

# Robert Gottliebsen forecasts "mother of all dwelling booms" driven by property investors

By Jonathan Chancellor  
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Australia could experience "the mother of all dwelling booms", according to the veteran columnist Robert Gottliebsen.

"Australians are going to rush for bricks and mortar," he forecast pinpointing a three-pronged expected boost to prices as a very [low interest rate](#) environment encourages investors to pull back on saving in favour of borrowing and spending.

"First is a dramatic push to lift the demand for dwellings by banks offering cut mortgage rates thanks to Reserve Bank Governor Glenn Stevens.

"But second, and just as importantly, there is reluctance by banks to fund new supply.

"In any commodity if you inflate demand and squeeze supply, prices go through the roof.

"Thirdly taxpayers will subsidise the boom via a massive increase in the use of negative gearing via both personal and [superannuation tax](#) breaks.

"Longer term, that will damage the economy and the Reserve Bank will have to take responsibility for pulling the price boom trigger," he wrote on Business Spectator.

He says most of the demand will be from investors, including those using their self-managed funds, plus the Chinese.

"First home buyers will obviously contribute at the lower end."

Rather than [buy shares](#), "Australians are going to rush for bricks and mortar as they always have in situations like this.

"And when they see the market about to rise they just jump in."

He said it was underway in the inner city of Sydney, and although there was "a fair amount of supply" Melbourne, along with Brisbane, will quickly follow, although perhaps not with the same intensity.

"When you see a rush of demand, what you need is supply. Given that the main demand is in inner city areas supply takes a long while to generate. "Banks are reluctant to lend to developers – especially given recent failures – and the approval process is very slow."

He suggested the capacity of the building industry had been curbed by the post gfc slump with many have been forced out of business.

"The tax office and the banks played a big role in this," he said.

"Because we are dealing with existing properties, an inner city boom does not boost [employment](#) until developers can fund and gain approval for new projects. Of course, when it spreads to outer suburban areas then it does boost employment.

"At some time (not in the short term) Glenn Stevens will be forced to address the inner city property boom which he triggered in August 2013 – probably by increasing interest rates at an inappropriate time."

"Negative gearing may also be curbed," he added.