

Property sentiment lifts as resource states bounce back

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Australia's property industry is starting 2013 on a more confident footing, led by jumps in sentiment in resource states and NSW, according to new research.

The latest *Property Council-ANZ Property Industry Confidence Survey* shows the confidence index for the March 2013 quarter increased from 102 to 107, reversing two consecutive periods of decline (a score of 100 is considered neutral).

The survey polled more than 3000 professionals from the property and construction sector in all states and territories for their forward-looking views.

"Australia's property industry has shrugged off mining boom gloom and enters the new year with improving levels of confidence," says Property Council Chief Executive Peter Verwer.

"Pleasingly this improved outlook is led by resource states as well as NSW, with a small increase also in Victoria. However concerns about the broader national economic outlook remain."

Key findings of the *Property Council-ANZ Property Industry Confidence Survey* are:

- **Overall sentiment bounces back:** national property industry confidence has increased from 102 to 107 on the index, ending six months of decline.
- **Big jumps in resource states:** Western Australia, Queensland and South Australia all experienced big jumps in confidence levels, although WA and Northern Territory remain well ahead of Queensland and SA.
- **NSW stronger than Victoria:** property industry confidence in NSW continues to grow, reaching 112 on the index (up from 107 last quarter). While Victoria's sentiment index moved from 97 to 99 this quarter, it remains a long way short of its northern neighbour.
- **Tasmania and the ACT lag:** sentiment dropped in both Tasmania (down 4 points to 83 on the index) and the ACT (down 2 points to 90).
- **National economic expectations still negative:** while property industry confidence is up, pessimism about national economic growth remains.
- **Funding less difficult:** perceptions of availability of debt finance have now returned to neutral levels, reflecting a significant improvement in sentiment towards credit availability over the last six months.
- **Positive new work expectations:** the industry remains confident about its own forward work levels (recording 125 on the index), although only mildly positive about forward staffing levels (stabilising at 103 on the index after 18 months of decline).
- **Residential builds again:** expectations for house price growth jumped from 101 to 107 on the index, continuing positive prospects for a housing recovery.
- **Retail outlook improving:** sentiment for most commercial property sectors remained largely unchanged, except expectations for capital growth in retail property. This moved from 89 to 93 on the index - the best it has been in the survey's 18 month life.

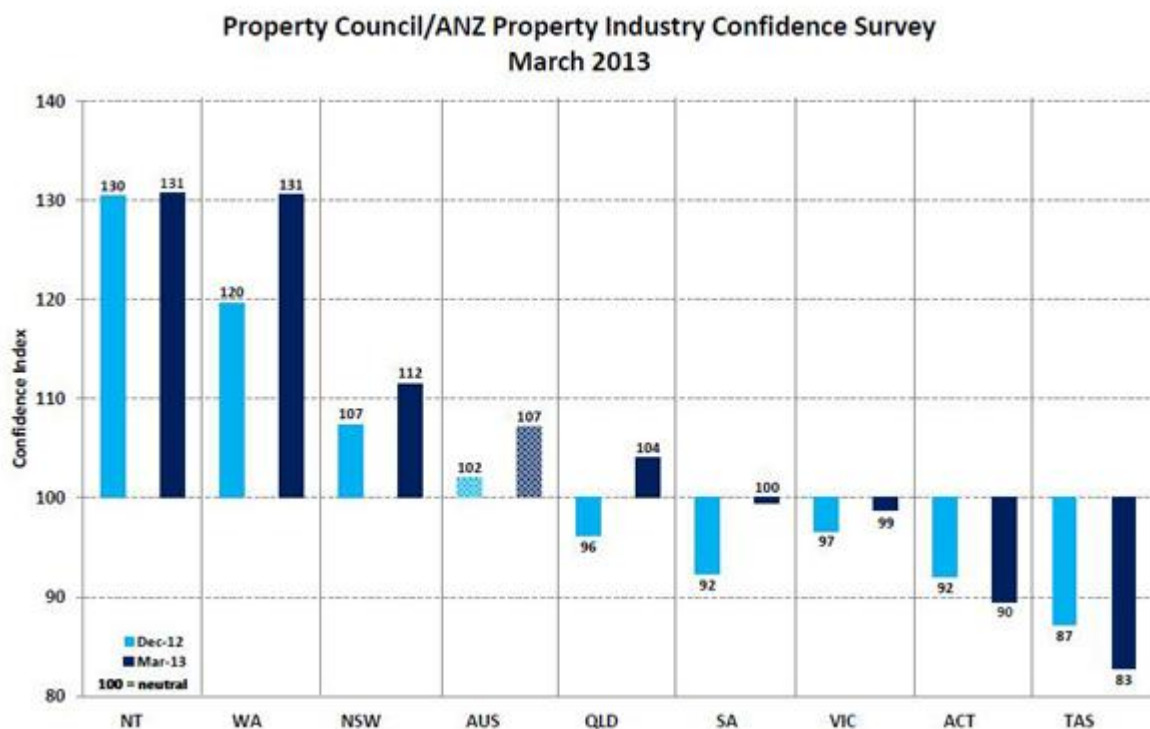
ANZ Chief Economist Warren Hogan says the survey shows that US and Chinese economic policy, combined with interest rate cuts, have buoyed property market sentiment.

“Despite an improvement in property sector confidence, the net balance of survey respondents expect Australian economic growth to slow in the next year,” Mr Hogan says.

“With the mining investment boom approaching a peak, the Australian economy will become increasingly dependent on a cyclical rebound in non-mining investment in the years ahead. The property sector will be a key driver of this transition.”

Mr Hogan says the recent interest rate reduction has arrested the slide in housing values and, along with the prospect of further rate cuts, this has lifted sentiment for residential price and construction activity.

“However, despite improved sentiment and affordability, the prevailing sense of caution in the household and financial sectors will limit the ‘normal’ cyclical rebound in house prices,” Mr Hogan says. “Moreover, many of the issues that have restricted development activity in recent years remain in place and will likely constrain the prospective cyclical upturn in home building.”



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