

Betting on the house

Property Prices are on a roll. Are you going to miss out by not getting in now or is there a bubble building, asks **Rebecca Thistleton**.

For **Ray White** chairman **Brian White**, the election next weekend is the first in memory where buyer enthusiasm has not dipped in the lead-up to polling day.

Property also bucked the annual trend of hibernating over winter, thanks to pent-up demand and interest rate cuts. The asset class has also been attracting the attention of investors put off volatile equities and low-yielding cash.

Price growth is on track for a 6 per cent increase this year, according to property analyst **RP Data**.

Sydney has the strongest performing market in terms of sales and capital gains, but shrewd investors should seek emerging markets, such as Brisbane, where there is more value for money, analysts say.

Talk of a property bubble has increased because of record low interest rates and spiking auction clearance rates.

How much power property generates depends on broader economic fundamentals. When the RBA last cut rates at the beginning of August, **NAB** chief economist **Alan Oster** said the market was unlikely to overheat in a climate where there was job uncertainty.

Regardless of values, there's likely to be a rush of new stock – not only have many vendors been waiting for poll day but September is the traditional start to the peak selling season.

There are more than 1000 auctions scheduled for the weekend after the election in Melbourne and more than 600 in Sydney.

But others say investors – certainly in Sydney – may already be too late because prices have started to rise. One property adviser says he won't be bidding in either Sydney or Melbourne because there's too much com-

petition at auction. Investors have added to the rise in auction clearance rates, increasing competition for well-located desirable homes.

Gavin McPherson, chief executive of **Oasis Property Group**, is steering clear of auctions, where prices climb spurred by emotional owner-occupiers who will outbid an investor for their dream home. "The best time for an investor to buy in Sydney was July-December 2012 – that's the power of hindsight," he says.

He believes there is better investor opportunity in Brisbane, where prices are already up 1 per cent this month after months of hiatus. Prices bottomed out in May last year.

Across the country property prices rose almost 2 per cent in June and 1.6 per cent in July, says **RP Data**. There was some softening in August, with prices up just 0.4 per cent.

After little price growth since 2004, Sydney property is the country's strongest performer. Investors are still able to reap higher capital gains than rental yields, with **RP Data** analyst **Cameron Kusher** saying the time is right in Sydney's cycle for price growth.

By contrast, Brisbane prices are 30 per cent more affordable than Sydney. **Kusher** says rental yields for apartments there are 5.7 per cent, and 4.5 per cent for houses.

Economists largely agree that steady market growth across the major capital cities will continue. **AMP Capital** chief economist **Shane Oliver** forecasts another interest rate cut in the next few months. **NAB Private Wealth** points to good opportunities in property. "The outlook for property is good, we're not expecting double-digit growth, but we are heading into spring when activity tends to pick up, particularly in the auction market." **Continued p26**

