2014* report, BIS Shrapnel predicts moderate price growth until 2013, but some cities may experience double-digit growth over the next three years.

The company believes that economic and employment growth will accelerate in 2012 and 2013 and this will arrest any further falls in house prices.



## Housing market statistics for June 2011

Houses	Australia	Melbourne	Sydney
Median value	\$437,500	\$593,500	\$673,500
Capital growth – annual	-1.19%	1.58%	-0.47%
Capital growth – 10 year ave.	9.16%	9.36%	6.31%
Rental yield (June 2011)	4.41%	3.34%	4.18%
Units			
Median value	\$397,500	\$448,000	\$485,500
Capital growth – annual	0.44%	0.26%	4.43%
Capital growth – 10 year ave.	7.43%	8.37%	5.72%
Rental yield (June 2011)	4.72%	4.19%	4.94%

*Note: This data has been provided by Residex, an independent national property analysis company and relates to metropolitan areas only. Specific results for specific suburbs may vary significantly.*

A global survey shows that the strong Aussie dollar has placed Sydney, Melbourne, Perth and Brisbane among the world's most expensive cities. Sydney is now the 6<sup>th</sup> priciest city in the world, followed by Melbourne as No.7. It is now cheaper to live in London, New York, Vienna, Rome, Hong Kong and Beijing. Tokyo, Osaka and Oslo are the world's three most expensive cities.

## Investors 'paralysed' with too much information

Information-overload could be creating uncertainty among investors and driving a shift away from long term investing. AMP's chief economist, Shane Oliver, says that the massive increase in economic and financial information is painting an overly negative picture.

He says that the trouble is much of this is noise – including random moves in economic data more due to statistical aberrations than fundamental swings in the economy, data of no real significance and a constant chatter about interest rates.

Oliver claims that the constant bombardment with information is "likely making investors excessively cautious, which means they are less likely to take risks which will ultimately mean lower longer term returns."

He suggests that investors should consider "turning down the news volume and refocus on investing for the longer term. "In other words, follow the advice of Warren Buffet when he said 'get greedy when everyone panics, panic when everyone gets greedy'."

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