

DOOMSDAY HOUSING PRICE FORECASTS HIGHLY QUESTIONABLE

The REIA says that forecasts of housing price drops of as much as 30% are highly questionable and cannot be relied upon with any degree of confidence.

“We are in unprecedented times and anyone that suggests they can forecast with any acceptable degree of probability is being highly fanciful,” said Mr Adrian Kelly, President of the Real Estate Institute of Australia.

“We can only look at what is happening in the market place at the moment as well as in previous times of high unemployment to provide pointers to likely outcomes.”

“Currently we have a situation where listings are decreasing yet the enquiry level from prospective buyers is increasing. It is simple economics that when supply decreases and demand remains that prices edge upwards. They certainly don’t drop.”

“Recent forecasts suggest that the supply of new housing will be severely constrained over the coming year. The Housing Industry Association is expecting building of new dwellings to fall by almost 50 per cent over the rest of 2020 and into 2021. This does not suggest a scenario of supply exceeding demand – a prerequisite for falling prices.”

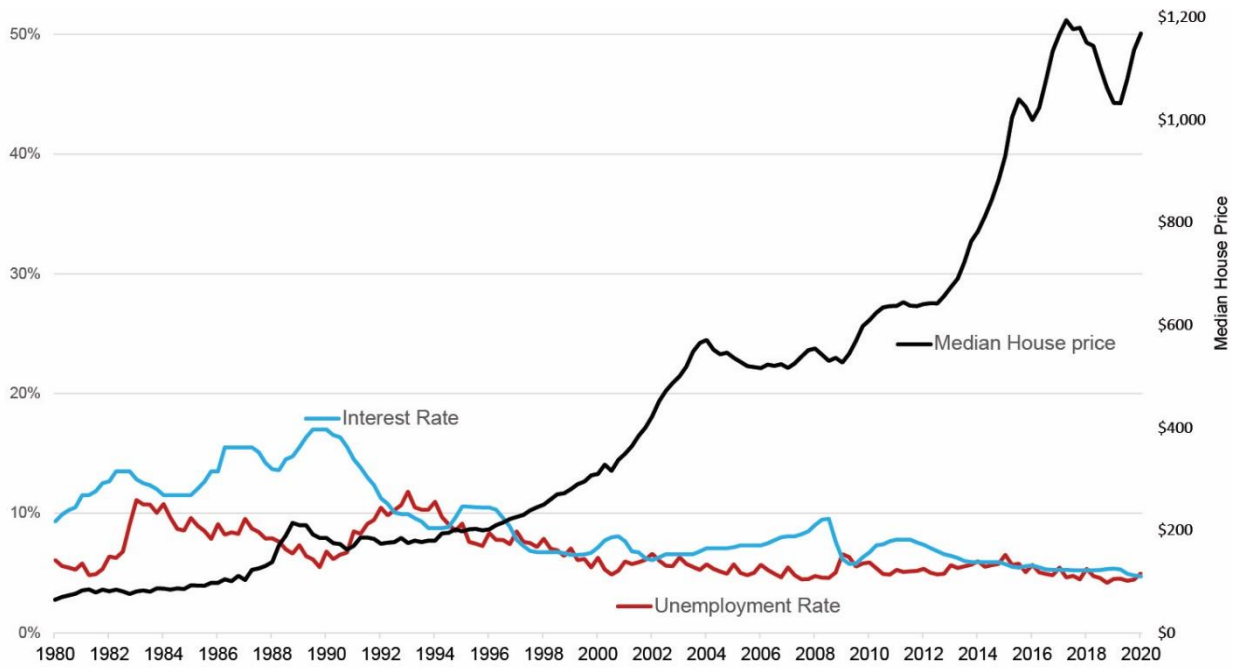
“Whilst it is expected that higher levels of unemployment will provide a constraint on house prices the anticipated levels of around 10% have been experienced before and we should look at what happened to housing prices then.”

Graphs 1 and 2 show median housing prices, interest rates and unemployment rates for the period from 1980 for New South Wales and Victoria – Australia’s two largest housing markets.

“History shows us that in the early 1990s we had a sustained period of unemployment above 10% yet median house prices remained stable”.

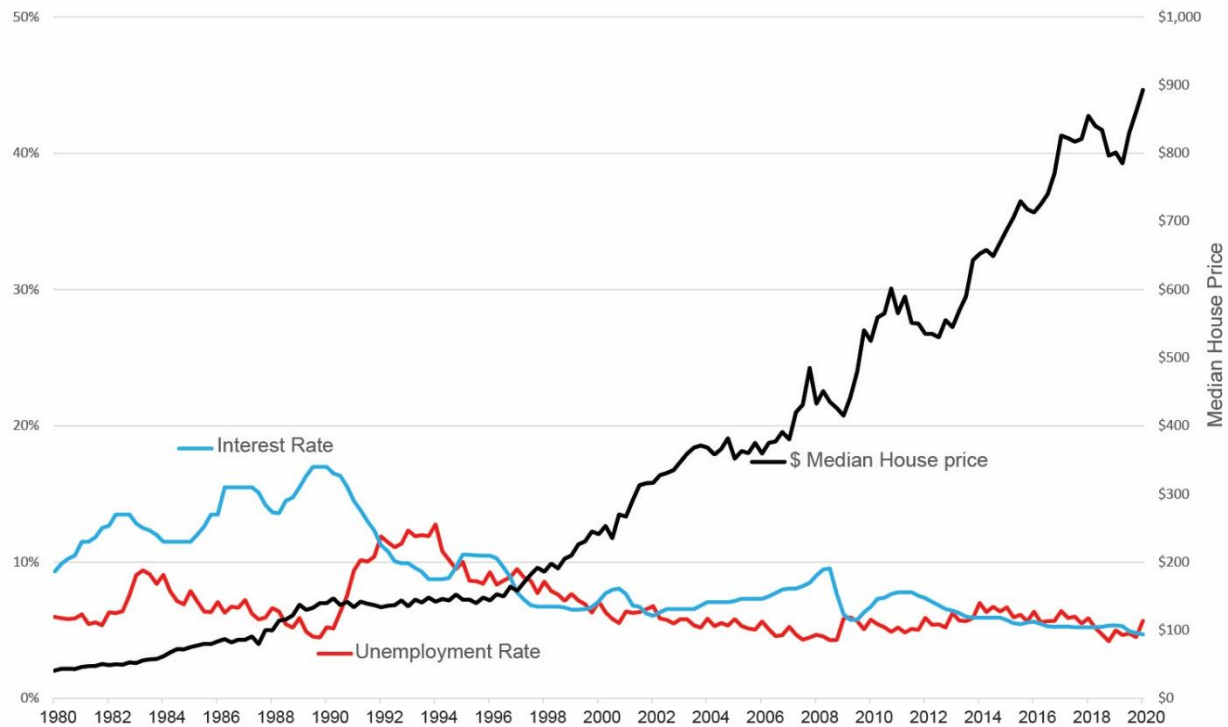
“It needs also to be remembered that in ‘*the recession we had to have*’ interest rates for housing loans were around double what they currently are.”

“I do not believe that this points to a catastrophic outlook for house prices,” concluded Mr Kelly.



New South Wales

Source: ABS, RBA and REIA



Victoria

Source: ABS, RBA and REIA

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The Real Estate Institute of Australia (REIA) is the national professional association for real estate agents in Australia.

For further information or to speak with REIA President Adrian Kelly please contact Samantha Elley via media@reia.com.au or 0413 986 068.