

**HD** How 2013's predictions held up: We put them to the test

**WC** 1,776 words

**PD** 13 January 2014

**SN** Property Observer

**SC** PMPROP

**LA** English

**CY** Copyright 2014 Private Media Partners Pty Ltd

**LP**

In December of 2012, **Property** Observer went to the experts to ask for their predictions for 2013. While crystal ball gazing is notoriously difficult, especially when **property** is concerned, some insights were remarkably accurate. Others, however, were not so much.

See the [original prediction article here](#).

**TD**

1. Sydney to do better, but best NSW prospects still in the regions: Terry Ryder

PREDICTION:

Hotspotting.com.au's Terry Ryder expects the Sydney market to do better in 2013 but still tips a number of NSW regional towns to outperform the capital city. Regional towns, he says, are more affordable and have provided much better capital growth over recent years. He expects the following regional market to continue to outperform Sydney in 2013: Dubbo, Tamworth, Gunnedah, Mudgee, Orange, Goulburn, Albury and Wagga Wagga. For more on capital city vs regional prospects in 2013 watch the full webinar with Terry Ryder.

INCORRECT:

With Sydney's phenomenal growth last year, it appears the regional areas did not keep pace. See prediction six for a summary of the growth experienced in the year to November 2013, as recorded by RP Data.

Yearly median growth (RP Data):

[Dubbo](#): 3.7%

[Gunnedah](#): 5.1%

[Mudgee](#): 7.9%

[Orange](#): 1.5%

[Goulburn](#): 6.2%

[Albury](#): -4.2%

[Wagga Wagga](#): Data unavailable

[Tamworth](#): Data unavailable

2. Luxury market to recover first: Janusz Hooker

PREDICTION:

LJ Hooker deputy chairman Janusz Hooker says a recovery in the housing market is "inevitable", with the luxury high-end market expected to be the first to enjoy price recovery having been hit the hardest by the downturn. His advice to **property** investors is to "look for places that went down the most and also watch the big cities – when they move it fans out to the regions usually within six to 12 months".

CORRECT:

The prestige market above \$1.5 million to mid-year was one of the strongest earlier performers, with properties in the most expensive suburbs seeing 4.8% growth to June 2013, compared to slightly softer results in the middle and lower brackets. This may have been partly due to the surge of [Chinese buyers in suburbs such as Mosman](#). However, properties in excess of \$3 million were far slower to perform. The bulk of the growth happened in the latter half of 2013, which then saw the middle market outstripping prestige sales.

3. Sydney sub-\$750,000 market the strongest as Australia's "BHP of real **estate**": John McGrath

PREDICTION:

McGrath **Estate** Agents CEO John McGrath says recent weekend clearance rates indicate clearly that the under-\$750,000 market is still strongest in Sydney, with McGrath averaging a 69% clearance rate in this bracket, followed by 65% for the \$750,000 to \$1.5 million sector. "Sydney remains the BHP of Australian real **estate** – the big blue-chip market that generally outperforms the rest," says McGrath, who predicts a 2% to 5% price rise in the under-\$750,000 market and a 5 to 8% rise in the \$750,000 to \$1.5 million bracket.

UNDERSTATES GROWTH:

Sydney far outperformed the expectations from John McGrath, and he was incorrect that the higher bracket would outperform, with the sub-\$750,000 market appearing to just outstrip the prestige sales. RP Data's Cameron Kusher noted that the middle market saw 15.3% increases, while prestige sales clocked in at around 15%.

4. Consider the outer suburbs of Adelaide and Brisbane: Margaret Lomas

PREDICTION:

Destiny Financial's Margaret Lomas says **property** investors are starting to take a look at the outer suburbs of Adelaide and Brisbane, with activity picking up towards the end of 2012. These were areas where house prices started to move up a little bit in contrast to the rest of the market, which mostly stagnated, she told realestatetalk.com.au.

Note: [John Symond also tipped the some outer Adelaide suburbs for growth](#), looking to the North in March 2013.

PARTIALLY INCORRECT:

Australian **Property** Monitors' Andrew Wilson told **Property** Observer that where the Adelaide suburbs did well overall this year, despite economic difficulties, Brisbane itself was actually held back by its outer suburbs in its overall growth, being the "problem child" of the city. The outlook for Brisbane's suburbs does, however, look better for 2014.

To see how six other experts fared, see over page

5. Rent vs **buy** equation to sway more first-home buyers and renters into the market: Tim Gurner

PREDICTION:

Tim Gurner, director at Melbourne-based **property** development **company** Urban Inc, says the **buy** versus rent equation will sway strongly towards buying in 2013, "so we're expecting to see a lot of first home buyers and renters return to the market". Urban Inc is currently developing Alessi in West Melbourne.

INCORRECT:

Using Australian Bureau of Statistics data, and comparing first home buyer 2012 and 2013 statistics (January to October statistics, due to November and December currently being unreleased for 2013) we see a marked decline. See the data for yourself [via these excel spreadsheets available online](#). The average number of dwellings financed in a month across these months in 2012 was 9,228. In 2013 this dropped to 7,494. Percentage wise of the entire market this was also a marked decrease, from 18.8% in 2012 to 12.9% in 2013.

