

Expect a roaring property market in 2020

Underpinning a wave of buyer urgency will be a stubborn lack of established property stock for sale in 2020.

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It's the season for parties and property predictions. Both activities can be a triumph or a tragedy for the planner.

Before I give you a 2020 capital city outlook, it's only fair that I share my forecasting successes and failures from these pages 12 months ago.



Sydney and Melbourne may well see 8 per cent to 10 per cent growth in values over 2020. **Domain**

Successes first. Back in December 2018, I correctly anticipated that property values in our largest capital cities would continue to fall in the first half of 2019 and my 3 per cent to 5 per cent range was about right.

I also judged that the comparative over-performance of smaller cities in 2018 would not be sustained.

However, I also thought that the second half of 2019 would be rather unexciting, with a plateauing market of no growth in the larger capitals.

Instead, the last six-monthly growth figure for Sydney and Melbourne sits around 8 per cent and even some smaller capitals grew (where I thought they would fall), so I was wildly pessimistic.

The biggest non-property surprise of 2019 was the defeat of the Labor party in the federal election.

And while I was less concerned than many commentators about the impact on property of a Labor win, a Coalition victory does support values more insofar as it represents a continuation of favourable property investment tax policies.

The other main reasons for the swift recovery were the three interest rate cuts and improved lending conditions. The loosening of monetary settings was undoubtedly more aggressive than anticipated.

To 2020. In contrast to 2019, I don't see any big ticket domestic economic, regulatory or political items in the calendar that might spook the property market.

No banking royal commission. No federal election. Elsewhere there is of course the US election, but given surprise is the new normal there, we are probably inured to whatever happens.

Positive settings

Nationally, there are two positive domestic policy settings for property.

There will be two tranches of the First Home Loan Deposit Scheme – starting January 1 and July 1 – [so expect a boost to the entry level market](#) in the first and third quarters of 2020.

More broadly, knowing the federal government is unwilling to be more fiscally expansive in the face of a slowing domestic economy, the Reserve Bank has signalled its commitment to providing the necessary stimulus to avoid a downturn. Look out for 25 or even 50 basis points of interest rate cuts over 2020.

How will this impact supply and demand dynamics and ultimately prices? Taking demand first: there is currently a palpable hunger and, at times, a fear of missing out, in the buyer pool in

several pockets of Melbourne and Sydney. Over 2020, I believe this sentiment will continue and spread to encompass more parts of our two largest cities and then include Canberra and some parts of Brisbane.

Underpinning this buyer urgency will be a stubborn lack of established property stock for sale, [despite the signal of higher prices](#). Many discretionary vendors are put off by the fear of not being able to buy a replacement property – which is a Catch-22 for the market overall. But a growing tendency for owners to hold on to property for longer also suggests undersupply could become structural and persistent.

I therefore expect strong or solid price growth in most capital cities. Sydney and Melbourne may well see 8 per cent to 10 per cent growth in values over 2020. Canberra and Brisbane will deliver a 6 per cent to 8 per cent price rise for the year. In Adelaide and Hobart, values will be 4 per cent to 6 per cent higher in a year's time.

Only Perth and Darwin will struggle off the back off specific economic weaknesses, but even out west and up north I expect prices to rise 2 per cent to 4 per cent over 12 months.

These predictions are citywide averages, and there will be significant variance in price growth within cities. There will be triumphs and tragedies.

For instance, in Sydney and Melbourne, don't be surprised to see some blue-chip properties jump 15 per cent in value over the year, while prices stagnate or even fall in the high-rise sector.

Source : <https://www.afr.com/wealth/personal-finance/expect-a-roaring-property-market-in-2020-20191206-p53hnz>