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## Race on for investment properties

By Karina BarrymoreHerald SunMarch 23, 2009 12:00am

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- Competition heating up in property market
- Low rates, high rents fuelling demand
- **Property:** Can you afford to buy?

PROPERTY buyers . . . on your mark, get set, go.

The race is on for residential investment properties before the competition gets too hot, according to two national forecasters.

Record low interest rates and record high rents mean for many investors their new rental properties will be profitable from day one - without relying on negative gearing.

However, the same conditions also make buying a first home cheaper than staying renting.

But some potential buyers, both investors and owner occupiers, are still holding back because of uncertainty about the economy and job security.

This is only making prices and choices even better for those people with funds to buy. The window, however, could be about to shut.

According to economic forecaster BIS Shrapnel investors and first home buyers are now the two biggest competitive forces in the housing market.

Rising rents and low interest rates are creating perfect conditions for both groups, according to BIS Shrapnel senior economist Jason Anderson.

But they are competing for the same properties which is expected to push up prices at the bottom end of the market.

First home owners are now finding that buying is a similar cost to renting, while investors can have positive cash flow from day one with the current mix of low rates and high rent.

"People can take out a fixed rate and lock that in for the next few years at less than 6 per cent. At the same time rental yields are up to 7 per cent with strong rent growth still to come," Mr Anderson said.

"The competition at the cheaper end could trigger a partial ignition of prices.

"The feedback is that in some of the cheaper parts of the market prices are already starting to come up.

"The feedback of that type we've had is that prices are up by about 5 to 6 per cent."

Some economists had forecast that the property market would show signs of increased competition in the second half.

But Mr Anderson said it had already started.

National property research company RP Data said on Friday a fall in house prices across the country was offset by an increase in weekly rents.

This provided further evidence that some households would be better off buying rather than continue renting.

In Melbourne the median rent for a house increased from \$300 to \$350 a week during the past year. The median rent for an apartment or unit rose \$40 a week to \$320.

Rents were forecast to increase again during the year, RP Data research analyst Cameron Kusher said.

However, first home buyers might still need an extra nudge to take the plunge.

"Throughout 2009 it is anticipated that rental growth will continue to be strong, although it may not be as strong as witnessed during the last 12 months," Mr Kusher said.

"Rental vacancy rates remain tight and although the government is offering up attractive incentives for first home buyers currently, many are still not in a financial position to purchase."

As long as there are more people wanting to be housed than there are houses available, higher rents and eventually higher purchase prices will remain.

According to housing estimates from ANZ Bank, there is demand for about 180,000 new homes each year in Australia.

In the year to September 2008 only 150,000 homes were built - leaving a shortfall of 30,000.

## Comments on this story

**bobby of west end** Posted at 12:44pm today

forget about property. It's nowhere near the bottom. But this is an excellent time to buy quality shares, which , in contrast , are rattling along the bottom.

**Mark of Sydney** Posted at 12:39pm today

No second boom ..... be careful, crooks waiting

**cynical** Posted at 12:37pm today

And what guarantee is that job security will increase as well? People should have absolute confidence they won't lose their jobs or business before they take this advice seriously...

***anthony of melbourne*** Posted at 12:30pm today

since i know its going to come up, i really really really would like to know where michael of sydney gets his vacancy rate figures, and which lenders he is using to get fixed rate financing below 5%

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