Queensland, more than mining

Australia's housing markets are showing more convincing signs of improving and Queensland looks set to lead the recovery. Here's why. MICHAEL MATUSIK

With interest rate cuts helping to ease the pressure on those servicing mortgages; affordability at near decade-best levels for prospective buyers; substantial pent-up demand for new housing in select markets, namely New South Wales, Western Australia and Queensland; and several sentiment surveys showing consumers starting to warm to real estate again, the scene looks set for recovery.

Importantly, and despite these positives and a long history of rapid, vigorous housing upturns in the past, this current housing cycle – for many of Australia's capitals – will show a much more gradual transition from stabilisation to recovery.

In contrast, many of the country's regional towns, and in particular those larger centres associated with resources and mining, have actually seen prices and rents rise over recent years. Australia's resource centres continue to experience extremely tight rental market conditions, with vacancy rates often well below two per cent.

In addition, some of this reading may be skewed by state government policy changes. The NSW, Victorian, Queensland and South Australian governments all recently made significant changes to bonuses and concessions for first homebuyers and/or those building new dwellings. Queensland's recent $15,000 first homebuyers' boost towards new property stock is a case in point.

The Queensland economy is predicted to continue growing at four per cent per annum, well above the national average.

Resources principally drive Queensland's growth. The Queensland Resources Council estimates there are $165 billion worth of resource projects in Queensland under way. Yet Queensland's economy has a broad base, with just nine per cent of the state's production coming directly from mining. By comparison, one-third of WA's economic output comes from mining.

The Australian Bureau of Statistics' employment figures for the past 12 months confirm 21,700 new jobs were created in Queensland, half of which were in the Brisbane region.

As we've been saying for some time now, we believe end values should start to grow during 2012/13, accelerating in 2013/14 as the economic upturn gains momentum and the underlying dwelling deficiency becomes more pronounced.

According to RP Data, house prices have risen by close to five per cent across the country over the second half of 2012. Australian house prices have inflated at a 10 per cent annualised pace over the past six months, even after accounting for seasonal factors.

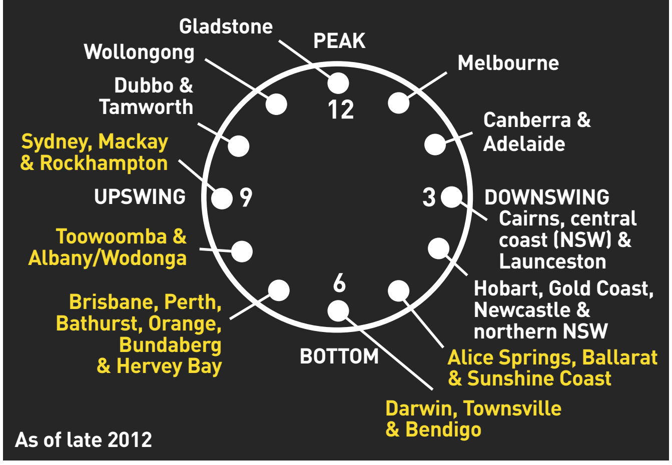
Based on last year's statistics, Queensland looks to be heading towards a massive undersupply, with 33,000 new dwellings needed during 2012, yet just 26,000 supplied – an undersupply to the tune of about 20 per cent.

Queensland's population growth is also on the increase, with a likely 75,000 increase during 2011/12 – up 50 per cent or 25,000 on 2010's 50,000 annual increase.

History shows the Sunshine State attracts a third of Australia's annual population growth.

The property clock outlines where we think each major residential market is currently positioned.

PROPERTY CLOCK



As of late 2012

Our experience is that three things drive individual markets – local confidence, supply versus demand and job creation.

Brisbane, Perth and Darwin – for example – are at the bottom of their cycles. Sydney is further along in an upswing and Melbourne, Canberra and Adelaide have entered downturns.

Many of Australia's larger regional centres are well positioned in the bottom half of the property clock, which generally means that property has more upside than buying during the top-half of the clock.

While not paramount to investment success, investors should consider those areas marked in yellow as 'better' investment areas for the next year or two.

The locations shown in white aren't 'no-go' areas; it's just that they've passed their upswings or entered downswings, so more caution is required when deciding what to buy in these areas.

Much attention of late has been given to a pending slowdown in Australia's resource boom and its potential negative impact on the country's housing markets, but according to research undertaken by the Reserve Bank of Australia, there are three phases to Australia's resources boom – commodity prices, infrastructure expenditure and higher priced exports. The Reserve Bank believes we're only part way through the second phase. Moreover, our proximity to Asia and its rising demand for household, business and financial services is very advantageous for the Australian economy.

There's much more to Queensland's – and Australia's – economy than mining and the current machinations in iron ore/coal prices. api

Michael Matusik is the founder of Matusik Property Insights, which has helped over 550 new residential projects come to fruition. Read Michael's blog at matusikmissive.com.au or follow him on Twitter at www.twitter.com/michaelmatusik

