

MARKET TALK

INVESTORS UNPERTURBED BY MARKET NOISE

PIPA has released its second annual survey showing that the majority of investors still believe now is a good time to invest in residential property

THE PROPERTY Investment Professionals of Australia (PIPA) second annual Property Investor Sentiment Survey has shown that despite talk of property price bubbles, tightening investor lending policies and roaring debate over the future of negative gearing, Australian property investors remain bullish about the long-term merits of residential real estate.

The survey, which gathered insights from more than 1,000 property investors, has revealed that more than 70% of respondents think now is a good time to invest in property – a five-point increase on last year's figure.

While 32% of investors say that recent changes to lenders' investment policies have affected their ability to secure finance, more than half (58%) said they were looking to buy a property in the next six to 12 months.

According to the survey, nearly three quarters (72%) of investors are not concerned about the potential removal of negative gearing, and only 2% think that the currently available negative gearing concessions are the key attraction of real estate investment.

Moreover, the survey shows that almost half (47%) of property investors are positively geared and a majority (63%) of investors who are currently negatively geared expect they will become positively geared within five years.

Low interest rates have also been shown to have little effect on investors' decisions to purchase, and only 13% agree they are the key reason why property is the most attractive investment choice right now.

PIPA chair Ben Kingsley believes this indicates that property investors remain focused on the long-term benefits of property investment.

"Similar to last year, most property investors are looking past short-term challenges, remaining focused on the long-term wealth benefits that are available from residential real estate, including the potential for capital growth and rental income. Importantly, most investors are not speculating on quick gains in a low interest rate environment.

"The survey also affirms that a lot of the discussion about negative gearing misses the mark. Most investors understand that negative gearing is only a short-term cash flow position, not a property investment strategy. And only a very small minority are attracted to real estate for these tax concessions," Kingsley said.

Brisbane remains the preferred investment destination for 50% of the survey respondents, and although this is down from 58% in 2015, it is far ahead of every other capital city (Melbourne 20%, Sydney 11%, Adelaide 9% and Perth 4%).

"Property investors are becoming savvier. Many of them continue to look outside of our biggest property markets – Sydney and Melbourne – which are coming close to the peak of their cycles," said Kingsley.

"The two key reasons that Brisbane still attracts investors, in spite of concerns around oversupply, are affordability and the potential for attractive yields. Brisbane is investing in infrastructure to make the city more liveable and investors are clued on to this."

The survey also reveals that mortgage brokers remain by far the most important source of finance for property investors: 65% of investors secured their last investment loan through a broker, and 71% planned to secure their next investment loan through a broker.

"In the complex borrowing environment we are now facing, brokers continue to play a key role as providers of finance to investors. They tend to better understand the investment lending landscape and offer great choice to investors," Kingsley said.

The survey also shows that a vast majority (80%) of investors would choose, or refinance with, a lender offering the option of an interest-only repayment period, as opposed to a lender that did not offer such a period; and 66% of investors indicated that they would choose, or refinance with, a lender if it offered the same interest rates for investors as owner-occupiers. **AB**


ABOUT INVESTORS

The PIPA survey indicates:

 **71%**
of investors believe now is a good time to invest in property

 **58%**
of investors are looking to purchase in the next 6 to 12 months

 **72%**
of investors are not worried about possible changes to negative gearing

 **32%**
of investors say changes to lenders' policies have impacted on them

 **65%**
of property investors secured finance for their last deal via a mortgage broker

 **89%**
of investors believe people who recommend property investment should be regulated and licensed

Source: PIPA



PROPERTY PRICES REBOUND, MARKET HITS \$6TRN

According to new figures released by the ABS, Sydney property prices rose in the June quarter of 2016 after six months of falls.

Prices rose in every capital city except for Perth and Darwin, and the strongest growth was recorded in Melbourne at 8%, followed by Canberra at 6%. Prices of established houses in Sydney rose 3.2%, and attached dwellings rose 2%.

Established house prices in the eight capital cities rose 2.3%, and attached dwellings rose 1.4% in June quarter 2016, taking the total value of Australia's 9.7 million residential dwellings up by \$138.3bn to \$6.0trn. The mean price of dwellings in Australia is now \$623,000.