6. Perth and Sydney to perform, Brisbane held back by unemployment: Aaron Maskrey

PREDICTION:

Aaron Maskrey, research director at PRDNationwide, expects Sydney to experience steady, but modest growth of around 5% throughout the upcoming year. He says Perth should also be a stronger performer in 2013, with a combination of mining investment and low interest rates helping to shift this market off the bottom of its **property** cycle. "A conservative estimate of price growth during 2013 would see Perth increase in value by 2%, but such is the swing with this resource affected region, greater market sentiment could give rise to 6% growth." Maskrey says Brisbane finds itself in a similar situation to Perth and would have been included with Perth's forecasted growth but for the sharp rise in unemployment. "With a rising rate of jobless residents, any potential growth that was initially forecasted for Brisbane is now expected to be temporarily suppressed in early 2013," he says.

UNDERSTATES GROWTH SIGNIFICANTLY:

The below table, the latest release to November 2013, provides a fairly good account of the comparable growth in each city. Despite understating growth, he was correct that Perth and Sydney would perform, with Brisbane somewhat suppressed.

Source: RP Data

7. A more generic uplift in **property** prices for Sydney then Melbourne: Matthew Chun

PREDICTION:

Becton CEO Matthew Chun is more bullish on the Sydney **property** market than Melbourne in 2013. Chun tells **Property Observer** he expects "meaningful price growth" in Sydney of 4% to 8% with modest growth of 2% to 4% in Melbourne. Chun also expects a more generic recovery across the Sydney market, while Melbourne will be restricted to growth from unique, well-located properties within 10 kilometres of the CBD. "Outside of this zone growth will be flat, and I also don't expect much growth in the Melbourne **apartment** market," he says. Becton's two key projects are Divercity in Waterloo and Newleaf in Bonny Rigg in the west of Sydney.

PARTIALLY CORRECT:

Melbourne's growth figure across 2013 was 6%, according to RP Data, while they put Sydney's growth at 12.5%, higher than Chun's more modest prediction. [Melbourne's inner city unit market](#) was 5.2% up in latest statistics. Overall, however, he was right to be more bullish on the Sydney market.

8. West Melbourne land market has better prospects: Jeff Garvey, director of ID Land

PREDICTION:

Jeff Garvey, director of Melbourne **residential** developer ID Land, says the outer west growth corridor, which includes suburbs like Truganina and Plumpton, have good prospects, in contrast to the perception that the Melbourne land market is struggling. Garvey says the area is supported by "really big infrastructure projects" including the \$5 billion regional rail link running from Southern Cross to Werribee and due for completion in 2016. In addition, Truganina is only 20 kilometres from the Melbourne CBD.

INCORRECT: (however much of the intended growth hangs on the 2016 completions.)

Yearly median growth (RP Data):

[Truganina](#): 3.8%

[Plumpton](#): Data Unavailable

RP Data's 2013 December roundup explained the following: "House values in Melbourne still remain below their previous nominal peak despite a 6% rise in house values this year."

9. Don't expect or wish for the cash rate to reach 2%: Joe Sirianni

PREDICTION:

Joe Sirianni, executive director at mortgage brokers Smartline, anticipates only one more rate cut in 2013 and says were the cash rate to fall to 2% it would undermine confidence, which he says is the key issue. "We're living in changing times and the use of interest rate cuts as a lever to stimulate the economy just isn't having the same impact as it has in the past. Therefore, I think the RBA will realise that there is little point in going much lower with the cash rate. A cash rate of 2% would be unprecedented in Australia, and I think there's a danger that if rates were cut to this level, it would un-nerve most people and exasperate the already low levels of confidence," says Sirianni.

CORRECT:

We finished the year at 2.5%, still a record low.

10. A modest recovery in new housing in NSW in 2013 with better buying conditions: Craig D'Costa

PREDICTION:

Craig D'Costa, senior development manager of Sekisui House, a co-developer of the \$2 billion Central **Park** project in Sydney, says a recovery in the housing industry will be a key factor in boosting the NSW economy. "The housing industry is forecasting NSW to achieve a modest increase in housing starts for 2013, this comes of the back of government led stimulus for new home buyers with substantial saving in stamp duty and grants. Overall, improved affordability and better buying conditions will underpin home buying activity next year in 2013, with upgraders and investors also likely be very active sectors," he says.

CORRECT:

The Australian Bureau of Statistics' [latest building approvals data](#) saw the number of dwellings approved increase in November 2013 in trend terms. This number had risen for the previous 13 months, with every state seeing increases apart from the ACT with a 9% decrease in November. Looking specifically at the number of houses in New South Wales in the private sector, there was also a marked uptick.

[jduke@propertyobserver.com.au](mailto:jduke@propertyobserver.com.au)

**CO** aubos : Australian Bureau of Statistics

**NS** ereal : Real Estate Markets | e11 : Economic Performance/Indicators | ecat : Economic News

**RE** austr : Australia | adelai : Adelaide | brisbn : Brisbane | melb : Melbourne | saustr : South Australia | sydney : Sydney | victor : Victoria (Australia) | waustr : Western Australia | apacz : Asia Pacific | ausnz : Australia/Oceania | nswals : New South Wales | queensl : Queensland

**PUB** Private Media Partners Pty Ltd.

**AN** Document PMPROP0020140113ea1d00006